

[Lender Name]
[Lender Address]
[City, State, Zip Code]
[Date]

[Borrower Name]
[Property Address]
[Loan Number]

Subject: Notification of Escrow Account Cushion Policy

Dear [Borrower Name],

This letter is to inform you of our policy regarding the "escrow cushion" maintained on your mortgage account. An escrow cushion is a reserve of funds held in your account to cover unexpected increases in property taxes or insurance premiums.

Our Policy:

In accordance with the Real Estate Settlement Procedures Act (RESPA) and your mortgage agreement, [Lender Name] maintains a cushion equal to [Number, e.g., two months] of your total annual escrow disbursements. This ensures there are sufficient funds to pay your obligations on time even if the costs increase.

Annual Analysis:

Each year, we perform an Escrow Account Disclosure Statement analysis. During this review:

- If your escrow balance exceeds the required cushion, we will issue a refund check for the surplus (if over \$50).
- If your escrow balance is below the required cushion due to increased tax or insurance costs, your monthly payment will be adjusted to cover the shortage.

No action is required from you at this time. This letter is for your informational records. If you have any questions regarding your escrow account or how the cushion is calculated, please contact our Customer Service Department at [Phone Number] or visit [Website].

Sincerely,

[Name/Department]
[Lender Name]