



Flood or Hazard Insurance Proceeds

Insurance Claims

For loans insured by the Federal Housing Administration (FHA), mortgage servicers must take necessary steps to ensure that hazard or flood insurance claims filed are settled as expeditiously as possible.

Loss Settlement Amounts For Borrower Expenses and Personal Property

The mortgage servicer must promptly release to the borrower all insurance settlement proceeds received for coverage of a borrower's personal property, temporary housing, and other transition expenses. The servicer may not withhold disbursement of such proceeds to cover an existing arrearage without the written consent of the borrower.

Insurance Proceeds for Home Damage

The servicer must expedite the release of insurance proceeds for needed home repairs after approving a Viable Repair Plan.

A Viable Repair Plan is a plan for repairs of a mortgaged property within the amounts available through insurance proceeds and borrower funds.

Application of Insurance Proceeds to Unpaid Principal Balance

If the Borrower is currently delinquent on their mortgage, the servicer may only apply insurance proceeds payable for home damages to arrearages and/or reduction of the unpaid principal balance if:

- The amount of the proceeds exceeds the costs to repair the damages to the home; or
- The insurance proceeds are insufficient to repair the home damages based on a certified repair estimate, and the borrower is unable to demonstrate that they have additional funds from other sources to complete the repairs.

Resources

Handbook 4000.1

FHA's Single Family Housing Policy Handbook 4000.1 contains servicing policy and is available online at:

https://www.hud.gov/program_offices/housing/sfh/handbook_4000-1

Federal Emergency Management Agency

FEMA provides listings of specific counties and cities affected by disasters, and the corresponding declaration dates, which may be found at:

<https://www.fema.gov/disasters>.



The FHA Resource Center is available to assist servicers and housing Counselors with any questions on FHA policy and procedures.

FHA RESOURCE CENTER
Online FAQ: www.hud.gov/answers
Email: answers@hud.gov
Phone: (800) CALL FHA (225-5342)

The FHA Resource Center is prepared to accept calls from persons who are deaf or hard of hearing, as well as individuals with speech or communication disabilities. Information on how to make an accessible phone call is available at:

<https://www.fcc.gov/consumers/guides/telecommunications-relay-service-trs>.