[Date]

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

Re: Loan Number: [Insert Loan Number]

Notice of Escrow Account Shortage

Dear [Borrower Name],

We have recently completed an annual analysis of your escrow account to ensure that sufficient funds are being collected to pay your property taxes and insurance premiums. Based on this analysis, your account currently has a shortage.

Escrow Account Summary:

- Required Minimum Balance: $[Amount]
- Actual/Projected Balance: $[Amount]
- **Total Shortage Amount: $[Amount]**

This shortage occurred because [Reason for shortage, e.g., an increase in property taxes or insurance premiums]. To resolve this shortage, you may choose one of the following options:

Option 1: Pay the shortage in full.
You may pay the total shortage of $[Amount] by [Date]. If you choose this option, your new monthly mortgage payment will be $[New Payment Amount], effective [Date].

Option 2: Spread the shortage over 12 months.
If you do not pay the shortage in full, we will automatically spread the amount over the next 12 monthly payments. This will increase your monthly mortgage payment to $[New Payment Amount], effective [Date].

Enclosed is a copy of your Escrow Account Disclosure Statement, which provides a detailed breakdown of your past and projected account activity.

If you have any questions regarding this notification, please contact our Customer Service Department at [Phone Number] between the hours of [Hours of Operation].

Sincerely,

[Name of Financial Institution]
[Department Name]
[Contact Information]