

## Understanding Escrow Impound Account

An Impound Account, also known as an Escrow Impound Account, is an account set up and managed by mortgage lenders to pay property taxes and insurance on behalf of the home buyer. These accounts are set up with the lender during escrow to ensure that the home buyer's property taxes and insurance are paid on time and in full. The biggest misconception with the Impound Account is that it is managed by the escrow company. However, after escrow collects the initial deposit for the Impound Account and after the transaction is closed, the escrow company is no longer involved.

### How It Works:

Each month, an amount equal to about 1/12 of the total sum of the annual property taxes and insurance due is collected from the buyer, along with their mortgage payment, and placed inside the account. When the time comes to pay the annual property taxes and insurance, the lender makes the payment from the funds accumulated in the account on the behalf of the buyer.

### Setting up an Account

The account is set up by the mortgage lender during escrow. Escrow collects an Escrow Impound Deposit, which is typically a deposit of 2-6 months worth of taxes and insurance. Due to the fact that property taxes can be adjusted and insurance rates can change, this deposit ensures there are sufficient funds to make the payments in full when they are due.

### Common Questions Regarding an Escrow Impound Account:

**Is it mandatory to have an Escrow Impound Account?**  
No. The buyer may elect to pay property taxes on their own, and there is usually a small fee when waiving the account. However, based on the type of loan, the lender may require the buyer to have one.

### Is it a good idea to have an Escrow Impound Account?

Since the property taxes and home insurance bills only come about twice a year, many average Americans have a hard time saving for them, and gladly give their money to the loan company interest free. This is one less thing to worry about, as the lender makes the payments for the buyer.

### Do I have to decide now whether or now I wish to set up an account?

If it is not a condition of the loan, the buyer does not have to make an immediate decision. However, depending on the lender, there may be a cost to set it up at a later date. The purpose of impound accounts is to help home owners pay their annual property taxes and insurance on time. For more information on your account, payments and more information on how they are managed, contact your mortgage lender.

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