JANUARY 10, 2013

What the new escrow account requirements mean for consumers

Consumer Financial Protection Bureau

The rules for escrow accounts – which hold money that some mortgage lenders collect every month along with your mortgage payment and saves up to pay your big bills like property taxes and homeowner's insurance premiums– are changing.

Escrows can be an important consumer protection. They help you save a little each month toward big bills your lender pays for you as they come due. Having an escrow account helps ensure that homeowners better understand the overall costs of maintaining their home.

Starting June 1, 2013, certain lenders have to collect monthly escrow payments from you for certain mortgage loans for at least the first five years you have the mortgage.

The escrows rule **does not** apply to all mortgage loans. The new rule only affects certain "higher-priced" mortgage loans that have a rate based on interest, points, and other loan terms that is higher than levels set in the rule.

If your home is in a community association that buys homeowner's insurance for everyone in the development the lender may only have to escrow for property taxes. The kinds of communities that might have a governing association that maintains a master homeowner's insurance policy for all of the homes in the community include:

- Planned unit developments
- Condominiums
- Other "common interest" communities

When escrows aren't collected

The escrows rule also **does not** apply to loans made by all lenders. The escrow requirement may not apply to some lenders, particularly lenders that mostly operate in rural areas or areas where few loans are made. If your lender meets four conditions, it may not have to collect escrow payments from you. In general, the four conditions are:

1. It lends mostly in rural areas or places where people have a hard time getting mortgages.
2. It makes 500 or fewer mortgages a year.
3. It has assets less than $2 billion.
4. It generally doesn't hold escrow accounts for any of its current mortgage customers.

If your lender meets all four of those requirements, but it plans to sell your loan to another company that doesn't also meet the same four requirements, your lender will have to establish an escrow account for you if your loan is a higher-priced mortgage loan covered by the rule.

What to do if your lender doesn't follow the rules

If you think your lender is not following the escrows rule, the Consumer Financial Protection Bureau wants to know. You can get in touch with us in any of these ways.

Online: www.consumerfinance.gov/complaint

By telephone (in 187 languages)**:**

(855) 411-CFPB (2372)
Español (855) 411-CFPB (2372)
TTY/TDD (855) 729-CFPB (2372)

8 a.m. to 8 p.m. Eastern, Monday–Friday

By mail: Consumer Financial Protection Bureau
P.O. Box 4503
Iowa City, Iowa 52244

By fax: (855) 237-2392

The escrows rule is one of many rules that help protect you when you get a mortgage, and is one of the rules under the Truth-in-Lending Act (TILA). Our website has information on many other consumer protection laws and regulations that apply to mortgages at www.consumerfinance.gov/regulations/