2018 McCracken Conference

ESCROW ANALYSIS:
OTHER INTERESTING INFORMATION

McCRACKEN
FINANCIAL SOLUTIONS CORP.

Escrow Analysis

- The main reason for Escrow Analysis is to insure that there will be sufficient funds to make the next year's disbursements.

- There are many parameters available to insure an adequate amount for the next disbursement.

- There are 4 different methods for Escrow Analysis.

Escrow Analysis

- **4 Different options for the method of the Escrow Analysis – Aggregate Analysis Code**
  - N or blank – Regular
  - Z – Combined Balances
  - Y - HUD Escrow Analysis
  - X – Aggregate

All 3 of the Aggregate Methods

- Escrows 1, 2, and 4 will be combined on Current Status
  - One Escrow Constant will be displayed
  - One Escrow Balance will be displayed
- Disbursement use Aggregate Balance
  - When Tax or Insurance bills are analyzed to determine if there are enough funds, the balances in Escrow 1, Escrow 2 and Escrow 4 are totaled & then considered.
  - The system generated disbursements automatically create any debits and credits that might be needed to move funds

All 3 of the Aggregate Methods - Current Status

Master Info

	Customer Info		Master		venue & Expenses		Holdbacks		Analysis & Rep

- Payment/Billing
- Balances/Processing
- Contract
- Esc/LateChg/Default
- D.I.A.L.
- Reporting
- Tiered Service Fee
- Period to Date(1)
- Period to Date(2)
- Commercial/Balloon
- Interest Reserve
- Valuation Analysis
- Prepayment Premiums
- Fee Information

Loan in Process: NO (N)
Interest Rate%: 5.5000000000000
Expanded Interest Rate%: .000000000000000000000000000
Annual Percentage Rate%: 5.5000000000000
Neg Amortization% Allowed: .00
Deposit Account#:
Subsidy: N
Mod Pmt Sched on File: NO (N)
Pmt App String: STANDARD (V99)
Allow Partial Payments: NO (N)
Principal & Interest Pmt: 8,167.89
Escrow 1 Payment: 1,200.00
Escrow 2 Payment: 800.00
Escrow 3 Payment: .00
Escrow 4 Payment: .00
Escrow 5 Payment: .00

Legal Maturity Date: 10/31/2023

All 3 of the Aggregate Methods - Current Status

Master Info

Other Important Information

- E/A is run from Escrow Processing

- When you click on the running man this window will open
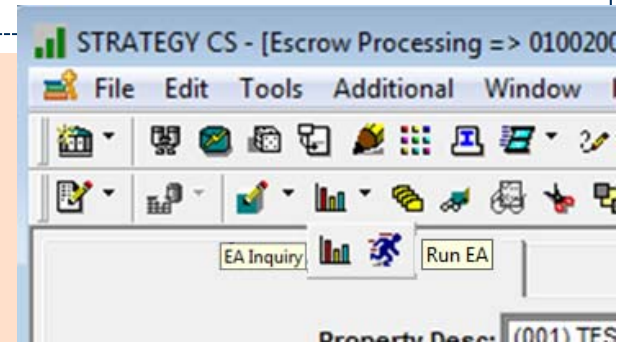
Other Important Information

- When you click on the E/A Inquiry Icon this filter box will appear.
  - A variety of filtering can be done or just click the OK button for all records to display

Other Important Information

- The filter box remains available
- Each column can be sorted by clicking on the heading

Escrow Analysis Inquiry

- Right Mouse Options

Export...
Print Notice/Letter
Print Report
Mode Change
Loan Review Change
Delete
Notes

Filter...
Find...

Right Mouse Options

- Export
  - Allows you to down load the grid.
  - Available with most grids
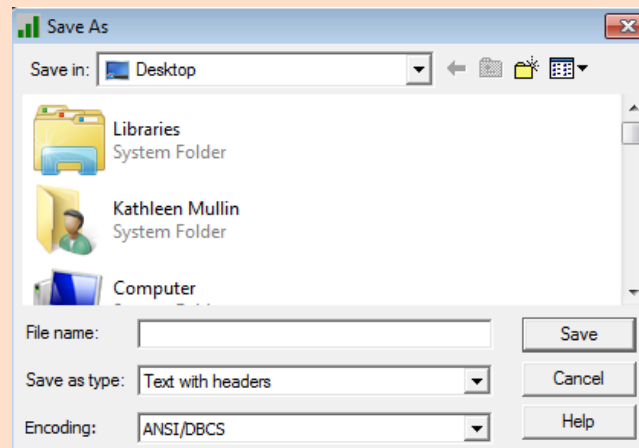
Right Mouse Options

