

# IMPOUND ACCOUNT STATEMENT

You have applied for a loan on the Property from

("Lender").

Your loan documents will contain provisions which require you to pay property taxes, insurance premiums and other charges relating to the property when they become due. Under some conditions Lender requires borrowers to establish an escrow or impound account to ensure payment of these sums in connection with their loans. Under other circumstances you may elect to establish an impound account. California law (Cal. Civ. Code 2954) requires that you be informed of the following:

1. If you intend to occupy the Property, and the original balance of the loan is less than 90% of the purchase price (in the case of a purchase money transaction) or 90% of the appraised value (in non-purchase money transaction), you are not required to establish an impound account for the payment of property taxes, insurance premiums and other applicable charges related to the Property as a condition of Lender making you a loan. However, if you wish, Lender will establish an impound account for you and collect from you impound account payments every month along with payments of principal and interest. If you do so, Lender will pay you a 2% simple interest on funds held in your impound account.
2. By making an impound account payment to Lender each month, together with the regular monthly payments, you are able to budget the costs of your required property taxes, insurance premiums and other charges over the entire year. Impound accounts also help to ensure that funds are available to pay these items as they become due.

Your impound account will be reviewed at least once per year. At the time of review, Lender, or any successor servicer, will provide you with an impound account statement detailing receipts and payments and explaining any changes in the amount of your impound payments. If the impound payments collected are not sufficient to pay the annual taxes, insurance premiums or other charges as they become due, you will be required to pay any amounts necessary to make up the shortfall.

3. If you elect NOT to establish an impound account with Lender, you will be responsible for the timely payments of all property taxes, hazard insurance premiums and any other applicable charges related to the property. You will be required to furnish Lender, or any successor servicer, proof of payment of these sums as provided in your loan documents. If you fail to pay two (2) consecutive tax installments on the Property prior to the delinquency date of such installments, or if the combined principal amount of all loans secured by the real property exceeds 80 percent of the appraised value of the property securing the loans, then you will be required to establish an impound account.

## BORROWER'S ELECTION

I/We elect to do the following regarding an impound account: (*Borrower to check box*)

- Establish an impound account which will provide for monthly payments of the property taxes, hazard insurance premiums and other applicable charges related to the Property
- Pay all property taxes, insurance premiums and other applicable charges directly.

I/We hereby acknowledge receipt of this Impound Account Statement, and further acknowledge that I/we understand its provisions. If this document is being furnished Borrower for application by mail, it is Borrower's responsibility to obtain machine copies before mailing the signed document back to Lender (Cal. Code Regs Tit. 10 1950.204)

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Borrower                      Date

\_\_\_\_\_  
Borrower                      Date