

# Hazard Loss Quick Guide

Use this quick reference guide for best practices on submitting your hazard loss. You'll also find the differences between submitting Form 1140, Parts I and II highlighted in this 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.

### Why should I submit Form 1140, Part I Notification?

- 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.

### When is Form 1140, Part II Restoration Plan for Approval required?

- 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% or more of the property's total units.
- The estimated loss amount is greater than \$500,000 or 10% 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.

## 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 Property Reporting System (PRS) Loan Item Tracking (LIT) – Hazard Loss 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 within 90 days.
- No Borrower Certification – Completion of Restoration is required if servicer confirms repair completion via email or comment in PRS. The corresponding LIT will be closed out.
- 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 and all documents.
- Incomplete packages will not be assigned for review and approval.
- A Restoration Plan requires Freddie Mac approval.
- Consent Request Tracker (CRT) entry only if borrower does not intend to rebuild.
- Freddie Mac determines delegation; either servicer-delegated or the servicer must submit Form 1140-DR
- Borrower Certification – Completion of Restoration required to provide evidence that the property has been restored and clear of any liens and corresponding LIT will be closed out.

## Helpful Tips

- The Freddie Mac *Multifamily Seller/Servicer Guide*, [Section 43.8\(a\)](#) covers Hazard Losses.
- 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.
- All insurance proceeds must be remitted to the servicer. It is recommended that the insurance carrier be contacted via phone to confirm: a claim was filed, obtain a copy of the claim and determine status of insurance proceeds (any check for insurance proceeds should include the lender).
- Send the borrower and guarantors a written notice reminding them of the requirements under the loan agreement and specifying any outstanding information.
- Issue a Reservation of Rights letter when the borrower is unresponsive or uncooperative with providing loss documentation and/or repair completion status.