Annual escrow analysis checklist

Before and after the run, with the Regulation X rule behind each step.

LOAN GROUP OR STATE	COMPUTATION YEAR END	PREPARED BY	RUN DATE

Before the run

	NOTES / LOANS AFFECTED
☐ Confirm the computation year end for each group of loans falls after that state's tax bills are issued. Known charges must be used: 1024.17(c)(7)	
☐ Retrieve and verify the current tax amount for every parcel where the bill has been issued, and mark the ones still estimated. Estimate only when the charge is unknown: 1024.17(c)(7)	
☐ Check that special assessments and other charges on the tax roll are included in the amount.	
☐ Confirm each installment amount and penalty date by jurisdiction. Disbursement dates and no pre-accrual: 1024.17(d)(2), (c)(6)	
☐ Confirm parcel-to-loan matches, especially after splits, combinations, and servicing transfers. Itemized disbursements on the statement: 1024.17(i)(1)	
☐ Confirm the cushion setting for each loan against the one-sixth limit and any lower limit in the loan documents or state law. One-sixth limit: 1024.17(c)(5)	
☐ Identify accounts where funds were advanced during the year. Each needs an analysis before any repayment request. Analysis before seeking repayment: 1024.17(f)(1)(ii)	

After the run

	NOTES / LOANS AFFECTED
☐ Refund surpluses of $50 or more within 30 days of the analysis. 1024.17(f)(2)	
☐ Apply the shortage and deficiency repayment options and send the required notice. 1024.17(f)(3), (f)(4), (f)(5)	
☐ Send the annual statement within 30 days, with the prior year's projection. 1024.17(i)	
☐ Retain the analysis and statement for examiners and auditors.	

Timing worksheet and statement contents

Analysis timing worksheet

Run the analysis after the bill is issued and before the first installment is due. Fill in your dates by loan group.

STATE	BILLS ISSUED	FIRST INSTALLMENT DUE	OUR YEAR END	PLANNED RUN DATE	BILL IN HAND
Wisconsin	December	January 31			☐
Minnesota	Statements by March 31	May 15			☐
Illinois	Spring; varies by county	June 1 (later if the bill date controls)			☐
Michigan	July 1 (summer), December 1 (winter)	September 14 and February 14			☐
Iowa	Late summer; varies by county	September 1			☐
					☐
					☐

Statutory defaults and typical issue dates. Counties and municipalities can differ. A short year statement can move a computation year into the window (1024.17(i)(4)).

Annual statement must show

Due within 30 days of the end of the computation year (1024.17(i)(1)).

- ☐ The current monthly mortgage payment and the portion going to escrow
- ☐ The prior year's monthly mortgage payment and the portion that went to escrow
- ☐ The total paid into the escrow account during the past computation year
- ☐ The total paid out for taxes, insurance, and other charges, itemized by type
- ☐ The balance in the account at the end of the period
- ☐ An explanation of how any surplus is being handled
- ☐ An explanation of how any shortage or deficiency is to be paid
- ☐ If applicable, the reasons the estimated low monthly balance was not reached

Regulation X quick reference

Key numbers

One-sixth
Cushion limit, of estimated annual disbursements
1024.17(c)(5)

Once a year
Analysis at the end of each computation year
1024.17(c)(3)

30 days
Annual statement due after the year ends
1024.17(i)

$50
Surplus at or above this is refunded within 30 days
1024.17(f)(2)

12 months
Minimum spread for collecting a shortage
1024.17(f)(3)

2 or more
Monthly payments for collecting a deficiency
1024.17(f)(4)

45 days
Initial statement due after settlement
1024.17(g)

60 days
Short year statement due after the short year
1024.17(i)(4)

What each finding triggers

When the borrower is current (payment received within 30 days of its due date).

Surplus of $50 or more	Refund within 30 days of the analysis	1024.17(f)(2)(i)
Surplus under $50	Refund, or credit against next year's payments	1024.17(f)(2)(ii)
Shortage under one month's payment	Let stand, repay within 30 days, or spread over 12+ months	1024.17(f)(3)(i)
Shortage of one month's payment or more	Let stand, or spread over 12+ months	1024.17(f)(3)(ii)
Deficiency under one month's payment	Let stand, repay within 30 days, or 2+ monthly payments	1024.17(f)(4)(i)
Deficiency of one month's payment or more	Let stand, or 2+ monthly payments	1024.17(f)(4)(ii)

Common errors and the input behind each one

Most analysis problems are data problems that arrived earlier in the year.

ERROR ON THE STATEMENT	INPUT THAT CAUSED IT	RULE IT RUNS INTO
Shortage every year on the same loans	Analysis ran before the bill was issued, so last year's amount plus CPI was used	Known charges must be used (c)(7)
Disbursement larger than projected	A special assessment or charge on the tax roll was not in the amount	Estimate must cover all escrow items
Payment collected too early	Projection used the bill date instead of the penalty date	No pre-accrual (c)(6)
Two installments projected as one	Installment schedule not tracked by jurisdiction	Disbursement dates (d)(2)
Wrong amount on the wrong loan	Parcel split, combination, or mismatch after boarding	Itemized disbursements (i)(1)
Cushion over the limit	Cushion calculated on a stale or inflated disbursement total	One-sixth limit (c)(5)

Get the actual tax amount in hand before the run.
Inveritax posts verified escrow amounts within 48 hours of being made available.
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