[Date]

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

Re: Notice of Insufficient Escrow Funds for Hazard Insurance Premium

Dear [Borrower Name],

We are writing to inform you that we recently received the billing statement for your Hazard Insurance policy from [Insurance Company Name]. The premium amount due is $[Premium Amount].

Currently, your escrow account balance is $[Current Balance]. This amount is insufficient to cover the required disbursement. As a result, there is a projected shortage of $[Shortage Amount] in your account.

To ensure your insurance coverage remains active and to satisfy the requirements of your mortgage agreement, please choose one of the following options:

- **Option 1:** Pay the shortage amount of $[Shortage Amount] in full by [Due Date].
- **Option 2:** Spread the shortage amount over the next 12 months, which will increase your monthly mortgage payment by $[Monthly Increase Amount] starting on [Effective Date].

If we do not receive a payment or a selection from you by [Deadline Date], we will automatically apply Option 2 to your account to ensure your insurance premium is paid on time.

Please contact our Customer Service Department at [Phone Number] if you have any questions regarding this notice or your escrow account.

Sincerely,

[Your Name/Department]
[Lender/Servicer Name]