An escrow account is an account Northrim Bank maintains as part of your mortgage. Every time you make a mortgage payment, a set amount of your payment is deposited into your escrow account. This account is used to pay recurring property-related expenses on your behalf. For more information, please see attached FAQ.

Every year we perform a review of your escrow account to determine if the escrow portion of your monthly mortgage payment is sufficient to cover the annual requirements for your real estate taxes and any applicable insurance. Increases or decreases to the escrow portion of your monthly mortgage payment are typically the result of changes in your real estate taxes and/or insurance. The Escrow Account Statement details your escrow account changes and how it will impact your monthly mortgage payment for the next 12 months.

### New Escrow Amount
The amount we project paying from your escrow account for the coming year. The projected total in the monthly amount column will be your new monthly escrow payment amount.

### Required Low Balance
Minimum balance anticipated in your escrow account.

### Projected Escrow Payments for the Coming Year
Estimated escrow payments to and from your account for the upcoming year.

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![Annual Escrow Account Disclosure Statement-Projections for Coming Year Analysis Period: 10/17 Through 09/10 Page 1 of 3](image)

**Account:**
- **Note:**
- **Current Date:** 08/23/17
- **Next Payment Due:** 09/01/17

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#### Escrow Surplus or Shortage Calculation
This section explains the surplus or shortage in your account based on the current escrow balance and your projected new balance.

The surplus or shortage amounts are typically due to changes in taxes and insurance premiums. Increases in the payment amounts typically results in a shortage and higher escrow payment.

- **Surplus:** If your account has a surplus, your surplus check may be mailed to you within 30 days.
- **Shortage:** The repayment of any shortage amount is automatically spread over the next 12 monthly mortgage payments. You also have the option to pay the shortage in full. Additional repayment details are on Page 2 of your statement and the attached FAQ.

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![Guide to Understanding your Escrow Statement](image)

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### Escrow Surplus or Shortage Calculation Details

**Escrow Surplus or Shortage Calculation**

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New Monthly Mortgage Payment
Your new monthly mortgage payment based on the new escrow payment and any shortage to be paid over the next 12 months.

Paying the Shortage in Full
You also have the option to pay your shortage in full by mailing a check for the full shortage amount by the due date listed. If you pay your shortage in full, your new monthly payment is listed on this line.

Shortage payments can be mailed to:
Northrim Bank
Attn: Mortgage Servicing
PO Box 241489
Anchorage, AK 99524

Please reference “escrow shortage payment” in the memo, so we can properly process your payment.

Statement of Escrow Account History
All of your escrow activity from the prior year. The history information may be incomplete if this is the first escrow statement since Northrim Bank began servicing your loan.
Q: What is an Escrow Account?
A: It is a special account established by the servicer to assure the following types of payments are managed and paid timely:
• Real estate taxes paid to taxing authorities
• Homeowner’s insurance
• Catastrophe insurance (Earthquake, Flood, etc.)

Q: What is an Escrow Analysis?
A: An escrow analysis is an annual accounting of the amounts put into and paid out of your escrow account. This review identifies if there is too much (surplus) or too little (shortage) balance in your account. The Annual Escrow Account Statement we send to you is the result of our analysis.

Q: How is the lowest projected balance point determined?
A: The low-point equals the lowest monthly escrow balance during the 12-month projection and is referred to as escrow account cushion. An escrow cushion or required low balance is a portion of your monthly mortgage payment that is set aside as an additional safeguard to cover unanticipated disbursements such as increases in property taxes or insurance premiums. The maximum allowable cushion is equal to two months or one-sixth of the annual escrow disbursements. Mortgage insurance (MIP or PMI) is not included in the required low-point calculation. If state law or mortgage documents allow for a lesser amount, the lesser amount prevails. An escrow balance is projected for a 12-month period, assuming that Northrim Bank receives regular payments and makes regularly scheduled disbursements.

Q: What is an escrow account projection?
A: Escrow projection is an estimate of activity in your escrow account during the coming year. Escrow account projection shows an estimate of deposits and payments including the possible due date and an estimated account balance each month. The projection section of the Annual Escrow Account Disclosure Statement has messages about overages or surplus and shortages, plus a summary of the new monthly payment amount.

Q: Why did my monthly escrow payment amount increase?
A: The monthly escrow payment amount may increase because the actual balance in your escrow account is less than the amount of funds needed to pay your tax and insurance bills. This can occur as a result of:
• An increase in your property tax assessment or insurance premium
• Actual deposit or payment from escrow is different from a previous estimate due to removal of special property tax exemptions such as senior citizen exemptions etc.
• Tax reassessment on new construction

Q: If I choose to pay my entire shortage in full, where do I send it?
A: Please write a check payable to Northrim Bank with “Escrow Shortage Payment” in the memo/note section, include your loan number, borrower name and address, and mail to:
Northrim Bank
Attention: Mortgage Servicing
PO Box 241489
Anchorage, AK 99524-1489

Q: Will my payment amount remain the same if I pay my shortage in full?
A: No, however, paying your shortage in full will minimize your payment increase. Your payment amount may still change if your tax or insurance amount increased in the last year.
Important information regarding increases in monthly payments and escrow account shortages or surplus balances:

If your total monthly payment is increasing, please read this important information

Increases in your monthly mortgage payment amount as a result of an escrow analysis are usually due to increases in the property taxes and/or homeowner’s insurance premiums. If you have questions about an increase in your property taxes or homeowner’s insurance premiums, please contact your local taxing authority or insurance agent. They are the best source to explain the increases.

If your escrow statements shows a shortage you may select one of the following options:
Option A: Pay Entire Shortage Now*; or

Option B: Pay Shortage Over 12 Months. To choose this option, no action is required. The 12 payments will be automatically added to your home loan payment.

*NOTE: The new payment amount will be effective the month after the shortage amount is received. Any remaining increase in the escrow payment is to cover the projected increase in your bills for the upcoming years.

If your statement shows a surplus you have the option to return the entire amount or a portion of the amount to Northrim Bank with instructions to be applied as:

A. Offset loan payment(s) coming due;
B. Principal reduction;
C. Add to your escrow account. Adding funds to your escrow account to accommodate payments for taxes and insurance may exceed the minimum cushion amount. Please contact us through the information below. We will review your options and an agreement authorized by you may be required.

By Phone at: 907-261-3526

By Mail at:
Northrim Bank
Attention: Mortgage Servicing
PO Box 241489
Anchorage, AK 99524-1489

Note: If your loan is 30+ days delinquent, Northrim Bank may hold the surplus amount in your escrow account or pay the loan payment amount due if allowed under your mortgage documents