

Date: [Insert Date]

Loan Number: [Insert Loan Number]

Property Address: [Insert Property Address]

Subject: Notice of Escrow Shortage and Account Deficiency

Dear [Borrower Name(s)],

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

Account Summary:

- **Required Minimum Balance:** \$[Amount]
- **Current Escrow Balance:** \$[Amount]
- **Total Shortage/Deficiency:** \$[Total Amount]

This shortage occurred because the actual costs for your [Taxes/Insurance] were higher than previously estimated.

Resolution Options:

To resolve this shortage, please choose one of the following options:

1. **Pay in Full:** You may pay the total amount of \$[Total Amount] by [Date]. If you choose this option, your monthly mortgage payment will only increase by the change in annual premiums, rather than the catch-up amount.

2. **Spread Over 12 Months:** If no action is taken, we will automatically spread the shortage over the next 12 months. This will increase your monthly mortgage payment from \$[Current Payment] to \$[New Payment], effective [Date].

A copy of your Escrow Account Disclosure Statement is attached for your review. If you have any questions, please contact our customer service department at [Phone Number] or via email at [Email Address].

Sincerely,

[Name of Servicing Officer/Department]
[Lending Institution Name]