



## Completing the Taxes and Insurance (T&I) Custodial Account Analysis (Form 496A)

Every month, servicers must use the Taxes and Insurance (T&I) Custodial Account Analysis (Form 496A) to reconcile the T&I cashbook to the T&I custodial accounts used to maintain escrow funds (and other funds belonging to a borrower) for mortgages held in Fannie Mae’s portfolio and for MBS pool mortgages. Servicers must maintain individual cashbooks for each MBS pool.

The analysis identifies the composition and determines the reasonableness of the amount of funds held in each custodial account at the close of each reconciliation period. It also ensures that the cashbook and custodial account are “in balance”. In addition to T&I escrow funds, the following are also part of the analysis:

- FHA 236 subsidy payments
- Advances to cover overdrafts
- Insurance loss drafts
- Unapplied funds
- Buydown funds

A separate Form 496A must be prepared for each T&I custodial account (remittance types may be commingled) monthly. Each form must be retained with the related accounting records and provided to Fannie Mae upon request.

This form consists of three sections:

- Section I is the depository reconciliation.
- Section II represents the composition of the cashbook balance.
- Section III provides an explanation of certain items in the previous sections.

All reconciling items should be aged, explained, and have established resolution dates.

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- Section I is the depository reconciliation.
- Section II represents the composition of the cashbook balance.
- Section III provides an explanation of certain items in Section I.

All reconciling items should be aged, explained, and have established resolution dates.

To complete Form 496A, you will need the following documents:

- Form 496A  
Use the interactive PDF or print Form 496A and complete by hand.
- Month end custodial account bank statement
- Lender trial balance with the following categories:
  - Escrow balance
  - Escrow advance balance
  - Insurance loss draft
  - Unapplied funds
  - Buydown funds
- Lender cashbook with daily deposits and withdrawals

Step 1. Complete Form 496A as follows:  
Report for (Month and Year)

Enter the month and year of which you are reconciling.



Lender Number

Enter your 9-digit Seller/Servicer number.

**Section I – Depository Reconciliation**

In this section, Lines 1 through 5 reflect the determination of the depository balance adjusted for timing differences and other miscellaneous adjustments. Lines 6 through 9 are used to compare the adjusted depository balance to the servicer's cashbook records for the reporting period.

Follow these instructions to complete each line:

- Remittance Type** Circle the applicable remittance type(s) (A/A, S/A, S/S ACQ., S/S MBS, ALL) for the T&I custodial account being analyzed.
- If more than one remittance type is commingled in the same account, circle each applicable type.
- 1. Depository Balance** Enter the ending balance that is shown on the custodial account bank statement.
  - 2. Add Deposits in Transit** Enter the total amount of deposits that are in transit. In other words, report the total of all deposits that are listed in the cashbook as of the close of business at month-end but do not appear on the custodial account bank statement. If there are no deposits in transit, enter \$0.00.  
Any amount entered on this line must be itemized in detail in Section III.
  - 3. Less Outstanding Disbursements** Enter the total amount of disbursements that are in transit. In other words, report the total of all outstanding checks that have not cleared the custodial account as of the close of business at month-end. If there are no disbursements in transit, enter \$0.00.  
Any amount entered on this line must be itemized in detail in Section III.
  - 4. Depository Adjustments A (+)** If applicable, enter positive (credit) adjustments to the depository balance. Only report adjustments for which there is no corresponding adjustment in the cashbook. When debit and credit adjustments offset each other, they must be reported as separate entries on this line and the following line (A and B).  
Any entry to this line must be explained in detail in Section III.
  - Depository Adjustments B (-)** If applicable, enter negative (debit) adjustments to the depository balance. Only report adjustments for which there is no corresponding adjustment in the cashbook. When debit and credit adjustments offset each other, they must be reported as separate entries on this line and the previous (A and B).  
Any entry to this line must be explained in detail in Section III.
  - 5. Adjusted Depository Balance** Enter the total of Line 1 plus Line 2, minus Line 3, plus (or minus) Line 4.
  - 6. Adjusted Depository Balance (Carried Over from Line 5)** Re-enter the balance shown in Line 5.



- 7. **Excess T&I Held by Fannie Mae** This field is no longer in use. Enter \$0.00.  
*This field was previously used to report the total excess T&I funds that Fannie Mae held for fixed-rate first mortgages delivered under commitments dated prior to 08/10/1970 that are serviced for a 1/2% fee.*
- 8. **Less Cashbook Balance** Enter the actual ending cashbook/trial balance.  
This balance must be broken down into its individual components in Section II.
- 9. **Difference** Enter the total of Line 6 plus Line 7 minus Line 8.

