



State of New York Mortgage Agency

641 Lexington Avenue, New York, NY 10022
(212) 688-4000 • Fax: (212) 872-0789

By E-mail

April 4, 2013

RE: Hurricane Sandy Insurance Proceeds

Dear SONYMA Servicer:

In late February, the New York State Department of Financial Services (“DFS”) sent a letter requesting that New York State mortgage servicers ease rules for handling insurance claims related to Hurricane Sandy. At minimum, DFS asked servicers to disburse the higher of \$40,000 or 75% of the insurance proceeds to any paid-current borrower (as of the date of the storm), and whose home suffered less than 80% damage, without requiring any supporting documentation or inspection.

After canvassing its Servicers and in support of DFS’ request, SONYMA is implementing the following policy, effective immediately, for any borrower whose home has less than 80% damage:

For Loans Paid Current at the Time of Hurricane Sandy

1. For all loans, *paid current at the time of Hurricane Sandy*, where your organization is holding or will be holding insurance proceeds due to property damage caused by Hurricane Sandy, these proceeds must be immediately disbursed to the homeowner up to a maximum of the higher of (a) \$40,000 or (b) 75% of the total expected claim settlement amount.
2. For insurance settlements where a disbursement of 75% occurs, Servicers are required to hold the remaining 25% in escrow and may release these funds in subsequent draws when the Servicer is satisfied that work covered by the requested draw has been satisfactorily completed.

For Loans Delinquent Prior to Hurricane Sandy

For loans *delinquent prior to Hurricane Sandy*, Servicers must follow SONYMA’s standard policy for insurance losses (see Section 2.02 of our [Servicer’s Guide](#)). SONYMA will allow for a small upfront advance (up to a maximum of 25%) of insurance settlement funds to the borrower and the contractor to get started. Afterwards, no disbursements for the repair of property damage can be made until steps are taken to ensure that the amount of work completed is at least equal to the funds to be disbursed on each draw. Prior to final disbursement of the funds,

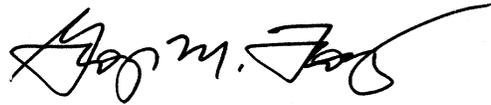
Servicer shall prepare an inspection report evidencing satisfactory completion of all necessary repairs and including all applicable warranties, waivers of lien and municipal approvals. For homes where the damage exceeds 80%, Servicers must follow Section 2.02 of the [Servicer's Guide](#).

Of course, any insurance proceeds related to the personal contents of the property should always be immediately released.

Any insurance loss checks that require SONYMA's endorsement (checks made payable to SONYMA and greater than \$15,000) should be sent to Diane Sclafani, AVP, Servicing Manager, 641 Lexington Avenue, New York, NY 10022.

If you have any questions regarding this letter, please contact Diane Sclafani at 212-872-0397 or dsclafani@nyshcr.org.

Sincerely,

A handwritten signature in black ink, appearing to read "George M. Leocata". The signature is stylized and cursive, with a large initial "G" and a long horizontal stroke extending to the right.

George M. Leocata
Senior Vice President
Single Family Programs