

MORTGAGE SERVICING ACCOUNTS FOR PRINCIPAL AND INTEREST PAYMENTS

(12 C.F.R. § 330.7(D))

I. Definition

Mortgage servicing accounts are deposit accounts opened by mortgage servicers for the purpose of holding commingled payments of principal and interest (“P&I”) made by mortgagors. Deposit insurance coverage is provided to the mortgagees or investors, but coverage is separate from other accounts maintained by the mortgagees or investors.

Note: This category does not apply to payments of taxes and insurance premiums, which are discussed below.

II. Insurance Limit

Accounts maintained by a mortgage servicer, in a custodial or other fiduciary capacity, which are comprised of payments by mortgagors of P&I, are insured for the cumulative balance paid into the account by the mortgagors, or in order to satisfy mortgagors’ principal or interest obligations to the lender, up to the limit of the SMDIA per mortgagor.

No aggregation with other accounts

A borrower’s P&I payment that is deposited into the account is not added with any other category of deposit insurance.

Example 23

Facts:

From one thousand borrowers, a mortgage servicer collects a monthly mortgage payment of \$2,000 (P&I) and places the commingled funds into a mortgage servicing account, for various mortgage investors. What is the deposit insurance coverage for this account?

Rule:

Commingled P&I payment accounts established by mortgage servicers are insured up to \$250,000 for the funds paid into the account by each mortgagor.

Answer:

The aggregate of all payments - \$2,000,000 - is fully insured because each mortgagor’s payment of \$2,000 is insured separately for up to \$250,000.

Example 23 – Mortgage Servicing Accounts for P&I Payments				
Account Title	Owners	Account Balance	Insured Amount	Uninsured Amount
ABC Mortgage Servicer, FBO	1,000 Mortgage Investors	\$2,000,000	\$2,000,000	\$0
Total		\$2,000,000	\$2,000,000	\$0

III. Deposit Insurance Calculation for Payments of Taxes and Insurance (T&I)

The insurance coverage of P&I funds is different than the deposit insurance for deposits representing the commingled payments of T&I premiums. Accounts maintained by a mortgage servicer, in a custodial or other fiduciary capacity, which are comprised of payments by mortgagors of T&I premiums are added together and insured for the ownership interest of each mortgagor in such accounts.

To receive this coverage, the deposit account must satisfy pass-through requirements applicable to deposits held by custodians or fiduciaries. Specifically, the deposit account records must disclose the fiduciary nature of the deposit and the records of the IDI or the fiduciary must disclose the owners and their ownership interests in the account.

T&I payments are generally insured on a pass-through basis. Provided that the relevant titling and recordkeeping requirements are met, then pass-through coverage would apply and the T&I payments would be insured to each respective mortgagor. Please note that since the funds are deemed to belong to the mortgagor, any T&I funds on deposit in an IDI would be added to any other funds owned by each mortgagor in the same ownership category at the same IDI and insured to the applicable limit.

Example 24

Facts:

XYZ Mortgage Company collects from one thousand mortgagors their monthly T&I payment of \$300 and places the funds into an escrow account. What is the deposit insurance coverage for this account?

Rule:

- T&I deposits are insured on a pass-through basis to each of the individual borrowers.
- Any other deposits in single accounts that the mortgagors have at the same IDI will be aggregated with the T&I funds and insured up to \$250,000.

Answer:

Assuming that the deposit account satisfies certain disclosure requirements applicable to deposits held by agents or fiduciaries, each individual borrower is insured for up to \$250,000 for their T&I deposits. These deposits are aggregated with any other single accounts that the borrower may have at the same IDI.

Example 24 – Escrow Accounts for “T&I” Premiums

Account Title	Owner	Account Balance	Insured Amount	Uninsured Amount
XYZ Mortgage Company FBO	1,000 Borrowers	\$300,000	\$300,000	\$0
Total		\$300,000	\$300,000	\$0