

Understanding Escrow

This critical account ensures your property doesn't accidentally go into foreclosure

Escrow companies collect the funds needed to cover the cost of property taxes and insurance and then make the payments, so property owners don't have to worry.

This can give peace of mind to borrowers of any experience level, from first-time buyers to those who've sold a series of homes.

The Real Estate Settlement Procedure Act was established under the umbrella of the U.S. Department of Urban Development to standardize this process of handling and distributing client funds. Property taxes and insurance fees are managed over the life of your loan, whether they are a mandatory part of the sale or not.

INSURANCE

Escrow accounts are often put in place to manage regular insurance payments. This important policy protects the homeowner in the event of every-day mishaps both small and large. In some cases, however, additional insurance may be required by the mortgage company as a condition



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REAL ESTATE 101

Federal Rehab Loans

Financing through the Federal Housing Administration's Section 203(k) is available for a vast array of improvements, from alterations that eliminate safety hazards to improved plumbing or septic systems, from replacing roofs, floors and plumbing to landscape work that enhances accessibility.

of your loan. These policies may cover fire, flood or storm

damages. Then it becomes even more essential that the

payments are made on time, month after month, in order

to avoid default.

TAXES

You can, of course, pay homeowner taxes yourself, but escrow experts relieve us of the need to become an expert on local, state and federal laws – to say nothing of making sure the bill is paid when we're distracted by our busy daily lives. Getting behind on your property taxes is one of the fastest pathways to home confiscation. A property seized by the government for nonpayment is very difficult to reclaim, since the taxes owed are often required to be paid in a lump sum. Should you fail to do so, the home becomes government property and is then put on auction in order to address the outstanding debt.

WHY IT'S IMPORTANT

An escrow company will pay your insurance premiums and taxes through a monthly stipend that's out of sight and out of mind. This allows the homeowner to move forward with confidence, while also keeping all debts paid in full. Explore your options with an experienced local escrow professional before buying, since they can discuss the system advantages in more detail. They may also have additional recommendations or services that make sense for your particular home purchase.



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HOMEWISE GLOSSARY

“**Subject to**”: The recognition by a buyer of conditions (such as a prior loan), which are not the buyer's legal responsibility. SOURCE: MLS.com

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