

SECTION 16001 – MORTGAGE INSURANCE ADMINISTRATION

.01 GENERAL

Many of the loans in AHFC's portfolio require the individual loans to be protected by mortgage insurance. Other loans were funded by AHFC with Federal Guarantees or Insurance. AHFC has required these insurances in accordance with enabling statutes and/or in order to minimize loss on foreclosed or delinquent loans. Servicers are required to take all actions necessary to ensure that the loan insurance coverage is in force. The insurance claim payment compensates AHFC for some or all of the costs related to foreclosure, therefore, the actions to retain coverage should be a part of the Servicer's collection program.

The claims for insurance filed by the Servicer should be fully documented and maximize the amount of payment received. **If the Servicer should jeopardize, lose or cause the mortgage insurance or guarantee to be canceled, or any claims to be reduced or denied, the Servicer will be responsible for making AHFC whole. This will mean payment to AHFC for all the sums AHFC should have received from the insurer or guarantor.**

.02 MORTGAGE INSURANCE SETTLEMENT PROCEDURES

The settlement of a mortgage insurance or guarantor claim can occur on an acquired or non-acquired basis. Acquisition occurs when the title to the property is conveyed to the insurer or guarantor.

A. Acquired Settlement

The insurer or guarantor takes title to the property, acquiring all costs related to its disposal, relieving AHFC of the responsibility of disposal.

B. Non-Acquired Settlement

1. Presale

The property is sold prior to foreclosure, with the insurer or guarantor participating in the loss up to the extent of their claim.

2. Presold

The property is acquired through foreclosure sale and the property is sold prior to claim settlement.

3. Claim Payment

The insurer or guarantor pays the maximum benefits to the extent of the claim within the claim settlement period.

C. Optional Settlement

The insurer or guarantor pays the maximum claim benefits as set forth in the master policy or guideline manual.

.03 CLAIM FILING REQUIREMENTS

It is the Servicer's responsibility to file a claim in a timely manner and follow up after the claim is filed to ensure settlement is reached in the required period. AHFC must receive the full amount of the mortgage insurance claim less any deductions that AHFC has approved in writing. If the Servicer has not received the final claim payment within the required period, a letter should be sent to AHFC's Servicing Department summarizing the Servicer's efforts to obtain the claim payment. AHFC will look to the Servicer for immediate payment of any funds it was unable to collect from the insurer.

Note: The Servicer is responsible for the collection of interest payable by the insurer due to untimely payment of the claim.

A. Private Mortgage Insurance (MI) Claims

Each mortgage insurance master policy has specific time requirements under which a claim for MI must be filed. MI claims are to be filed as required under the mortgage insurance policy, but not later than 30 days from the date title is acquired or conveyed. The Servicer is responsible for reviewing and complying with ALL requirements of the MI policies or manuals.

The MI contractually must pay the claim within a specified period (usually 60 days) after it received all required documentation. The Servicer must assure AHFC that the option to purchase is either exercised or terminated by the Servicer or mortgage insurance company within the days specified in the master policy.

If an REO property becomes "presold"(sold prior to MI settlement), the Servicer is required to file an amended claim with the insurer. The Servicer will include all allowable expenses including those paid directly by AHFC or its marketing broker. AHFC will provide the Servicer with the appropriate expense documentation to submit with the amended claim.

B. Federally Guaranteed Loans

The Servicer is responsible for adhering to all Federal agency rules governing the claim filing.

On FHA claims, the Servicer should be set up to receive claim payments electronically unless otherwise directed.

.04 REMITTANCE OF CLAIM PAYMENTS TO AHFC

AHFC is entitled to all insurance claim payments that are due. The Servicer must forward (via check or wire transfer) the claim settlement funds to AHFC's Servicing Department within 5 business days after receipt of the funds. **Failure to do so may result in the Servicer paying interest on the delayed remittance.** The payment must be sent to AHFC with the Guarantor/Insurer's explanation of the benefits paid. If the Servicer is in dispute with the insurer or guarantor for the payment received, notification of the delay must be promptly submitted to AHFC.

.05 CLAIM DOCUMENTATION REQUIRED

A copy of the claim filed to the Insurer/Guarantor is to be submitted to AHFC's Servicing Department within 15 calendar days of claim filing. If applicable, a copy of the recorded deed conveying property to insurer/guarantor must also be submitted.

.06 FILING IRS FORMS

The Internal Revenue Service (IRS) requires the filing and reporting of information on all amounts relating to property that is security for a debt for which AHFC is the investor.

The Servicer should use AHFC's ID number 92-0047291 when preparing the filings for the IRS.

It is the responsibility of the Servicer to monitor, understand and comply with all current IRS filing requirements. The Servicer is responsible for filing the information timely and accurately. If the IRS penalizes AHFC for failure to comply or for an incorrect filing, the Servicer must reimburse AHFC for any penalties assessed.