

When you receive notification that a property secured by a mortgage owned in whole or part by Freddie Mac has sustained damage due to fire, flood or other peril, you must monitor and coordinate the hazard insurance claim process.

This quick reference outlines the activities you must perform to notify us of the damage and manage the hazard insurance claim process. Refer to *Single-Family Seller/Service Guide* (Guide) Section 8202.11 for additional information about hazard insurance losses. If you have any questions about hazard insurance losses, please contact (800) FREDDIE.

Reporting the Damage to Us

You must notify Freddie Mac of the damage if any of the following conditions exist:

- The mortgage is in foreclosure.
- The property is abandoned and/or you have acquired it through foreclosure or deed-in-lieu of foreclosure. (Refer to Guide Section 9603.11 for remittance requirements for insurance loss settlements.)
- The property has suffered a total or near total loss.
- The insured improvements cannot be rebuilt.
- You want to apply insurance proceeds to the mortgage debt instead of repairing the property.
- The insurance proceeds exceed the amount required to restore the property to its original condition.

To notify us of the damage, submit your recommendation within five business days of learning about the situation.

We also suggest that you submit copies of the following documentation to us when they are available:

- Insurance adjuster's report
- Estimate for repairs
- Insurance check or proof of funds being held
- Property inspection reports with photos from 30 days prior to the loss event, if applicable

We may request additional documentation, if necessary.

E-mail the notification and documentation to us at Distressed_Property@FreddieMac.com.

You may also fax the notification and documentation to us at (571) 382-4933.

Initiating Foreclosure

You must obtain our approval to initiate foreclosure if the property has sustained damage. To request our approval, submit a detailed description of the issue along with your recommendation within five business days of discovering the condition. We will approve or deny your request and provide you with further instructions.

E-mail your request to us at Distressed_Property@FreddieMac.com.

You may also fax your request to us at (571) 382-4933.

Overseeing the Repair or Reconstruction Process

To the extent that it is practical and possible, oversee the repair or reconstruction of the property. To do this, take the following actions:

- Make certain that the borrower chooses a contractor who is qualified, experienced and licensed to perform the type of work required to repair or reconstruct the property.
- Review the plans and specifications for the contracted work to ensure that they are consistent with the damage sustained.

- Verify that the borrower and contractor have executed a contract to perform the work. The contract must state that the contractor will perform the work according to the plans and specifications, and comply with all applicable codes and regulations governing residential repair or reconstruction. The contract must also state the maximum amount that the contractor may charge for the work. For more information, refer to Guide Section 8202.11.
- Ensure that the work has been satisfactorily completed in accordance with plans and specifications before you disburse payment for the work in accordance with the contract.
- Always make certain that you comply with any VA, RHS, FHA, or MI requirements, if applicable.

Releasing Claim Proceeds

The following outlines our requirements for releasing claim proceeds.

	When the mortgage is current or less than 31 days delinquent at the time you were notified of the loss:	When the mortgage is 31 or more days delinquent at the time you were notified of the loss:
Initial insurance loss draft distribution	You may release proceeds up to the greater of: <ul style="list-style-type: none"> ▪ \$40,000 ▪ 10 percent of the unpaid principal balance (UPB) ▪ The amount by which the release funds exceed the sum of the UPB, accrued interest, and advances on the mortgage 	If proceeds are less than \$2,500, you may disburse them in one payment. Otherwise, make an initial disbursement of 25 percent of the insurance proceeds but not more than the greater of \$10,000 or the amount by which the release funds exceed the sum of the UPB, accrued interest and advances on the mortgage.
Additional loss draft distributions	You may distribute remaining funds based on the repair plan you reviewed and approved.	You may distribute remaining funds in increments not to exceed 25 percent of the insurance loss proceeds. You must inspect repairs prior to the release of any additional funds.
Loss Payee: Directly to borrower or jointly to the borrower and a contractor	You must release proceeds greater than \$20,000 payable jointly to the borrower and contractor.	All checks must be made payable jointly to the borrower and a licensed contractor.
	If the borrower advanced payments to the contractor, then the check may be made to the borrower provided you obtain documentation of the materials and services the borrower paid.	

Licensed Contractors

Refer to the following table to determine when you must use a licensed contractor.

If the mortgage is:	And the total claim proceeds amount is:	Then you must:
Current or less than 31 days delinquent at the time you were notified of the loss	Less than \$40,000	Have policies and procedures to determine when a licensed contractor is required to repair or reconstruct the residence.
	Equal to or greater than \$40,000	Ensure you use a licensed contractor to repair or reconstruct the residence.
31 or more days delinquent at the time you were notified of the loss	Always use a licensed contractor to repair or reconstruct the residence regardless of the claim proceeds amount.	

Final Inspections

A final inspection is required to ensure all repairs are complete. Inspections and a repair plan are not required if the mortgage was current or less than 31 days delinquent at the time you were notified of the loss and the total insurance proceeds are less than or equal to \$10,000.