

601 TAX AND INSURANCE (T&I) ESCROW POLICY

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Purpose of Tax and Insurance Escrows

The tax and insurance escrows are setup to maintain the financial health of developments receiving multifamily loans from the Authority. These escrows are required in order to maintain adequate funds to cover tax and insurance bills to protect the Authority’s investments.

Contributions to the Tax and Insurance Escrows

Deposits to the tax and escrow accounts occur as funds are sent in with the monthly mortgage payments. The monthly deposit amount for the tax and insurance accounts is based on the approved annual budget numbers for each development.

Eligible Expenses

Tax Escrow – Funds from this account may only be used to pay tax bills due or reimburse tax bills paid directly by the development.

Insurance Escrow – Funds from this account may only be used to pay property and liability insurance premiums or reimburse property and liability insurance premiums paid directly by the development.

Escrow Disbursements

Disbursements from the tax and insurance escrow accounts occur automatically to pay for outstanding tax and insurance bills coming due if the bills are sent directly to the

Authority's Multifamily Mortgage Servicing (MFMS) Unit. If a development needs reimbursement for a bill paid directly by the development, the Agent may submit a written request to the Authority's MFMS Unit along with:

1. A copy of the bill and supporting documents, and;
2. Proof of the payment (copy of the receipt or a cancelled check).

Tax and Insurance Analyses

Twice a year the Authority's MFMS Unit performs an analysis of the funds in the tax and insurance escrow accounts and the disbursements made from those accounts.

July Analysis

This analysis is based on the most recent year's tax and insurance bills from the respective accounts, an inflation factor (if applicable), and the projected funds in the escrow accounts at the time of the analysis. The July analysis amounts are included in the budget template issued to each development in order to provide each development with its anticipated monthly tax and insurance escrow deposit amounts for the upcoming calendar year. The July analysis amounts will not result in a transfer or refund of any surplus and no payments will be required for any calculated deficit.

Insurance Premiums

If an insurance premium will be changing (for example, from a change in provider or a change in the new insurance premium) in the upcoming year, notification of this change must be sent into the Authority's MFMS Unit by December 1st to be included in the December analysis of the surplus or deficit in the escrow accounts. The December analysis will not be updated to reflect any changes received after December 1st.

December Analysis

This analysis occurs by the 17th of December. Payments not processed by the time the analysis is generated are accounted for in the projected amounts and will show as outstanding on the December analysis. The analysis determines if the combined total of tax and insurance escrow funds result in a surplus or deficit for the year in relation to the bills paid. No change in the upcoming calendar year monthly deposit amounts for taxes or insurance results from this analysis.

Escrow Deficit - If the December analysis calculates the escrow funds are not sufficient (e.g. a deficit) in a development's tax or insurance account, the Authority's MFMS Unit will attempt to fund the deficit from the following sources in the order shown:

1. The opposite (tax or insurance) escrow's surplus, if available,
2. Operating Reserve Cash (ORC) Escrow, or
3. Development Cost Escrow (DCE) Interest account.

The development's December Activity Statement will reflect any transfers that took place to help fund a "Total Escrow Deficit" amount. If the "Total Escrow Deficit" cannot be resolved through transfers from the above accounts, the outstanding amount must be funded, by January 25th (or the next business day if the 25th is on a weekend), from either the development's operating account or the owner.

Escrow Surplus – If the analysis calculates the total escrow funds exceed the anticipated needs (e.g. a surplus), the surplus will transfer over to the Operating Reserve Cash (ORC) account. Transfers to the ORC escrow will be reflected on the development's December Activity Statement.

Mortgage Loan Prepayment

Upon payment in full of the Mortgage Loan, the disbursement of excess funds is governed by the legal documents.

Forms

601A – December Analysis Cover Letter