

.03 INSURANCE LOSS SETTLEMENTS

Upon notification of loss or damage to the premises, the Servicer will monitor and coordinate the claim process with the borrower and insurer. The Servicer must take the appropriate action to ensure disbursement of the insurance proceeds from the claim for the repair of the damaged property in accordance with the terms of the loan documents, applicable guarantor or MI insurer requirements, or any applicable laws, while protecting the priority of the lien. The Servicer must maintain in its individual file, all appropriate documentation relating to the loss and actions taken.

If the borrower has not filed a proof of loss, the Servicer should take appropriate action to ensure that the proof of loss is filed within the time specified in the insurance policy to avoid a delay in receiving payment of the claim.

The Servicer will take any action necessary to protect AHFC's security and will place all insurance proceeds in a Servicer-controlled account pending processing. If the check amount exceeds \$10,000 and repairs are expected to exceed 60 days, it is suggested that the funds be placed in an interest-bearing account.

The Servicer must provide a status update on repairs at least every 60 days until all restoration is complete, unless otherwise instructed by AHFC.

If proceeds are applied to restoration, any excess proceeds will be applied as provided for in the loan documents unless AHFC has approved other disposition.

Partial disbursements of a draw plan may be utilized if physical inspections are made to ensure that the work has been satisfactorily completed in an amount at least equal to the amount of funds to be disbursed by each draw. Servicers should be aware that additional inspections as outlined in [Section 2001.07](#) of the Selling Guide might be required.

Note: If the dwelling was destroyed, the reconstructed dwelling must meet, at a minimum, construction standards in place when the original loan was made unless a higher construction standard is required by law.

A. Non-Reportable Loss

Loss of \$20,000 or Less

The Servicer is not required to submit a report to AHFC on the disposition of the proceeds on losses of \$20,000 or less unless application of the proceeds against the loan debt is recommended. The Servicer will determine whether the property is repaired to its original condition. After the premises have been repaired, the Servicer will disburse the proceeds and document in the loan file all pertinent facts concerning the loss and disposition of the proceeds. When excess funds are available and the loan is delinquent, the Servicer may be required to apply the funds to the delinquent amount due. The Servicer should

exercise its prudent judgment in determining whether a physical inspection of the premises should be made prior to the release of funds.

B. Reportable Loss

The Servicer is required to submit a Report of Hazard Insurance Loss ([Form SER-76](#)) immediately upon learning of any loss in excess of \$20,000 or when:

1. The property has been abandoned, or
2. The loan is delinquent, in foreclosure or repossession, or the property has been acquired through foreclosure, deed-in-lieu of foreclosure or repossession, or
3. The insured improvements have suffered a significant loss and the Servicer believes that repair or restoration is not economically feasible, or
4. The insured improvements have suffered a total or near-total loss, or
5. The property is vacant and the Servicer has filed a proof of loss with the insurance carrier on AHFC's behalf under the terms of the standard loss payee or mortgagee clause, or
6. When insurance proceeds should be applied to the loan instead of being used to repair the property.

C. Reportable Loss Procedures

In the above-referenced occurrences, the Servicer must:

1. Complete [Form SER-76](#) with the information regarding the property and recommend a disposition of the proceeds indicating the proposed nature and cost of repairs. Upon review of the submitted documentation, AHFC will issue a response.
2. Upon completion of the repairs, submit [Form SER-76](#) to AHFC reflecting the repairs have been completed, inspected and found to be acceptable.
3. The following original documentation must be maintained in the Servicer's files:
 - a. all property inspection reports (with photos) completed by the Servicer or an appointed designee

- b. signed affidavits from both the contractor and borrower stating that the repairs are complete and paid in full
- c. copies of insurance proceeds and disbursement records/explanation

In the event such documentation cannot be obtained, the Servicer must submit a detailed explanation and recommendation for AHFC's review.

- 4. Servicers will be required to provide to AHFC updates on the status of repairs every 60 days until restoration is completed.