

POLICY FOR HANDLING REQUESTS TO SETTLE INSURANCE PROCEEDS.

When a mortgagor requests endorsement of property insurance settlement proceeds payment for damages to a property secured by a CDBG mortgage the municipality will follow the following guidelines.

1. If the amount of the proceeds is \$2,500 or more, including the value of the deductible portion of the coverage, the municipality will require that the mortgagor(s) sign an "Agreement Regarding Insurance Proceeds" and the funds be held in escrow in the CDBG working account according to the terms of the agreement.
2. The CDBG loan committee grants the program administrator the authorization to release the funds if after their analysis the municipality's mortgage is secure without the insurance proceeds. The grant administrator will take into account the condition of the property, the amount of the insurance settlement proceeds, and the amount of the municipality's mortgage compared to the overall value of the property.