- ## Print Notice/Letter

  Print Notice Letter

Account # (blank for all):	10020001
Escrow Analysis Run Date:	02/09/2015
Escrow Analysis Run Time:	02:17:54 PM
Run type:	TEST

  OK   Cancel   Help

- ## Print Report

  Print Report

Account # (blank for all):	10020001	to	10020001
Escrow Analysis Run Date:	12/17/2014	to	12/17/2014
Escrow Analysis Run Time:	03:22:38 PM		
Run type:	TEST		
Sort by:	Account		

  OK   Cancel   Help

Right Mouse Options

- **Mode Change**
  - Test to Live
  - Live to Test
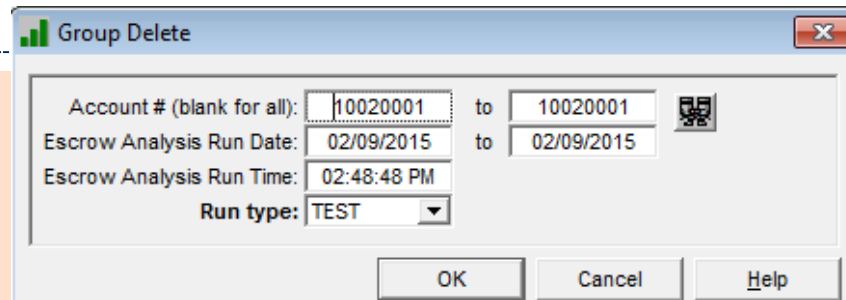
- **Loan Review Change**
  - More to come

Right Mouse Options

- **Delete**

Group Delete
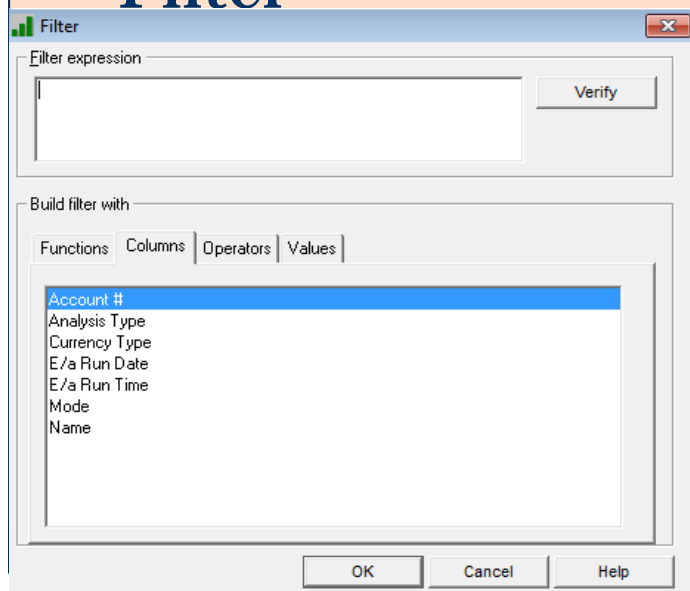
Account # (blank for all):	10020001	to	10020001
Escrow Analysis Run Date:	02/09/2015	to	02/09/2015
Escrow Analysis Run Time:	02:48:48 PM		
Run type:	TEST		

OK   Cancel   Help

- **Filter**

Find

Filter

Filter expression

Verify

Build filter with

Functions | Columns | Operators | Values

Account #
Analysis Type
Currency Type
E/a Run Date
E/a Run Time
Mode
Name
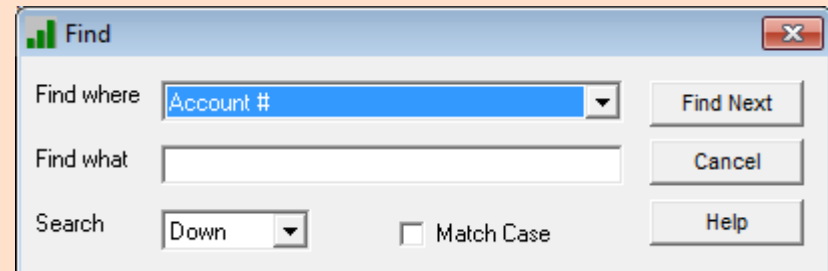
OK   Cancel   Help

