

ESCROW ESSENTIALS TRACK: Demystifying Escrows Communicating Increases without the Confusion

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Moderator:

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Panelists:

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Current Challenges

- Escrow increases from taxes & insurance drive borrower confusion
- Annual analysis letters often jargon-heavy (cushions, deficiencies)
- Late or opaque tax/insurance disbursement communication
- High call center volume post-analysis (surprise payment changes)
- Paper checks for refunds drive avoidable calls
- Regulatory compliance met, but comprehension gaps

Understanding Your Escrow Statement

An escrow account is an account set up on the borrower's behalf to pay any property taxes, property insurance, and/or mortgage insurance that are due throughout the year.

Every year, Spirit of Alaska estimates how much the owner of the home should include in their payment to meet these obligations during the course of the year. If costs increase, you will have a shortage in your escrow account. If costs go down, you may end up with a surplus.

PROJECTED ESCROW PAYMENTS
Pg. 1 covers projected escrow payments for the next year.

PROJECTED BEGINNING BALANCE
This number is what we project your balance needs to be to cover your costs next year.

SHORTAGE/SURPLUS
Your shortage or surplus is shown here. If a shortage, you have two options:

SHORTAGE OPTION 1
Pay the shortage in full. Once paid in full, your escrow payment will be this number, which will be added to your principal and interest payments.

SHORTAGE OPTION 2
Have the shortage collected over a period of 12 months in your next payment. In that case, this figure will be your new escrow payment and added to your principal and interest payments.

HISTORY OF ESCROW PAYMENTS
Page Two covers your history of escrow payments for 2018, what we projected might happen, and then what actually happened.

END OF YEAR ESCROW BALANCE
Here is the balance we anticipate will be in your escrow account at the end of 2019.
(This figure, compared to what we project your starting balance needs to be (given page 1) will determine a shortage or surplus)

Stating the Problem: Escrow Sticker Shock

2026 LERETA Borrower Escrow Survey*

- Misconceptions Persist
 - 60% of borrowers who experienced an increase said they were surprised.
 - 39% mistakenly believe total monthly payment cannot change with a fixed-rate mortgage when escrow is included.
- Homeowner Perceptions on Change Drivers
 - Property taxes: 62% cite higher taxes as a contributor to payment increases.
 - Insurance: 48% cite higher homeowners' premiums; 21% cite higher flood premiums.

*Independent 3rd Party Survey, 1,037 Respondents, Surveyed Dec 2025

How Did We Get Here: Tax and Insurance Volatility

Insurance

Assurant 2025 Homeowner Insights Survey*

- Assurant links volatility to weather events, coverage affordability, and higher coverage needs especially in climate-exposed markets:

Premium Increase YoY

	2021	2022	2023	2024	2025
CA	\$1,178	\$1,315	\$1,476	\$1,742	\$2,019
FL	\$2,425	\$2,834	\$3,373	\$3,685	\$3,895

Tax

LERETA Market Observations:

- 30% average increase in property tax bills from 2019 – 2024
- Driven by Pandemic Housing Boom 2020-2022 with constrained supply & low rates
- Assessed values and local mill rates increased

*Independent 3rd Party Survey

Customer Impact: Affordability & Service Options

Affordability Strain is Significant

- 47% said a 10% monthly payment increase would be a hardship; 15% said they could not handle it. (LERETA)
- At a 25% increase, 40% said they could not handle the change. (LERETA)
- When selecting insurance, homeowners consistently rank price and the claims process above all else. (Assurant)

The experience gap shows up in support channels

- Escrow confusion remains largely unresolved even as some awareness improves year over year. (LERETA)
- Borrowers consistently ask for clearer, easier access to escrow-related information. (LERETA)
- Overall, respondents show a stronger preference for online and mobile communication. (Assurant)

Statistics from LERETA or Assurant surveys

Escrow: Solid Execution, Ongoing Satisfaction Challenges

Borrowers Acknowledge Stability, but Friction Erodes Overall Trust in the Servicer

Overall Escrow Satisfaction is Generally Good, but has Declined 33 Points Since 2022

What is Working : Core Utility & Tools

Ease of Understanding	Good	87%
Effectiveness of Communicating Changes	Good	85%
Finding Disbursement Information	Easy	89%
Tool Usefulness	Users	99%
Personalized Videos	Trust	731
Online Guides	Trust	711

What is Not Working : Friction & Awareness

Escrow Change that is not Explained

	17%	No	Yes
Satisfaction		436	618

Self-Service Tool Awareness

Aware	54%
No Tools or Not Aware	46%

Escrow Statement Friction

Want Clearer Explanation	20%
Too Much Legalize	13%
Too Much Mortgage Jargon	13%

Trust Opportunities

	Overall Trust
Personalized Videos	+40 Points
Consistent Advance Notice of Changes	+31 Points
Improve Communication Effectiveness	+27 Points
Improve Statement Clarity to Good	+18 points

Servicer Solutions In Action

What's Working/Practical Upgrades

- Human-centered statement design (3-page model: What changed, math, options)
- Interactive self-service escrow simulator in portal/app
- Lifecycle messaging: event-based alerts before & after disbursements
- Personalized escrow analysis statement videos with interactive options
- Digital escrow refunds reducing “Where’s my check?” calls
- Upfront education: welcome videos & loan officer scripting

Quick Checklist of Takeaways

- Rewrite annual escrow letter to 3-page model
- Add pre-analysis digital alerts and personalized videos
- Identify opportunities for self-service and escrow transparency
- Develop loan officer and contact center scripting
- Equip call center with escrow-specific reason codes
- Tighten SLAs for tax/insurance disbursements
- Turn on digital refund rails for surpluses