

# Hazard Loss Notification and Plan



Seller/Servicer Name

## Part I - Notification

Part I Notification due within 14 days of when Servicer initially learns of loss.

Date of Submission

### A. Loan Data

#### Reason for Part I Submission:

- There has been an event of default under the Loan Documents
- Death or serious injury has resulted from the event
- The Mortgage is an SBL Mortgage and the estimated loss is greater than \$25,000
- The Mortgage is a non-SBL Mortgage and the estimated loss is greater than \$50,000

Note: If none of the conditions above apply, then **Form completion is not required**

Property Name

Deal Number (Securitized Loans)

	First Loan	Second Loan	Third Loan
Freddie Mac Loan No.			
Servicer Loan No.			
Current UPB			
Maturity Date			

Total Property UPB

### B. Loss Notification

1. Type of loss (e.g., fire, water)
2. Date of loss
3. Date Servicer notified of loss
4. Initial estimated amount of loss

5. Please provide any additional details about the loss known at this time:

#### Submitted By

Name

Phone Number

Email

Part I Update/ Part II Due to PRS by:

NOTE: Due 90 days from date of Part I - Notification submission

## REFERENCE GUIDE

### SUBMITTING FORM 1140, PARTS I AND II

[Form 1140](#) can be found on the [Guide and Forms page](#) of the Freddie Mac Multifamily website. Click on the “Numbered Guide Forms” tab and find it in the drop-down list.

#### 1. Part I - Notification & Follow Up

Part I of Form 1140 is to be submitted to DMS within 14 days of when Servicer initially learns of the loss. If the form is incomplete and none of the Freddie Mac approval conditions listed in Section 43.8 (a)(3) exist, then within 90 calendar days after the Servicer submitted Part I -- Notification, or earlier upon Freddie Mac request, the Servicer must upload a fully completed **Part I Follow up** to the corresponding Property Reporting System (“PRS”) entry.

#### 2. Part II - Restoration Plan for Approvals:

If none of the Freddie Mac approval conditions listed below exist, then the Servicer is not required to complete Part II of Form 1140.

If Freddie Mac approval is required for the Borrower's restoration plans, the Servicer must complete Form 1140, Part II Restoration Plan for Approval within 90 calendar days after the Servicer submitted Part I -- Notification, and provide it to Freddie Mac as follows:

- If the Servicer has not previously submitted Form 1140, Part I -- Notification, the Servicer must upload the completed Part I - Notification and Part II Restoration Plan for Approval to DMS and use the “File Submission” link to “Submit to Hazard Loss”
- If the Servicer has previously submitted Form 1140, Part I -- Notification, the Servicer must upload Part II Restoration Plan for directly to the corresponding PRS entry

Freddie Mac will review the Servicer's recommendations and provide its approval or directions for alternate action. Under most circumstances, Freddie Mac will delegate responsibility for managing and approving disbursement requests to the Servicer. If delegation of disbursement requests is not approved, the Servicer must submit Form 1140-DR for each disbursement directly to the corresponding PRS entry.

If the Servicer is requesting approval to permit the Borrower to pay down the Mortgage in lieu of restoring all or a portion of the damaged Property, the Servicer must make a Consent Request Tracker (“CRT”) entry and submit corresponding consent request approval documentation to Freddie Mac.

### DIFFERENCES BETWEEN SUBMITTING PART I AND PART II

We've highlighted some noteworthy steps in each submission process.

#### Form 1140, Part I Notification

- Asset Management will create a Hazard Loss Loan Item Tracking (“LIT”) in the Property Reporting System (“PRS”) within 48 hours of notification from the Document Management System (“DMS”)
- If any information is outstanding at the time of the initial notification, we require a **Part I Follow Up** submission within 90 days (see page 4 of Form 1140)
- If loss does not meet Part II **Restoration Plan for Approval** thresholds, no Borrower Completion Certification is required. To close out LIT, Servicer inserts a comment in corresponding PRS LIT confirming repair completion.
- Disbursements are fully servicer delegated

#### Form 1140, Part II Restoration Plan for Approval

- Freddie Mac verifies package completeness with 48 hours of Form 1140, Part II **Restoration Plan for Approval** and all documentation
- Incomplete packages will not be assigned for review and approval. All questions must be completed with a response and correlate with source documentation for this package to be considered complete and assigned for review.
- A Restoration Plan requires Freddie Mac approval
- Consent Request Tracker (“CRT”) entry required only if borrower does not intend to rebuild property
- Freddie Mac determines delegation; either servicer delegated or the servicer must submit Form 1140-DR
- Borrower Certificate - Completion Restoration required to close out corresponding LIT. Include documentation evidencing the property has been restored and clear of any liens.