Find

Find where	Account #		Find Next
Find what			Cancel
Search	Down	☐ Match Case	Help

Right Mouse Options - Notes

Right Mouse Options - Notes

Let's Talk about Mode

- There are 5 modes
  - Test – a successful E/A has been run. It will not go into production until the mode has been switched to Live
  - Live – the new information will update the files on the effective date
  - Updated – the files have been updated
  - Review – this will be reviewed later in the presentation
  - Error – Something is not right with the E/A

Other Important Information

- Parameters in the System Control Escrow file can be overridden when the E/A is going to be run.

- E/A is run from Escrow Processing

HUD Aggregate

- **Follow all the HUD regulations**
  - RESPA allowed low point
    - Defines the Overage/Shortage amount
  - 12 month basis
  - Escrow Analysis Method
    - Project Payments and Disbursements
    - History from prior Analysis

HUD Aggregate

- Aggregate Escrows 1, 2, and 4 Balances
  - Disbursements
  - Current Status
    - Display Aggregate Escrow Constants
    - Display Aggregate Escrow Balances

HUD Parameters

- **CPI % (Consumer Price Index)**
  - Acts like Percent Increase/Decrease in System Control file
- **HUD Cushion**
  - This is a fraction of the annual amount of escrow to be disbursed, that should be considered as an acceptable low point.
  - It is expressed as 01 /06 or 01 /12
    - Field on Master Info ->Esc/LateCHG/Default
    - HUD Cushion

Non- HUD Aggregate Parameters

- **Has some of the HUD characteristics**
  - Escrow Analysis Method
    - Cushion
    - Low point
    - 12 month basis
    - Project Payments and Disbursements
- **No History is Created**

Non-HUD Aggregate

- ## CPI % (Consumer Price Index)
  - Acts like Percent Increase/Decrease in System Control file
- ## HUD Cushion
  - This is a fraction of the annual amount of escrow to be disbursed, that should be considered as an acceptable low point.
  - It is expressed as 01/06 or 01/12

Aggregate and Combined Balances Parameters

- **Overages/Shortages – Create a second Constant**
  - Shortage Threshold
    - If the shortage Amount is less than escrow Shortage Threshold amount, it must be repaid by the number of payments for the shortage threshold amount.
    - Number of payments to amortize
  - Overage threshold amount
    - If during the analysis a loan has an overage amount that is greater than the escrow overage threshold amount, a rebate transaction will be automatically processed at the time the new escrow constants take effect in the system.

HUD & (Non-HUD) Aggregate

Escrow Analysis Inquiry => 010020017 [USD] - M EOM thru rb   Analysis Type: HUD ESCROW ANALYSIS CODE

Mode: TEST RUN

Escrow Analysis Run Date: 12/17/2014 Escrow Analysis Run Time: 10:18:22 AM

Month	Payments	Disbursements	Description	Current Balance	Required Balance
			BEGINNING BALANCE	15,000.01	18,583.34
JAN 2015	5,958.33	.00	PAYMENT	20,958.34	24,541.67
FEB 2015	5,958.33	.00	PAYMENT	26,916.67	30,500.00
FEB 2015	.00	30,500.00	HAZARD	-3,583.33	.00
MAR 2015	5,958.33	.00	PAYMENT	2,375.00	5,958.33
APR 2015	5,958.33	.00	PAYMENT	8,333.33	11,916.66
MAY 2015	5,958.33	.00	PAYMENT	14,291.66	17,874.99
JUN 2015	5,958.33	.00	PAYMENT	20,249.99	23,833.32
JUL 2015	5,958.33	.00	PAYMENT	26,208.32	29,791.65
AUG 2015	5,958.33	.00	PAYMENT	32,166.65	35,749.98
SEP 2015	5,958.33	.00	PAYMENT	38,124.98	41,708.31
OCT 2015	5,958.33	.00	PAYMENT	44,083.31	47,666.64
NOV 2015	5,958.33	.00	PAYMENT	50,041.64	53,624.97
NOV 2015	.00	40,999.99	COUNTY TAX	9,041.65	12,624.98
DEC 2015	5,958.33	.00	PAYMENT	14,999.98	18,583.31

