

[Date]

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

Re: Loan Number: [Loan Number]

Dear [Borrower Name],

This letter is to explain the "cushion" or "reserve" amount included in your escrow account analysis, as permitted by the Real Estate Settlement Procedures Act (RESPA).

### **What is an Escrow Cushion?**

Under RESPA guidelines (12 CFR § 1024.17), mortgage lenders and servicers are allowed to maintain a cushion in your escrow account to cover unanticipated disbursements or increases in property taxes and insurance premiums. This ensures there are sufficient funds to pay these bills on your behalf when they become due.

### **Maximum Cushion Limit**

Federal law limits the maximum cushion to an amount equal to one-sixth (1/6) of the total yearly disbursements from the escrow account. This is equivalent to two months of escrow payments.

### **Your Account Calculation**

- Total Annual Escrow Disbursements (Taxes and Insurance): \$[Amount]
- One-Sixth (1/6) RESPA Limit: \$[Amount]
- Current Cushion Applied to Your Account: \$[Amount]

The cushion is calculated to ensure your escrow balance does not fall below the required two-month reserve at its lowest point during the upcoming 12-month period. If your projected lowest balance exceeds this cushion amount, the excess funds (surplus) will be refunded to you or applied to your future payments, as indicated in your Escrow Account Disclosure Statement.

If you have any questions regarding this explanation or your escrow statement, please contact our Customer Service Department at [Phone Number] or visit our website at [Website].

Sincerely,

[Servicer Name]  
[Department Name]