### HELPFUL TIPS

- The *Freddie Mac Multifamily Seller/Servicer Guide*, Section 43.8(a) covers Hazard Losses
- If the restoration is already 100 percent complete, the Servicer must upload a fully completed Form 1140, Part I -Notification and either a fully completed Part I - Follow Up or Part II - Restoration Plan for Approval (depending on whether Freddie Mac approval is required under Section 43.8(a)(3) to DMS and use the “File Submission” link to “Submit to Hazard Loss”.
- Form 1140 is required even if no insurance claim is filed
- Submit Form 1140, Part I Notification in DMS by uploading and clicking on “Submit to Hazard Loss”
- Multiple documents can be uploaded to PRS at once
- The sub-servicing agreement between the master servicer and primary servicer is always the binding document in terms of how to notify the master servicer of hazard losses
- PRS and DMS submission instructions are available in the Loan Compliance Desk Reference located in Asset Management Resource Center, see page 2.

**Part I - Follow Up**

**Due within 90 calendar days of Part I – Notification submission for losses that do not require Part II approval. Please Note:** If Part II approval is required, Servicer does not need to submit Part I - Follow Up.

**Loss Detail Update**

1. Current amount of loss  Source of Document(s)

a. Is this the final loss amount? Yes  No   
*If no, please provide the final Part I Update to consider the LIT complete*

b. Does hazard loss insurance coverage comply with the Multifamily Seller/Servicer Guide or Freddie Mac approved waivers? Yes  No

c. Is Mortgagee clause on the policy correct? Yes  No   
 Comment if you selected "No" for either of the above

2. Insurance proceeds  Source of Document(s)

3. Excess or shortfall   
*(Estimated amount of loss less estimated insurance proceeds)*

4. Death or serious injury resulted from loss? Yes  No   
*If "Yes", please submit Part II in lieu of Part I-Update*

5. Number of units that sustained any damage

6. Percentage of units that sustained damage

7. Number of units uninhabitable as a result of the damage

8. Comment below on where/how tenants have been relocated, as applicable

9. Are there any concerns about the security of the Property or safety of the residents? Yes  No   
*If "Yes", please detail below.*

10. Does Borrower plan to repair/rebuild? Yes  No   
*Please note that the rebuild decision must be approved per provisions in the loan document*

11. Repair completion date

12. Please provide details pertinent to the loss that have not been addressed above:

**Submitted By**

Name   
 Phone Number   
 Email

**Approved By**

Name   
 Date

**Part II - Restoration Plan for Approval**

*All questions must be completed with a response and correlate with source*

**Reason for FM approval Required** (see page 2-Guide reference 43.8(a)):

- There has been an event of default under the Loan documents
- Death or serious injury has resulted from the event
- The percentage of units that sustained any damage is 10 percent or more of Property's total units
- The estimated loss amount exceeds \$500,000 or 10 percent of the outstanding UPB
- For non-SBL Mortgages, the estimated loss exceeds the Borrower Proof of Loss Maximum (as defined in the Loan Agreement)
- The Mortgage has not been securitized, has a Risk Rating greater than six and the estimated loss is greater than \$50,000
- The Borrower's insurance coverage is insufficient to cover the loss to the Property or loss of rents/business income and the estimated loss amount is greater than \$50,000

**A. Attachments**

**Required items:**

- Statement of loss
- Adjustor's report
- Current insurance ACORD
- Current rent roll (at time of Part II Submission)
- Photographs
- Inspection report (if loss is greater than 10 percent of UPB or \$500,000 or exceeds proof of loss maximum as specified in the Loan Agreement)

**If available at time of submission, also include:**

- Construction contract
- Borrower's affidavit
- Inspection report
- Other:
- Local newspaper articles/correspondence