Left panel menu:
- Summary
- Detail
- HUD Actual Sur
- HUD Actual Det
- HUD Outstandir
- Second Consta
- Expected Bal
- Escrow Info
- Misc Info
- Vendor Info
- Tax Pmt Info
- Constant Comp
- Adj Annual Amt
- Run Parms
- Escrow Change
- System Control
- System Control

Combined Balances

- Escrow Analysis has line items like the Regular Analysis but processes like the Aggregates
  - Line item presentation
- NOT subtotaled within each escrow
  - Grand total

Combined Balances

Escrow Analysis Inquiry => 010020017 [USD] - M EOM thru rb   Analysis Type: COMBINED BALANCES

Summary
Detail
Second Constant
Expected Bal
Escrow Info
Misc Info
Vendor Info
Tax Pmt Info
Constant Comp
Adj Annual Amt
Run Parms
Escrow Change
System Control (1)
System Control (2)

Mode: TEST RUN

Escrow Analysis Run Date: 12/17/2014   Escrow Analysis Run Time: 12:12:13 PM

Escrow	Vendor	Annual Amount	Monthly Calculated Amount	Disbursement Date	Type Paid	Months Required	Required Escrow	
1	F001	40,999.99	3,416.67	12/01/2015	FL	1	3,416.67	12
2	001	30,500.00	2,541.67	02/01/2015		11	27,958.37	12
Total		71,499.99	5,958.34				31,375.04	

Disbursements using Aggregate Balance

- When Tax or Insurance bills are analyzed to determine if there are enough funds, the balances in Escrow 1, Escrow 2 and Escrow 4 are totaled & then considered.

- The system generated disbursements automatically create any debits and credits that might be needed to move funds.

Escrow Analysis Parameters

- Used for the Regular Escrow Analysis

Analysis Parameters (1)

Escrow Constant Parameters

	Escrow 1	Escrow 2	Escrow 4
Analyze Escrow:	YES (Y)	YES (Y)	YES (Y)
Additional Analysis:	SHT/SR CHG (Y)	SHT/SR CHG (Y)	SHT/SR CHG (Y)
# of Months to Divide By:	12	12	12
Annualize Amount:	ANNUALIZE (1)		
Increase/Decrease %:	0.00000	0.00000	0.00000
CPI %:	0.00000	0.00000	0.00000
Bill Shortages as Escrow Deficit:	NO (N)	NO (N)	NO (N)
Cushion Number of Months:	0	0	0
Required Balance Sched Pmt Exclusion Days:			
Amount to Trigger Review:			
Bill Status Code 3 Use Inflation Factor:			

Forced Place Escrow Type:

Review Forced Place Escrow:

Analysis Parameters (1)

- **Additional Analysis**
  - A   Calculate Shortage/Surplus Change Pmt for Shortage
  - B   Calculate Shortage/Surplus Change Pmt for Surplus
  - N   Do Not Calculate Shortage/Surplus
  - G   Calculate Shortage - Change Payment
  - H   Calculate Shortage No Payment Change
  - Y   Calculate Shortage/Surplus Change Payment
  - Z   Calculate Shortage/Surplus No Change
  - S   Calculate Surplus - Change Payment
  - T   Calculate Surplus No Payment Change

Analysis Parameters (1)

- # of Months to divide by
  - Used in the New Basic Constant Calculation
  - The annualized escrow amount will be divided by this number
  - And this number should always be 12
- Annualize Amount
  - 0 – Tax amount due /Frequency of disbursement
  - 1 – Calculation based on tax amount fields & frequency of disbursements
  - 2 – Custom

Analysis Parameters (1)

- Increase/Decrease %
  - Regular or Combined Balances
- CPI%
  - HUD or Non-HUD Aggregate
- Bill Shortages as Escrow Deficit
  - Set to NO
- Cushion Number of Months
  - Regular or Combined Balances

Analysis Parameters (1)

- **Required Balance Schedule Payment Exclusion Days**
  - Let's Break this down

Required Balance Schedule Payment Exclusion Days

Analysis Run Date	9/10
Effective Date of Analysis	10/1
Last Tax Paid	7/19
Payments Used in Required Balance Calc	7/1, 8/1, 9/1
Required Balance	New Constant * 3

