

The North Dakota Housing Finance Agency (NDHFA) has an insurable interest in all properties that are used as collateral for its loans; therefore, insurance claim checks are made out to both the borrower and the Agency. NDHFA reserves the right to perform an inspection of mortgaged properties to verify the completion of repairs. NDHFA borrowers should follow the guidelines below to have the insurance funds released.

When a mortgaged property is damaged, the borrower(s) should notify his/her insurance agent immediately. The agent will order an inspection of the damage, and the insurance company will issue a loss report and a claim check.

#### **If Loss is \$2,500 or Less**

Submit a copy of the loss report and the insurance claim check to the NDHFA. The NDHFA will endorse the claim check and return it to the borrower.

#### **If Loss Exceeds \$2,500**

**Endorse the insurance claim check** and submit it and the loss claim report to the NDHFA. If there is another loss payee listed on the claim check (ex: a second mortgage holder), that party must endorse the claim check before it is submitted to the Agency. The NDHFA will deposit the claim check and release funds to the borrower as follows:

- If a borrower is doing the work or needs to buy materials (lumber, shingles, drywall, paint, etc.) for a contractor, the NDHFA will release the greater of \$2,500 or one-third of the total to the borrower to pay for start-up costs. For subsequent release of funds, provide proof of costs incurred to date and the Agency will reimburse the costs.
  - *If a borrower is doing the work themselves NDHFA will not reimburse the costs for tool purchases unless it is stated on the loss report or for labor.*
- If a contractor makes the repairs, NDHFA will issue a check made payable to the borrower and the contractor for the full amount of the contract. The borrower should endorse NDHFA's check and submit it to the other party as payment for the service provided.

If funds remain after completion of the required repairs and the loan account is current, the money will be released to the borrower. The borrower is welcome to apply the funds to the loan's principal balance or escrow account. If a borrower chooses to not make repairs to damaged property for which they received insurance funds, NDHFA reserves the right to require that the funds be applied to the loan's principal balance.

NDHFA may, at its discretion, sign off on the insurance check and permit the borrower to manage the repair funds if there is sufficient equity in the mortgaged property and good payment history. Loans less than 24 months old are required to place insurance claim funds greater than \$2,500 into a repair escrow account.

#### **If Loan Payments Are Not Current**

Regardless of the size of a claim check, NDHFA requires that all loan payments be current, and have had no late payments in the last 24 months, before any insurance funds are released directly to a borrower. If an account is not current, the borrower must **endorse the claim check** and submit it with the loss report to the NDHFA – address is available above. The Agency will issue a check made payable to both the borrower and a contractor or place of business where supplies can be purchased. The borrower should endorse NDHFA's check and submit it to the contractor as payment for the repair work or goods.

#### **Processing of Checks Brought to the NDHFA Office**

If a claim check and loss report are hand carried to the NDHFA office, the borrower may be asked to leave the papers at the Agency. After processing, NDHFA will mail the check back to the borrower. If the borrower prefers to pick-up the check, make that notation when leaving the materials and provide a daytime phone number so that notice can be made when the check is ready.

#### **Large-Scale Disasters**

When the NDHFA is handling loss claims from large-scale disasters, **allow at least 48 hours to have any insurance information processed**. To discuss a claim with a member of NDHFA's staff, it may be necessary to make an appointment. When leaving **a message include your name, property address and phone number**. A staff member will return the call within 48 hours.