

Consumer Disclosure for Voluntary Escrow Account Payments

IMPROVED LAND VS. UNIMPROVED LAND

When land is “unimproved”, this typically means no home or building has been placed on the property. Land becomes “improved” once a home has been built. For the purpose of determining property tax obligations, State and local governments assess unimproved land at a lower value than improved land. The improved value therefore results in a higher property tax obligation.

WHAT IS “PAYMENT SHOCK”?

Payment shock occurs when your monthly payments into your escrow account substantially increase after the first year due to a significant rise in escrow items, such as your property tax obligation. Payment shock is common with new housing construction, where the property tax assessment is based on the unimproved value of the land for the first calendar year but reassessed at the improved value of the land in the second calendar year.

VOLUNTARY AGREEMENT TO MAKE ESCROW PAYMENTS AHEAD OF SCHEDULE

The tax bills paid out of your escrow account are expected to increase substantially after the first calendar year due to your home being new construction. Under normal escrow practices, your monthly escrow payment in the second year could be much higher than in the first.

You may voluntarily choose to make the higher payment based on the improved value tax estimate in the first year to reduce or eliminate the monthly payment increase in the second year.

PLEASE INITIAL ONE OF THE FOLLOWING:

Yes, I voluntarily agree to pay the higher escrow payments. I further understand and agree that this voluntary agreement will expire after the first calendar year at which time my escrow account will be re-analyzed.

No, I (we) do not wish to make higher payments. I (we) realize that my (our) escrow payment, which is included in my (our) mortgage payment, may increase substantially when the account is re-analyzed after the first calendar year.

Borrower -

Date

Co-Borrower -

Date