**Provide Explanation for Difference**

<b>9. Difference</b>	<b>\$0.00</b>
<b>Provide Explanation for Difference</b>	
<div style="border: 1px solid gray; width: 100%; height: 100%; background-color: #e6f2ff; position: relative;"> <div style="position: absolute; top: 10px; left: 10px; width: 80%; height: 80%; border: 2px solid red;"></div> <div style="position: absolute; top: 50%; left: -30px; width: 0; height: 0; border-left: 10px solid transparent; border-right: 10px solid transparent; border-bottom: 15px solid red;"></div> </div>	

**Provide Explanation for Difference space**

**Section II – Composition of Cashbook Balance**

In this section, you must provide a detailed breakdown of the cashbook balance. You must separate out each line entry by remittance type and then total it.

Follow these instructions to complete each line.

- 1. **T&I Funds** Enter the amount of the month-end trial balance (net of all positive and negative escrow balances) for the T&I funds.
- 2. **FHA 235 Subsidy Payments** If applicable, enter the amount of the month-end balance of any subsidy payments being held for FHA Section 235 mortgages.
- 3. **Advance to Cover Overdrafts** If applicable, enter the amount of the month-end balance of any advances the servicer made to cover escrow account overdrafts (all negative escrow balances).
- 4. **Insurance Loss Drafts** If applicable, enter the amount of the month-end balance of any insurance loss drafts the servicer is holding.  
Any entry to this line must be broken down at the loan level in Section III.
- 5. **Unapplied Funds Pending Determination of Use** If applicable, enter the amount of the month-end balance of any unapplied funds (partial payments, etc.) the servicer is holding.
- 6. **Buydown Funds** If applicable, enter the amount of any lender buydown (P&I) funds the servicer is holding as of the cutoff date for the reconciliation period.



- 7. Other (Explain)** If applicable, enter the amount of any funds tied to the T&I cashbook that the servicer is holding that do not fall into any of the previous categories.  
You must explain any funds reported on this line in the space below line 8.
- 8. Total (Must Equal Line 8, Section I)** Enter the total of Lines 1 through and including Line 7. The result must equal Line 8 in Section I.

### Section III – Explanation of Line Items in Section I and Section II

In this section, you must itemize and explain certain line items that you reported in Section I or Section II.

All adjustments or differences must be supported by loan-level detail.

- 1. Deposits in Transit (Line 2, Section I)** If you entered an amount in Section I, Line 2, you must itemize each deposit-in-transit by entering:
- The date you received the funds
  - The date the funds were deposited to the custodial account
  - The total amount of the deposit
- 2. Outstanding Disbursements (Line 3, Section I)** If you entered an amount in Section I, Line 3, you must itemize each outstanding disbursement by entering:
- The date the funds were disbursed
  - An explanation of the disbursement
  - The total amount of the disbursement
- 3. Depository Adjustments (Line 4, Section I)** If you entered an amount in Section I, Line 4, you must itemize each depository adjustment (positive or negative) by entering:
- An explanation of the adjustment, including whether it was a debit or credit
  - The total amount of the adjustment
- 4. Insurance Loss Drafts (Line 4, Section II)** If you entered an amount in Section II, Line 4, you must either:
- Enter the aggregate total for all insurance loss drafts that are six or fewer months old as a single line item, showing the number of mortgages under the "Fannie Mae Loan Number" column and the total dollar amount under the "Amount" column; or
  - For insurance loss drafts that are seven or more months old, itemize each mortgage involved, showing the Fannie Mae Loan Number, the age of the loss draft (in months), the amount of the draft, and the reason that the funds have not been disbursed.

**Lender Name** Enter the name of your company.

**Date** Enter the date you completed Form 496A.

**Certified By** Enter the name of approver from your company that has reviewed Form 496A.



**Title** Enter the title of approver.

**Name of Depository Institution and Account Number** Enter the name of the depository institution and its account number where the deposits are held for the T&I funds.

- Step 2. Prior to finalization, review your completed Form 496A thoroughly to ensure that you eliminate common errors that are frequently found by Fannie Mae auditors, as described below:
- Section II** Ensure that as you complete Section II you separate out the total T&I funds and the Advances to Cover Overdrafts.
- General**
- Ensure that you deposit unapplied funds and insurance loss draft funds into the T&I custodial account.
  - Ensure that you consider deposit and disbursements in transit for the last day of the month.
  - Ensure that you are advancing funds for negative escrows and recovering from individual borrowers as T&I is collected from that borrower.
  - If applicable, ensure that you provide the loan-level backup for insurance loss draft funds.
- Step 3. Once you confirm that all items are completed, print a copy of Form 496A.  
If using the interactive PDF, print the completed form for your records.
- Step 4. Ensure that all supporting documentation is attached to Form 496A, including:
- Custodial account bank statement
  - Lender escrow trial balance
  - Lender cashbook with daily deposits and withdrawals (with the summary totals for all areas in Section II)