

MPF Announcement:

2022-64

Date:

December 13, 2022

Alert:

Clarification

New Policy

Policy Update

Reminder

Training Information

Audience:

Compliance/Legal

Program Management

Origination

Quality Control

Servicing

Underwriting

Product:

MPF Government MBS

MPF Traditional

MPF Xtra[®]

Effective Date:

Immediately (unless otherwise noted)

MPF Program Insurance Loss Settlement Updates and Reminders

The MPF Program has made the following updates and clarifications regarding Insurance Loss Settlements:

Reference

Please note you can access the [MPF Guides](#) and [MPF Announcements](#) on our [MPF Website](#).

Visit the [MPF Website](#) to review and register for upcoming complimentary [MPF Webinars](#).

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Notification to the MPF Provider

Servicers are no longer required to submit an SG342: Property Insurance Loss Draft Notification form for all losses. Servicers must only submit an SG342 to the MPF Provider for the following scenarios:

- If the Insurance Proceeds are greater than \$40,000,
- If the Mortgage Loan is 31 or more Days Delinquent, or
- If the Mortgaged Property is located in an area affected by a Major Disaster.

Release of Insurance Proceeds

As a reminder, if the Mortgaged Loan status is current or less than 31 days delinquent at the time of the loss event, the Servicer must disburse the Insurance Proceeds as follows:

- When the Insurance Proceeds are less than or equal to \$40,000, the Servicer is authorized to release proceeds directly to the Borrower **without** obtaining prior approval from the MPF Provider.
- When the Insurance Proceeds are greater than \$40,000, the Servicer:
 - is authorized to release an initial disbursement up to the greater of:
 - \$40,000;
 - 33% of the Insurance Proceeds; or
 - the amount by which the release funds exceed the sum of the UPB, accrued interest, and advances on the Mortgage Loan.
 - **must obtain written approval** from the MPF Provider prior to disbursing any additional funds.

Property Insurance Loss Draft Notification (Form SG342)

The Form SG342 has been updated to require the following documentation that supports the Servicer's recommendation:

- For **all** Property Losses that require submission of an SG342, Servicers must include:
 - Insurance Adjustor's Report, and
 - Front and Back Copy of the Settlement Check.

- Additional information required for Property Losses with Insurance Proceeds greater than \$40,000:
 - Contract for repairs, and
 - Inspection showing completion of the repairs to date (pictures and an attestation of completion of the work from the PFI or the contractor on the PFIs letterhead).

For a better understanding of the Property Loss Events and Insurance Loss Settlement requirements, see Chapter 4 – Insurance Requirements of the applicable MPF Product Guide.

For Government Loans, PFIs must comply with all requirements of the applicable Government Agency.

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