[Date]

[Borrower Name]
[Property Address]
[City, State, Zip Code]

Subject: Notice of Escrow Shortage and Payment Adjustment

Account Number: [Loan Number]

Dear [Borrower Name],

We recently completed an annual analysis of your escrow account. Due to an increase in [property taxes/insurance premiums], your account currently has a shortage of $[Shortage Amount].

To resolve this shortage, we have updated your monthly mortgage payment. Please choose one of the following options:

- **Option 1: Pay the shortage in full.** Make a one-time payment of $[Shortage Amount] by [Date]. Your new monthly payment will be $[New Monthly Amount].
- **Option 2: Spread the shortage over 12 months.** The shortage will be divided into 12 monthly installments and added to your regular payment. Your new monthly payment will be $[New Monthly Amount], effective [Date].

If we do not receive the full shortage payment by [Date], we will automatically apply Option 2 and update your monthly payment amount.

A detailed Escrow Account Disclosure Statement is enclosed for your review. If you have any questions, please contact our customer service department at [Phone Number] or visit our website at [Website URL].

Sincerely,

[Name of Financial Institution]
[Department Name]