Date: [Insert Date]

Loan Number: [Insert Loan Number]
Property Address: [Insert Property Address]

Subject: Notice of Escrow Shortage and Tax Payment Advance

Dear [Borrower Name],

We are writing to inform you that the annual property tax bill for your property has been received. Upon review of your escrow account, we have determined that your current balance is insufficient to cover the full amount of the taxes due.

Tax Amount Due: $[Insert Amount]
Current Escrow Balance: $[Insert Amount]
Shortage Amount: $[Insert Amount]

To ensure your property taxes are paid on time and to avoid government penalties or tax liens, [Lender Name] has advanced the funds necessary to cover this shortage and has paid the tax bill in full.

As a result of this advance and the increase in tax costs, your monthly mortgage payment will be adjusted to recover the shortage and to ensure future tax bills can be covered. Your new monthly payment will be:

New Total Monthly Payment: $[Insert Amount]
Effective Date: [Insert Date]

Options for Repayment:

- **Spread the Shortage:** The shortage amount will be divided by 12 months and added to your monthly payment (as reflected above).
- **Pay in Full:** You may pay the shortage amount of $[Insert Amount] in a single lump sum by [Insert Date]. If you choose this option, your monthly payment will still increase slightly to account for the higher tax rate moving forward, but will not include the shortage recovery fee.

Please contact our Escrow Department at [Insert Phone Number] if you have questions or if you would like to make a lump-sum payment.

Sincerely,

[Your Name/Department]
[Lender Name]