

## TAX AND INSURANCE DISCLOSURE STATEMENT

Lafayette Federal Credit Union mailed the TAX AND INSURANCE DISCLOSURE STATEMENT (also referred to as the "Annual Escrow Account Analysis") on December 18, 2009. The statement contains "Account History" (page one), "Account Projection" (page two) and "Account Projection Summary" (page three). This statement provides members who had or have a first trust mortgage loan with LFCU during 2009 with information about the following:

- Disbursements that were made out of the escrow account for 2009 (but not limited to) real estate taxes, homeowners' insurance, flood insurance, etc (located under "Account History")
- Escrow payment requirements for 2010 (located under "Account Projection")
- Account balance requirements for 2010 (located under "Account Projections Summary")

This statement should be kept as is used as documentation when preparing tax returns.

### DEFINITIONS:

- Surplus: A "Surplus" indicates that the escrow account had more funds than were required in the account and the amount of the surplus is refunded to the member.
- Deficiency: A "Deficiency" means that the escrow account had a negative balance at the end of the year.
- Shortage: A "Shortage" means that the amount collected for escrow disbursements is not enough to cover the required payments from the account

### FORMAT CHANGES:

LFCU converted to a new servicing system in June, 2009 therefore the format of this notification may appear different from last years' statement. The information contained in the Statement is the same; the layout is just slightly different.

### CHANGE IN ESCROW PAYMENT REQUIREMENTS:

There are a couple of different reasons why a monthly/bi-weekly escrow payment amount may change. The payment amount will go up or down depending on the amount that was collected for and disbursed during the year. If taxes increased during the year and the amount collected was based on a lower amount, the account may have a shortage/deficiency and this would cause the escrow payment amount to go up. If an insurance premium was lowered during the year, the amount collected during the year may have been too high and therefore would be lowered for the following year.

The previous servicing system used the following method for calculating projected escrow payment amounts:

Previous years' disbursement amount X 5% - no cushion.

For example:	Taxes paid in 2009:	\$1000.00
	Taxes projected for 2010:	\$1050.00

The new escrow payment amount would be based on \$1050.00 instead of \$1000.00.

The new servicing system calculates projected escrow payment amounts under the following method:

Previous years' disbursement amount – plus two month cushion

For example:	Taxes paid in 2009:	\$1000.00
	Taxes projected for 2010:	\$1000.00
	Two month cushion:	$\$1000.00/12*2 = \$166.67$ per month
	Two month cushion:	\$333.34

This calculation is based on the anticipated annual disbursements for the year. "Cushions" are adjusted accordingly for loans that are due on a bi-weekly basis.

#### **REGULATION REQUIREMENTS:**

All escrow account collections are regulated by RESPA (Real Estate Settlement Protection Act). There are minimum and maximum amounts that can not be exceeded in accordance with this regulation. Under each system, the RESPA tolerances were strictly adhered to.

#### **EFFECTIVE DATES:**

"Surpluses" will be refunded to members during the last two weeks of the year. If a members' loan is past due, the surplus will be deposited into the members account and all or part of the surplus will be applied directly to the past due amount on any past due loan (even if it is not a mortgage loan) in accordance with the "right to offset" in Item 20 of the "Membership and Account Agreement".

"Shortages/Deficiencies" are effective January 1, 2010. All Shortages and/or Deficiencies will be added to the required escrow payment and collected over a Twelve (12) month period beginning January 1, 2010.

#### **STATEMENT RECIPIANTS:**

**-Account History, Account Projection and Account Projection Summary pages:**

Members that have an existing first trust mortgage loan AND had escrow disbursements made from their escrow account during 2009 and the loan was NOT paid off in 2009.

**-Account Projection and Account Projection Summary pages:**

Members that obtained a first trust mortgage loan in 2009 BUT no escrow disbursements were made from their escrow account during 2009.

**-Account History page only:**

Member that paid off a first trust mortgage loan in 2009 AND had escrow disbursements made from their escrow account during 2009.

**NOTE:** If a member had a first trust mortgage loan in 2009 but paid it off prior to any escrow disbursements being made from their account, they will not receive any part of the Tax and Insurance Disclosure Statement. Any escrow account "Surplus" or "Deficiency" would have been satisfied at the time of payoff.

**QUESTIONS AND ANSWERS:**

Q. Am I required to have an escrow account if I have a first trust mortgage loan with LFCU?

A. Escrow accounts are required on all first trust mortgage loans regardless of the loan to value on the loan for at least twelve (12) month from the time of disbursement. Members are also required to have an escrow account if the loan to value exceeds 80%. If the loan to value is under 80% AND the loan disbursement date is over twelve (12) months ago, members may request that the escrow account requirement be waived. An interest rate adjustment and/or a fee may be required in order to waive the escrow requirement. It is at the sole discretion of the credit union to approve escrow requirements. Waiver requests must be submitted in writing and mailed to: Servicing Department, Attn: Dawn Bowen at Lafayette Federal Credit Union, 3535 University Blvd., West, Kensington, Maryland 20895. Emails should be sent to [mortgage@lfcu.org](mailto:mortgage@lfcu.org).

Q. If I have a shortage/deficiency, am I required to pay it over a twelve month period?

A. No, members may lower their required escrow payment by paying the full/remaining amount of the Shortage and/or Deficiency in full at any point during the year. Please contact the Servicing Department for additional details.

Q. Can I deposit extra funds into my escrow account?

A. No, by regulation, LFCU is not allowed to hold more than the required funds in an escrow account.

Q. I've misplaced all or part of the Tax and Insurance Disclosure Statement. How do I get another copy?

A. Current, you may request another copy by contacting the Servicing Department at [mortgage@lfcu.org](mailto:mortgage@lfcu.org).

Q. Will I be able to view my escrow account online?

A. Yes, LFCU will be testing "E-Status" in February, 2010. E-Status will allow members to view all escrow account information online as well as year end statements such as the Tax and Insurance Disclosure Statement and 1098 Interest Statements. The anticipated "live" date for this option is March, 2009. For updates, please visit our website at [www.lfcu.org](http://www.lfcu.org).