

Should I Waive Escrow?

When mortgage insurance is not required on your mortgage, nor is escrow. Escrow is a NON-INTEREST BEARING, government-regulated account doing nothing for you but paying two bills a year (property taxes and home owner's insurance) that you can pay directly. If you escrow, your account will be the same regardless of what lender you choose due to government regulation.

An escrow account is "padded" by two month's of taxes and insurances based on regulations. If your insurance is \$800 a year and your taxes are \$2,000 a year, your escrow account would keep \$468 of your money tied up in a non-interest bearing account for the life of the loan. This is on top of the money you pay into the escrow account each month when you make a mortgage payment. In this case, that would be \$234 per month. This is a lot of money to be tied up in a non-interest bearing account.

To waive escrow(pay your own taxes & ins.), every mortgage banker in the country charges a one-time fee of a .25% of the loan amount. I know this seems crazy and I agree, BUT, you are still in a better investment to waive escrow. How?

Compare the .25% cost of waiving escrow to the two month "pad". They are typically very close in value and if they are, it's worth keeping your money in your pocket. Besides, you can set your own escrow account up by opening a separate savings account and depositing the monthly escrow amount into this account. It will draw interest throughout the year and be ready to pay out when the bills come due. More and more lenders are mismanaging escrow accounts as well causing borrowers to pay large sums of money to get the account caught up due to the lender's mistake. These are unexpected and many times difficult to pay. Manage your money and your money will do more for you!

Contact your Mortgage Investment Consultant or email us your request for an escrow analysis at savings@fixedfeemortgage.com. We'll be glad to assist you in making the best return on investment decision regarding waiving escrow.