

Escrows

Revised:02.04.25

Applies to Conventional, FHA, VA and USDA

The guidelines below are applicable to both Delegated and Non-Delegated Loans.
For Non-Agency Loans refer to the applicable product description

FHA, VA and USDA

Escrows cannot be waived.

Escrow accounts will be established and held for real estate taxes, hazard insurance (including HO-6), and flood insurance (if applicable).

For FHA, an escrow account will also be established and held for the annual (monthly) MIP.

Conventional

Ordinarily, an escrow account will be set up in order to pay for any taxes and/or insurance associated with the loan. Escrow of homeowners insurance, taxes, flood insurance and mortgage insurance (if applicable) are required unless noted herein.

Escrows can never be required (exceptions below do not pertain to these states), except for Flood Insurance, on:

- California conventional loans (on primary or secondary dwelling) if LTV < 90%.
- DC conventional loans (on primary or secondary dwelling) if LTV < 80%.
- Illinois conventional loans if borrower has elected to pledge assets in lieu of escrow, the borrower is responsible for setting up the pledge account. When the borrower sets up the account with the bank, they should be provided with documentation to evidence the account.
 - No Pledge account is needed if LTV<65%.

Escrows may never be waived, unless otherwise prohibited by state law for:

- Mortgage Insurance.
- Cash Out Refinances when delinquent real estate taxes (past due more than 60 days) are included in the loan amount.
- Flood Insurance, with the exclusion of co-ops.

Note: Regardless of LTV, an escrow account will be required for a primary residence loan that is made in compliance with the Regulation Z requirements for higher priced mortgage loans (HPML Section 35). This requirement does not apply to second homes, investment properties, construction loans, HELOCs, co-ops (except for mortgage insurance if applicable) or entity loans in which the entity signs the note.

Condominium

If the loan is secured by a condo and the Condo Association pays the insurance coverage for the unit, including walls-in coverage (HO6), only the taxes and other required monthly payments must be escrowed. If the borrower is required to carry a personal walls-in policy and escrow for the loan is required, then the HO6 policy must be escrowed. When the loan is secured by a co-op, the property taxes and all required insurance premiums are paid by the co-op board. No escrows are required, except mortgage insurance, if applicable.

Exceptions

The following guidelines must be met in order to make an exception to collecting escrows. Pricing Adjustments/charges may be applied for waiving escrows.

Exception for Escrow Waiver on Primary or Second Homes:

- Escrow of homeowner's insurance (including HO-6) is not required except for scenarios where escrows can never be waived.

- Maximum 80% LTV, unless otherwise prohibited by state law.
- Minimum Representative Credit Score of 660.
- Minimum of 2 months reserves established (PITIA), unless borrowers are currently waiving escrows with a satisfactory payment of property taxes and/or insurance premiums in the past 12 months.
- No significant derogatory credit events (BK, Foreclosure, Lis Pendens, Charge Offs) in last 5 years.
- Rate/Term refinance: escrows may not be waived if real estate taxes are included in the loan amount.
- Cash Out refinance: escrows may not be waived if delinquent real estate taxes are included in the loan amount.
- Freddie Mac Home Possible mortgages are not eligible.

Exception for Escrow Waiver on Investment Properties:

- Escrow of homeowner's insurance (including HO-6) is not required except for scenarios where escrows can never be waived.
- Maximum 80% LTV.
- Minimum Representative Credit Score of 660.
- Minimum of 6 months total reserves established (PITIA).
- AUS scored loans only, with Desktop Underwriter (DU) Approve/Eligible or Loan Prospector (LPA) Accept scores.
- Mortgage payment history for all mortgages with no mortgage lates in the past 12 months.
- Demonstration of satisfactory payment of property tax and/or insurance premiums in the past 12 months, when borrowers are currently waiving escrows.
- No significant derogatory credit events (BK, Foreclosure, Lis Pendens, Charge Offs) in last 5 years.
- Rate/Term refinance: escrows may not be waived if delinquent real estate taxes are included in the loan amount.
- Cash Out refinance: escrows may not be waived if delinquent real estate taxes are included in the loan amount.