



Prairie State Bank & Trust

Member FDIC 



UNDERSTANDING ESCROW:

Protecting Your Home & Simplifying Your Payments

A simple guide to how escrow works — and why it helps you.



Taxes & Insurance



Escrow Account

1 WHAT IS ESCROW?

Escrow = Peace of Mind

Escrow is a special account your lender uses to pay your **property taxes and insurance** for you.

Each month, a portion of your payment goes into this account. When your bills are due, we pay them on your behalf — automatically and on time.

2 YOUR ESCROW OPTIONS

OPTION 1: ESCROW INCLUDED (Recommended)

- ✓ One simple monthly payment
- ✓ No missed tax or insurance deadlines
- ✓ Easier budgeting and financial planning

VS

OPTION 2: NON-ESCROWED

- ⊗ You manage and pay taxes & insurance directly
- ⊗ More control, but requires careful budgeting



3 WHY ESCROW IS A GOOD THING

- Escrow takes the stress out of homeownership by:
- Keeping your taxes and insurance paid on time
 - Preventing late fees or lapsed coverage
 - Providing peace of mind that bills are handled
 - Helping you budget consistently, year after year

4 UNDERSTANDING WHY YOUR MONTHLY MORTGAGE PAYMENT MIGHT CHANGE



Your **principal and interest (P&I)** remain the same on a fixed-rate loan — meaning your actual loan payment amount doesn't change. However, your **total monthly payment** may go up or down if your escrowed costs change. These include:

- 💰 **Property taxes** — Local tax assessments can rise or fall over time.
- 🏠 **Homeowners insurance** — Your insurance company may adjust your annual premium.
- ⚠️ **Other escrowed items** — If you have flood insurance, those costs can also shift.

5 STAY IN CONTROL OF YOUR ESCROW



You can take steps to manage future changes and avoid surprises:

- ✔️ **Review your insurance coverage annually**
- ✔️ **Shop for the best rate** if premiums rise
- ✔️ **Check your tax bill** each year for changes
- ✔️ **Confirm your exemptions** — many counties offer savings for:

➤ Owner-occupied homes

➤ Seniors or veterans

➤ Homestead or other local programs

6 REDUCE YOUR RISK OF A PAYMENT SPIKE

You can take action to smooth out any potential increases:

- 💰 Add a little extra to your escrow each month
This helps offset rising costs before they happen.
- 🏠 Monitor your property value assessments
- 📄 File protests carefully (may be costly and not always successful)
- 📞 Stay in touch with your lender if you see significant changes



7 ESCROW IN ACTION: A QUICK EXAMPLE

Imagine your total monthly mortgage payment is **\$1,500**:

💰 **\$1,000 = Principal & Interest**

🏠 **\$300 = Property Taxes**

🛡️ **\$200 = Homeowners Insurance**

Together, those tax and insurance portions make up your **\$500 monthly escrow payment**.

Over a year, your lender uses this to pay your bills on time:

🏠 **\$3,600 in annual property taxes**

🛡️ **\$2,400 in annual homeowners insurance**

☹️ Without escrow, you'd need to save and manage those **large lump-sum payments yourself** — totaling **\$6,000 or more per year**.

😊 With escrow, that same amount is divided into easy monthly installments — no stress, no missed due dates.

LET'S KEEP YOU CONFIDENT IN YOUR HOMEOWNERSHIP

If you ever have questions about your escrow account, annual analysis, or changes in your payment, we're here to help.

Contact your Prairie State Bank & Trust lender or lending assistant anytime.

We'll walk you through it step by step.

At Prairie State Bank & Trust, we believe homeownership should feel simple, not stressful. Escrow is one more way we help you stay secure, informed, and in control.



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