

[Date]

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

Re: Loan Number [Insert Loan Number]

Dear [Borrower Name],

This letter is to explain the initial escrow account cushion requirement for your mortgage loan. When your escrow account was established, a "cushion" was included in the calculation of your monthly payments.

What is an Escrow Cushion?

A cushion is an amount of money that a lender may require a borrower to pay into an escrow account to ensure there are sufficient funds to cover unanticipated disbursements or disbursements made before the borrower's payments are available in the account.

Why is it Required?

Federal law, specifically the Real Estate Settlement Procedures Act (RESPA), allows lenders to maintain a cushion equal to one-sixth (1/6) of the total estimated annual disbursements from your escrow account. This is equivalent to approximately two months of escrow payments.

How This Affects Your Payment:

Your monthly escrow payment includes 1/12th of your estimated annual property taxes and insurance premiums, plus the necessary amount to maintain the two-month cushion. This prevents your account from reaching a zero balance and protects you from potential shortages if tax or insurance rates increase unexpectedly.

Your Initial Escrow Account Statement, provided at closing or during your annual analysis, details the specific amounts allocated to your cushion.

If you have any questions regarding your escrow account, please contact our Customer Service Department at [Phone Number] or visit [Website].

Sincerely,

[Lender/Service Name]
[Department Name]