MATH WORKSHEET

Escrow Cushion Audit Worksheet

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CHECK CUSHION

Estimate the annual escrow disbursement total and compare the statement's projected low balance with the federal maximum cushion concept.

WHEN TO USE	FEDERAL / PRIMARY REFERENCE
Estimate the annual escrow disbursement total and compare the statement's projected low balance with the federal maximum cushion concept.	12 CFR § 1024.17(c)

Federal baseline to check

☐ The federal maximum cushion is generally no more than one-sixth of estimated annual escrow disbursements, roughly two months of escrow payments.

☐ The federal rule sets a maximum, not a required cushion; a servicer can use a smaller cushion or no cushion.

☐ Loan documents or applicable state law can impose a lower permissible cushion, and the lower limit controls when applicable.

BORROWER AND LOAN

Borrower name ________________________________	**Property address** ________________________________
Loan/account number ________________________________	**Servicer name** ________________________________

Annual projected disbursements

Projected taxes: $__________ Insurance: $__________ Other escrow items: $__________

Notes: ____

One-sixth cross-check

Total annual disbursements: $__________ One-sixth maximum cross-check: $__________

Notes: ____

Projected low balance

Statement projected low balance: $__________ Cushion selected: $__________

Notes: ____

Timing notes

Largest disbursement / due date affecting low point: ______________________________

Notes: ____

Questions to ask

Unexplained cushion or trial-balance question: ________________________________

Notes: ____

Attachment checklist

☐ Annual escrow analysis

☐ Projected disbursement schedule

☐ Copy of this completed template retained for your records

☐ Mailing / delivery confirmation retained if sent formally

Use notes

☐ Use total projected annual disbursements, not the total mortgage payment, to calculate the one-sixth cross-check.

☐ Compare the projected lowest month-end balance with the selected cushion after the full trial balance is considered; a single snapshot balance can be misleading.

☐ If the mortgage documents state a lower reserve, preserve that clause and compare it with the amount used in the analysis.

☐ Keep a complete copy of the completed template and supporting records; send copies rather than irreplaceable originals when copies are sufficient.

PRIMARY SOURCES TO CHECK

12 CFR § 1024.17(c)

Official links: https://www.consumerfinance.gov/rules-policy/regulations/1024/17/