[Date]

[Borrower Name]
[Property Address]
[City, State, Zip Code]
Loan Number: [Loan Number]

Subject: Important Information Regarding Your Escrow Account Shortage

Dear [Borrower Name],

We recently completed an annual analysis of your mortgage escrow account. This review compares the funds collected for taxes and insurance against the actual bills paid over the past year and the projected costs for the coming year.

Your analysis indicates an **escrow shortage of $[Shortage Amount]**. This shortage occurred because of the following reason(s):

- An increase in property taxes.
- An increase in homeowners insurance premiums.
- A previous balance deficiency.

To resolve this shortage and ensure there are sufficient funds to pay your future bills, you have the following options:

Option 1: Pay the shortage in full.
You may make a one-time payment of $[Shortage Amount] by [Due Date]. Your new monthly mortgage payment will be $[New Payment Amount], reflecting only the adjustment for future projected costs.

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 months. Your new monthly mortgage payment will be $[New Monthly Total], which includes your principal, interest, and the shortage recovery fee.

The new payment amount will take effect on [Effective Date].

If you have any questions regarding this adjustment or wish to discuss payment options, please contact our Customer Service Department at [Phone Number] or visit our website at [Website URL].

Sincerely,

[Lender Name]
[Escrow Department/Customer Service]