

## Reporting Losses and Processing Loss Claims and Insurance Settlements

### Mortgagor Guidelines

1. In the event of a property loss, the Mortgagor will take immediate<sup>1</sup> steps to:
  - A. Protect the property and
  - B. Report the loss to:
    - i. The insurance company (make necessary claims).
    - ii. The Secretary of Housing and Urban Development (HUD).
      - a. The following items should be furnished:
        1. Date damage occurred.
        2. Location; such as Building and/or Apartment number
        3. Type and extent of damage; i.e. grease fire on range, damage to kitchen walls, range and cabinets.
        4. Estimate of cost of repairs, if possible
    - iii. The Mortgagee (please contact your Mortgagee for submission requirements)
2. Restoration. Under HUD's guidance, have the damage repaired when authorized to by the insurance company.

In cases where the damage is extensive, HUD must be given the opportunity to inspect the damage property before restoration begins. HUD shall make such inspections as may be necessary to determine the extent of the damage and to assure satisfactory restoration of the property. HUD shall require that the plans and specifications for restoration of the property have advance approval, and shall make such advance, interim, and final inspections as may be needed to assure satisfactory completion.

3. Processing of Loss Drafts (Settlement Checks):
  - A. Insured Mortgages:
    - i. All loss settlement drafts or checks must name the Mortgagor and the Mortgagee as payees. In certain instances, other payees may be named. The insurer is responsible for properly naming all payees. If any loss settlement draft or check is received that does not name the Mortgagee as a payee, it shall be returned for correction.

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<sup>1</sup> For the purpose of property losses, immediate is defined as within 24 hours of occurrence for reporting the loss to HUD.

- ii. Loss settlement drafts and checks shall be forwarded, unendorsed to the Mortgagee. Drafts/checks must be accompanied by the Mortgagor's certification to the effect that the property has been restored to as good as or better condition than before the damage occurred and that no mechanics' or material men's liens will attach as a result of the restoration and any other documentation and/or certifications required by the mortgagee.
- iii. The Mortgagee will process the loss draft/check for payment and return to the Mortgagor. The Mortgagor will again assure that all bills in connection with this loss have been paid.

B. HUD Held or Direct Loan/Grant Mortgages:

- i. All loss settlement drafts or checks must name the Mortgagor and the Secretary as payees. In certain instances, other payees may be named. The insurer is responsible for properly naming all payees. If any loss settlement draft or check is received that does not name the Mortgagee as a payee, it shall be returned for correction.
- ii. Loss settlement drafts and checks shall be forwarded, unendorsed to the Secretary (HUD Office having jurisdiction over the property). Drafts/checks must be accompanied by the Mortgagor's certification to the effect that the property has been restored to as good as or better condition than before the damage occurred and that no mechanics' or material men's liens will attach as a result of the restoration and any other documentation and/or certifications required by the Secretary.
- iii. The Secretary will process the loss draft/check for payment and return to the Mortgagor. The Mortgagor will again assure that all bills in connection with this loss have been paid. In some cases, the Secretary may require an inspection of the restoration prior to execution of the loss draft/check.

4. Prevention of Similar Occurrences. The Mortgagor will take the necessary steps to continue or inaugurate necessary maintenance an/or tenant selection and education programs to reduce the possibility of similar damage reoccurring.