**B. Description of Physical Loss**

1. Current amount of loss  Source Document(s)

a. Current occupancy percentage (following loss)  As of date

b. Number of units that sustained any damage  % of units

c. Number of units down (uninhabitable)

d. Number of buildings that sustained any damage

2. Comment on where/how displaced tenants have been relocated, as applicable:

3. Death or serious injury resulted from loss? Yes  No

*If "Yes", please detail below.*

4. Are there any concerns about the security of the Property or safety of the residents? Yes  No

*If "Yes", please detail below.*

5. Please provide any details pertinent to the loss that have not been addressed above (if there is any pending litigation as a result of the loss please provide details below):

**C. Insurance Information**

1. Has insurance claim been filed? Yes  No

a. If Yes, date of filing

b. If No, does borrower plan to submit claim? (If no, remainder of section C may be left blank) Yes  No

2. Does Borrower's hazard loss insurance coverage comply with the *Multifamily Seller/Service Guide* or Freddie Mac approved waivers? Yes  No

3. Is Mortgagee clause on the policy correct? Yes  No

Comment if you selected "No" for any of the above

4. Borrower policy hazard loss coverage limit

a. Policy effective date From  To

b. Amount of deductible

5. Is there business interruption insurance? If yes, fill in items a-c; If no, comment in C.7 below. Yes  No

a. Months of coverage

b. Received escrow

c. Waiting period, if applicable (in months)

d. Deductible, if applicable

6. Does Borrower's business interruption insurance cover income shortfall? Yes  No

7. Please provide any additional details pertinent to the status of the claim not addressed above (include any items checked "No" in this section)

**D. Repair of Property**

**Please Note: Rebuild decision must be approved per provisions in the loan documents**

1. Repair completion date

2. Percent of repairs completed to date/as of date  /

a. Party responsible for performing repairs (i.e., in-house, borrower management co., contractor, structural engineer, multiple vendors/service providers)

3. Are there zoning ordinance issues related to Property repair? Yes  No

4. Are there environmental issues? Yes  No

5. Describe Borrower's plan to restore Property and explain any items checked "Yes" in this section

**E. Sources and Uses of Funds**

1. Insurance proceeds expected to be received, excluding business interruption
- a. Insurance proceeds received to date
- b. Insurance proceeds escrowed with servicer
- c. Were any insurance proceeds disbursed to borrower? Yes  No

If yes, provide amount(s) and date(s) of

2. Other potential funding sources, excluding Borrower Source:

3. Estimated excess (or shortfall)   
*(Estimate cost of repairs less insurance proceeds, deductible and other sources of funding)*

4. If shortfall in repair proceeds, does Borrower have funds available to cover? Yes  No

If yes, provide amount of additional funds and source of funds (i.e., operating budget, property cash flow, borrower liquidity, reserves)

5. Please provide any additional details pertinent to above and if item E.4 is checked "No" please explain.

**F. Servicer Recommendation**

**Choose the recommended action and provide information requested for that option:**

Borrower to repair Property (if this option selected, complete A-D below)

A. Disbursement approval (choose one)

Delegate to Servicer

Freddie Mac

B. Servicer or Third Party Inspection report by (choose one)

Exempt Inspector, per Guide Section 40.13(b)(3) - Required if any one of the following conditions is met:

- The repairs, if improperly done, might contribute to material failure of any building component and/or the physical deterioration of the facility
- The repairs include structural repairs
- The repairs consist of repairs to major building systems (for example, electrical, mechanical, fire protection, etc.)

Industry Trained Inspector or Certified Inspector, per Guide Section 40.13(b)(1) and (2) - Applicable if none of the above conditions are met

C. Required inspection frequency (e.g. monthly, quarterly, % of completion, etc.)

D. Maximum disbursement frequency (e.g. monthly, quarterly, % of completion, etc.)

Servicer to apply insurance proceeds to UPB **Note:** CRT entry and completion of General Request Form required

Property satisfactorily repaired; Servicer to disburse insurance proceeds to Borrower

Other recommendations (describe below)

**Submitted By**

Name

Phone Number

Email

**Approved By**

Name

Date