



# Construction to Permanent Loan Escrow Guide

With your loan converting from a construction loan to a permanent loan, it is time to establish your escrow account. Establishing an escrow account with First Federal Lakewood means:

- Your escrow payments will be deposited in a dedicated escrow account and will accumulate over time. Those funds will be used to pay your insurance policy when we receive a notice of a premium due as well as your real estate tax bill upon receipt from the local tax assessor.
- The escrow amount for insurance and taxes will be added to the regular mortgage payment for your loan.
- Your escrow account will be reviewed annually to ensure enough funds are collected to pay upcoming insurance premium(s) and/or property taxes. This review will be provided to you in the form of an Escrow Analysis Statement which will show the previous year's escrow account history, coming year projections, and any changes to your monthly escrow payment.

Enclosed is a copy of your Initial Escrow Account Disclosure Statement (IEADS). This statement represents a 12- month projection of the amount we will be collecting each month for escrow, as well as the anticipated disbursements for the coming year. The monthly collection for escrow includes **Insurance**, an estimated amount for **Real Estate Property Taxes**, as well as an **Initial Deposit and Cushion**.

## Insurance

Insurance disbursement projections may include Hazard Insurance premium, Private Mortgage Insurance (PMI), and/or Flood Insurance. The projected disbursements for these escrowed items will be listed individually on the enclosed IEADS.

Please note that the monthly collection of and projected disbursements for Hazard Insurance on the enclosed IEADS are for the renewal of your policy. It is your responsibility to have a paid policy in place at this time and payment for the first year of that policy should be made directly to your insurance carrier if you haven't already done so.

**If changing or updating your Hazard or Flood Insurance policy, please send the updated policy documentation to [insurance@ffl.net](mailto:insurance@ffl.net).** Sending us any policy updates and having First Federal Lakewood listed as the mortgagee on your policy helps ensure accurate and timely payment of your premium.

## Real Estate Property Taxes

The real estate tax disbursement is determined by using the estimated improved value of your home. This estimate is obtained by using comparable residential properties in your market area. This opts for a higher and more accurate monthly payment and will minimize payment adjustment in the future.

Since initially your actual tax bill amount disbursed to the county tax assessor will likely be based on the unimproved value, this may result in a surplus in your escrow account when your annual escrow analysis is conducted. This is normal and presents you with two options:

- Recommended: Deposit the refund back into your escrow account in preparation for the changes in your property's assessed value and tax bill.
- Retain the refund with the understanding that you may see a significant adjustment to your monthly payment with the first escrow account analysis conducted following a fully assessed tax bill disbursement.

## Initial Deposit and Cushion

An initial escrow deposit is the amount we require to start your escrow account to pay projected disbursements and establish a cushion or reserve for unanticipated disbursements. On a construction to permanent loan, the initial deposit is included in your monthly escrow payment for the coming year. The monthly escrow payment is calculated by taking the lump sum from your initial deposit, and then dividing it by 12, this amount is then part of the required escrow payment for the first year.

If you prefer to pay your initial escrow deposit as a lump sum, you may do so by contacting our Loan Service Team for assistance. Please email us at [escrowanalysis@ffl.net](mailto:escrowanalysis@ffl.net) or call (800)-966-7300.

## Contact Us

Please review the enclosed information in its entirety and contact us promptly with any questions or concerns.

**Insurance Department:** [insurance@ffl.net](mailto:insurance@ffl.net)

**Escrow & Tax Department:** [escrowanalysis@ffl.net](mailto:escrowanalysis@ffl.net)

**General Questions:** [servicing@ffl.net](mailto:servicing@ffl.net) or (800)-966-7300