Logic Prior to addition of 'Required Balance Scheduled Payment Exclusion Days'

Required Balance Schedule Payment Exclusion Days

- The objection to this calculation is the including of the 7/1 payment in the Required Balance. In theory the payment was due before the disbursement date and will be available for the disbursement.
  - 7/1 payment was used in the 7/19 Tax disbursement
  - Required balance overstated
  - Larger amount of a shortage

Required Balance Schedule Payment Exclusion Days

- When calculating the Required Balance should the system always exclude the Scheduled payment due in the same month as the disbursement date?
  - NO – certainly if the payment is due AFTER the disbursement date, it should be considered as part of the required balance
  - Yes - if the payment is due BEFORE the disbursement date
    - How many days before the disbursement should be considered?

Required Balance Schedule Payment Exclusion Days

- A scheduled payment will be excluded from the Required Balance calculation if the number of days between the Payment Due date and the escrow disbursement date is greater than the value in this new parameter.
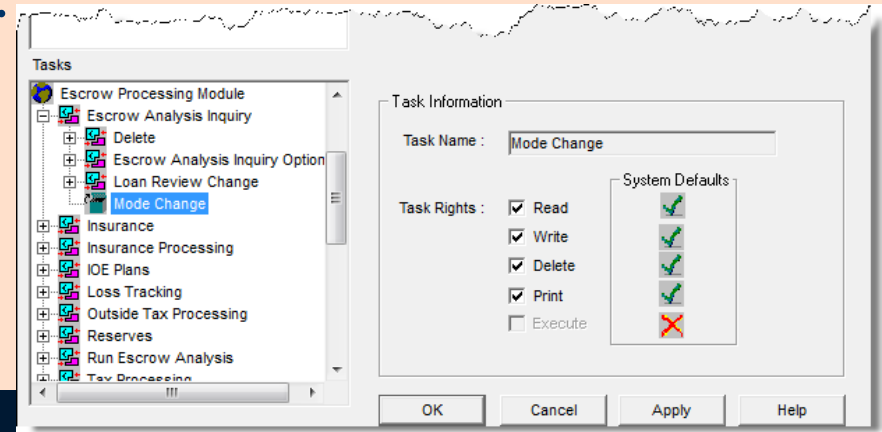
Analysis Parameters (1)

Escrow Constant Parameters

	Escrow 1	Escrow 2	Escrow 4
Analyze Escrow:	YES (Y)	YES (Y)	YES (Y)
Additional Analysis:	SHT/SR CHG (Y)	SHT/SR CHG (Y)	SHT/SR CHG (Y)
# of Months to Divide By:	12	12	12
Annualize Amount:	ANNUALIZE (1)		
Increase/Decrease %:	0.00000	0.00000	0.00000
CPI %:	0.00000	0.00000	0.00000
Bill Shortages as Escrow Deficit:	NO (N)	NO (N)	NO (N)
Cushion Number of Months:	0	0	0
Required Balance Sched Pmt Exclusion Days:			
Amount to Trigger Review:			
Bill Status Code 3 Use Inflation Factor:			

Forced Place Escrow Type:	
Review Forced Place Escrow:	

Analysis Parameters (1)

- ## Amount to Trigger Review
  - If the shortage or overage is greater than the entered value, the mode field will be updated with a code of REVIEW.
  - Use the Escrow Analysis Inquiry window filtered on REVIEW mode and review the analyses.
  - Need Security for this access

Analysis Parameters (1)

- ## Amount to Trigger Review – continued
  - After reviewing the issue, the Escrow Analysis Mode can be changed from Review to either Test or Live
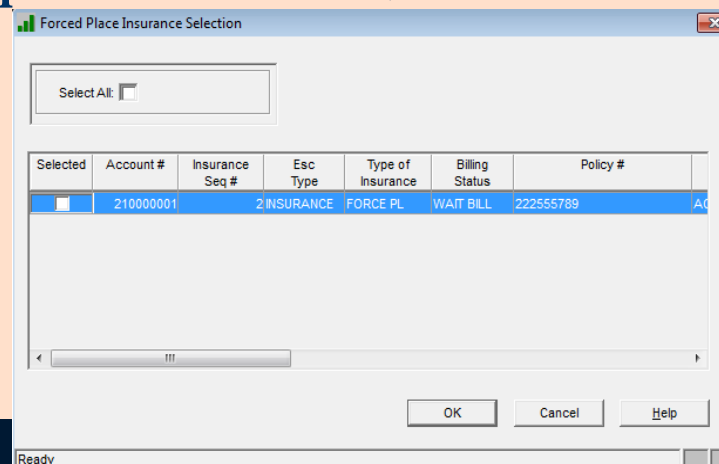
Analysis Parameters (1)

