

Tax Impounds *Explained*



Tax impounds have become the standard method for homeowners to pay their property taxes. Most banks prefer that you pay your taxes with your mortgage payment. Almost every mortgage company will actually charge you if you do not want to pay your property taxes with your mortgage. There is a higher risk for the mortgage company if you pay your own property taxes.

So what happens when you send your property tax payment in every month? Generally taxes are due once or twice a year. An escrow account is created to hold your property tax payments each month until they are due. This account does not make interest for the bank, it is simply a non interest bearing holding account. When the taxes become due the bank or the loan servicing company will pay them for you.

What happens when you refinance? A refi is a bit more complicated. You will be required to pay your taxes that are coming due within generally 90 days from the day your new loan funds. You will be returned any money that was in the escrow or impound account from your previous loan. This will create the need to start a new property tax impound account. The new account will accrue so that there is enough to pay your property taxes when they become due at the next annual or semi-annual payment date. You may need to provide a couple of months to start the new impound account moving forward, but you are being returned roughly the same amount from your old escrow account.

In summary, when you refi you will start a new escrow account. That account will need about the same amount to start as the amount that is in your current property tax escrow account. It is essentially just moving the money around. If you choose not to escrow your taxes you will be charged by the bank, although they generally will not even mention that to you. It is almost a given that homeowners will escrow both the property taxes and the homeowner's insurance into their mortgage payment.

***Information deemed reliable but not guaranteed.
<http://www.articlesbase.com/taxes-articles/tax-impounds-yes-or-no-512164.html>

Tax Impounds Schedule



California Tax Impounds Schedule

	<i>1st Installment</i>	<i>2nd Installment</i>
Due Date:	November 1st	March 1st
Delinquent Date:	December 19, 5:00pm	April 10, 5:00pm
Period Covered:	July- December	January-June

- * Loans closing February 19 and after require the 2nd tax installment be paid prior to or at closing.
- **Loans closing October 21 and after requires the 1st tax installment be paid prior to or at closing.

Month of Funding	First Monthly Payments	Tax Impounds Collected
January	March	7 Months Collected (1st Installment Paid, 2nd Installment not paid)
February	April*	7 Months Collected (1st Installment Paid, 2nd Installment not paid)
February	April	2 Months Collected (1st & 2nd Installment Paid)
March	May	3 Months Collected (1st & 2nd Installment Paid)
April	June	4 Months Collected (1st & 2nd Installment Paid)
May	July	5 Months Collected (1st & 2nd Installment Paid)
June	August	6 Months Collected (1st & 2nd Installment Paid)
July	September	7 Months Collected (1st & 2nd Installment Paid)
August	October	8 Months Collected (1st & 2nd Installment Paid)
September	November	9 Months Collected (1st & 2nd Installment Paid)
October	December	10 Months Collected (1st & 2nd Installment Paid)
October	December**	4 Months Collected (1st Installment Paid, 2nd Installment not paid)
November	January	5 Months Collected (1st Installment Paid, 2nd Installment not paid)
December	February	6 Months Collected (1st Installment Paid, 2nd Installment not paid)

*Information deemed reliable but not guaranteed. Please check with your lender for some lenders have different requirements.