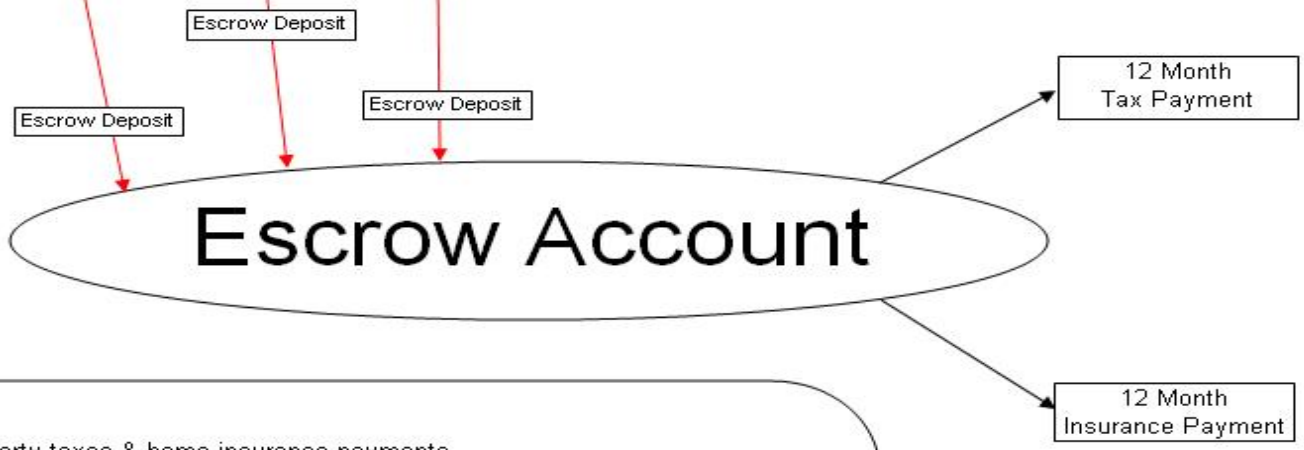


TAXES DUE @ CLOSING		
	Summer	Winter
Escrows	9	X
Prorations	4	Y
TOTALS	13	13



DEFINITIONS & EXPLANATION

Escrow Account - A "forced" savings account for property taxes & home insurance payments.
Escrow Deposit - Monthly (1/12th) of annual property taxes & usually home insurance are included in the monthly house payment. These deposits are made into the Escrow Account to save up for the *next year's* bills.
Escrows - Initial funding of taxes & insurance into the Escrow Account at closing. Determined by closing month & escrow payouts.
 In the example above: Summer Escrows (9) = 12 - 3 months of escrow deposits made before the summer tax is due July 1st.
Prorations (purchase only) - Property taxes paid by seller in advance (previous year), but unused, so the buyer must refund to the seller. In the example above: Summer Prorations (4) = the period from closing date to June 30th.
NOTE - Each mortgage payment is of equal amount & includes 30 days of interest. This interest goes to cover the previous 30 days, or Interest is Paid in Arrears. Mortgage payments are also typically due on the 1st of the month. In the example above, if the 1st payment was due March 1st, the interest portion of the payment would go to cover the entire month of February. This would be unfair to the borrower since they didn't close on the loan until the middle of February. So, the borrower "skips" a payment and doesn't make their first payment until April 1st. The interest portion of the April 1st payment covers the previous 30 days, or March. Every following payment will work the same way. This unfortunately, leaves the interest period from the closing date to the end of February unpaid by any monthly payment. So, the borrower must pay this Interest Adjustment at closing. It's important to realize that, although a borrower "skips" a payment after closing, there's no "free lunch" - they pay