- **Bill Status Code 3 Use Inflation Factor**
  - This is a Y/N field
  - Bill Status Code 3 = Tax Bill Entered
  - If the Increase/Decrease field has been populated should newly entered amounts also be adjusted or not.
- **Forced Place Escrow Type**
  - Drop down to Code ID 50 – Insurance Escrow Type
- **Review Forced Place Escrow**
  - Drop down to Code ID YN– YES/NO

Forced Place Insurance

- ## If Y was selected when running the E/A a box will be displayed showing the loans that are part of this analysis group that have Forced Place Insurance.

  - ### If this insurance should be part of the E/A, click on the selected field or select ALL.

Analysis Parameters (2)

Analysis Parameters (2)

- Use additional tax payment fields - Yes/No used with Annualize amount
  - 4 Tax Bill Amounts
- HUD Cushion default value or use the individual amount in the Master file
- Round to the nearest dollar
- Consider Liens - No
- Consider Abatements - No

Analysis Parameters (2)

- **Overage/Shortage Parameters**
  - # of Payments to Amortize Overage/Shortage
    - Regular & Combined Balances
  - # of Payments to Amortize Shortage Threshold
    - Non-HUD Aggreagate
 - Shortage Threshold Amount
  - Overage Threshold Amount

Analysis Parameters (2)

- **Overage/Shortage Parameters - continued**
  - Shortages Amortized Prior to Next Disbursement – Y/N
    - The system will calculate the amort period
    - For each loan being analyzed, each escrow record being analyzed will be reviewed to see if there are any disbursements scheduled prior to the shortage being collected.
      - If so the Amort period will be adjusted to match the length to the first disbursement
      - If not the original Amort period will remain

Escrow Analysis Inquiry
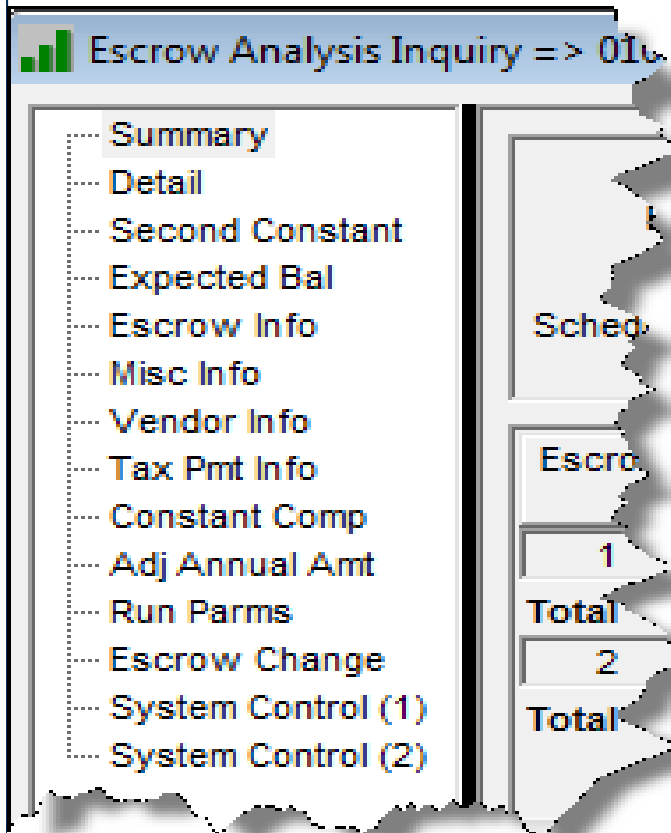
- **Different Items on Left Hand Panel depending on Method for the E/A and parameters chosen**

Questions ?

Answers !