



# Escrow Accounts & Prepaid Items

A large part of your loan estimate are taxes and insurance. These fees are called “prepaid items” and are part of your closing costs.

## Insurance

The bank pays for a 12-month period of insurance up front starting from beginning of the insurance policy. For example, if you close on your home in June, the 12-month period would be June through May of the following year. The monthly portion of your mortgage that goes toward your insurance is collected and paid back to the insurance company. Each monthly payment made after closing is deposited into an escrow account to prepay the next year’s insurance.

If you choose not to have an escrow account, most banks will still require the first year of insurance be paid up front and may charge a fee that results in a higher interest rate.

## Prepaid Taxes

Taxes are paid the same way, except that your taxes are paid by the bank twice a year. Property taxes are paid in April for the months of January 1st through June 30th and in October for the months of July 1st through December 31st. Remember that prepaid taxes are also on a fixed timeline and can adjust depending on your close date.



[victorianfinance.com](http://victorianfinance.com)

304.397.3160 3818 Teays Valley Road, Hurricane, WV 25526



NMLS: #50635; WV: ML-24537; NMLS: #1067576; WV: LO-34217; KY: MC326896; OH: MLO.047587.000



**Wes Wyrick**

VP of Sales | Mortgage Lender

**304.617.4908**

[wes@victorianfinance.com](mailto:wes@victorianfinance.com)

