



ECFH Financially Speaking

East Caribbean Financial Holding Company Limited

This week we feature another term that you may hear about while processing your mortgage loan. Potential homeowners may benefit from this week's phrase, in terms of making future payments towards their homeowners insurance. This week's term is: **Cash Collateral Account**

A Cash Collateral Account is a savings account in the name of the borrower usually for the purpose of securing and servicing indebtedness. A **cash collateral account** cannot be operated like a checking or savings account.

What does this mean for you?

Homeowners insurance is usually mandatory for all persons taking a mortgage loan. The amount however, varies depending on the value of the property. In order to assist the homeowner in saving for this annual payment a **cash collateral account** can be opened with an amount transferred from the individuals account and placed on this special account. Because the bank's permission is required to access this account the account holder cannot withdraw anytime he wishes. This is very beneficial especially for accountholders who are not very disciplined in their savings.