Impounds

Impounds are accounts created on behalf of the borrower to pay their outside fees related to the home. For instance Property Taxes and Homeowner's insurance. The account is added to each month by a portion of the mortgage payment being deposited into the account. The impound account must have the total dollar amount due to pay the bill by the month that the bill is due. Also, Caliber Home Loans, Inc. requires a two month cushion for all impounded accounts. For example this means that instead of 12 months annual now means 14 months semi-annual no longer means 6 months it means 8 months. Therefore if a bill is due in January by the time January's payment is due the account must have had a total of 14 months collected

Sometimes there is not enough time between the first mortgage payment and when the bill payment is due to collect all the necessary months from their mortgage payment so we have to collect upfront impounds at closing to ensure that at the time of bill payment the account has enough funds in it to pay the bill and leave our two month cushion. Please note that an account must be opened with a minimum of two months. You should never collect one month

There are different methods for calculating impounds. Below are examples

Algebra Formula

Annual Calculation

14-X=Y
X=the number of mortgage payments the borrower can make before the bill is due
Y=the total upfront impounds

First mortgage payment is due June 1st and Homeowner's is due September 15 annually

June July August September = 4 mortgage payments

14-4=10

10 months is your upfront impounds.

Semi-Annual

First Term
8-X=Y
X=the number of mortgage payments the borrower can make before the bill is due
Y=the total upfront impounds

First mortgage payment is due June 1st Tax installments are due March and September

March has already past so we need to impound for September because you can't count backwards on mortgage payments.

June July August September= 4

8-4=4
Y=the total upfront impounds

4 months are the upfront impounds for this term

Second Term
6-x=y
X=the number of mortgage payments the borrower can make before the bill is due
Y=the total upfront impounds

We only use 6 for the second term because the two month cushion is accounted for in the first formula

October, November, December January February March=6
6-6=0
0 months are the upfront impounds for this term

Y+Y= total upfront impounds

4 months is your upfront impounds.

Example: With negative second term

If second or greater Terms create a negative number for Y, you are going to impound off the first term only. See example below:

First Term
8-X=Y
X=the number of mortgage payments the borrower can make before the bill is due
Y=the total upfront impounds

First mortgage payment is due March 1st Tax installments are due May and December

December of last year has already past so we need to impound for May because you can't count backwards on mortgage payments.

March, April, May = 3
8-3=5
5 months are the upfront impounds for this term

Second Term
6-x=y
X=the number of mortgage payments the borrower can make before the bill is due
Y=the total upfront impounds

We only use 6 for the second term because the two month cushion is accounted for in the first formula

June, July, August, September, October, November, December=7
6-7=-1
-1 months are the upfront impounds for this term

Y+Y= total upfront impounds

5 months is your upfront impounds.

Quarterly

First Term
5-X=Y
X=the number of mortgage payments the borrower can make before the bill is due
Y=the total upfront impounds

First mortgage payment is due June 1st Tax installments are due February, May, August and November

May has already past so we need to impound for August because you can't count backwards on mortgage payments.

June July August = 3

5-3=2
2 months are the upfront impounds for this term

Second Term
3-x=y
X=the number of mortgage payments the borrower can make before the bill is due
Y=the total upfront impounds

We only use 3 for the second term because the two month cushion is accounted for in the first formula

September, October, November=3
3-3=0
0 months are the upfront impounds for this term

Third Term
3-x=y
X=the number of mortgage payments the borrower can make before the bill is due
Y=the total upfront impounds

We only use 3 for the second term because the two month cushion is accounted for in the first formula

December, January, February=3
3-3=0

0 months are the upfront impounds for this term

Fourth Term
3-x=y
X=the number of mortgage payments the borrower can make before the bill is due
Y=the total upfront impounds

We only use 3 for the second term because the two month cushion is accounted for in the first formula

March, April, May=3
3-3=0
0 months are the upfront impounds for this term

Y+Y+Y+Y= total upfront impounds

2 months is your upfront impounds.

Tri-Cycle

First Term
6-X=Y
X=the number of mortgage payments the borrower can make before the bill is due
Y=the total upfront impounds

First mortgage payment is due June 1st Tax installments are due July, November and March.

March has already past so we need to impound for July because you can't count backwards on mortgage payments.

June, July = 2

6-2=4
4 months are the upfront impounds for this term

Second Term
4-x=y
X=the number of mortgage payments the borrower can make before the bill is due
Y=the total upfront impounds

We only use 4 for the second term because the two month cushion is accounted for in the first formula

August, September October, November=4
4-4=0
0 months are the upfront impounds for this term

Third Term
4-x=y
X=the number of mortgage payments the borrower can make before the bill is due
Y=the total upfront impounds

We only use 4 for the second term because the two month cushion is accounted for in the first formula

December, January, February, March =4
4-4=0
0 months are the upfront impounds for this term

Y+Y+Y= total upfront impounds

4 months is your upfront impounds