[Date]

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

Re: Loan Number: [Insert Loan Number]

Dear [Borrower Name],

Our records indicate that your flood insurance policy is due for renewal on [Policy Expiration Date]. According to federal regulations and the terms of your mortgage agreement, flood insurance must be maintained for the duration of your loan.

At this time, your escrow account does not have sufficient funds to cover the full renewal premium of $[Premium Amount].

To ensure your coverage does not lapse, we have advanced the necessary funds from your escrow account to pay the premium to [Insurance Company Name]. As a result, your escrow account now has a deficiency/shortage in the amount of $[Shortage Amount].

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

- **Option 1:** Pay the full shortage amount of $[Shortage Amount] by [Due Date] to keep your monthly payment unchanged.
- **Option 2:** Spread the shortage over your next [Number of Months] monthly payments. This will increase your monthly mortgage payment to $[New Payment Amount] effective [Date].

If we do not receive payment for the full shortage by [Due Date], we will automatically implement Option 2 and adjust your monthly payment accordingly.

If you have any questions regarding this notice or your escrow account, please contact our Customer Service Department at [Phone Number] between the hours of [Operating Hours].

Sincerely,

[Lender Name]
[Department Name]