

ESCROW MADE SIMPLE

Why am I paying homeowners insurance at closing AND through escrow?

Jules Dropping Jewels | Mortgage Questions Answered. Homebuying Explained.

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1. CLOSING — SEPT. 21, 2026

\$2,400 homeowners insurance premium paid at closing

Coverage: 9/21/2026 → 9/20/2027

FIRST YEAR INSURED

2



2. AFTER CLOSING

$\$2,400 \div 12 = \$200/\text{month}$

Your mortgage servicer collects money for future insurance bills through escrow.

\$200/month is a simplified example.

3



3. BEFORE SEPT. 21, 2027

Another annual homeowners insurance premium becomes due. Your servicer uses available escrow funds to pay the renewal premium.

4



4. NEXT POLICY YEAR

Coverage: 9/21/2027 → 9/20/2028

RENEWED

Where does escrow fit into your mortgage payment?

P

— Principal

I

— Interest

T

— Taxes

I

— Insurance

Taxes + homeowners insurance are commonly collected through escrow



Simple illustration only. Actual escrow deposits and monthly payments can differ because of initial escrow funding, permitted cushions, property taxes, insurance premium changes, and annual escrow analyses.



General educational information only. Loan terms, escrow requirements and individual circumstances vary.