

Guide to Handling Insurance Loss Draft Checks on Mortgaged Properties

Standard Mortgage Corporation wants you to know that we are truly sorry that your property has suffered damages. We have prepared this guide to assist you in better understanding the procedure for the release of insurance loss draft proceeds.

Please note that it is a condition of your insurance policy and mortgage that all insurance loss draft proceed checks be made payable jointly to you and to Standard Mortgage Corporation. **You should not attempt to cash any checks without the proper endorsements.** Standard Mortgage Corporation is contractually obligated to ensure investors that the collateral has been repaired to pre-loss condition.

There will be circumstances that will require the funds be deposited into a special loss draft account and released in stages as the repairs are satisfactorily completed. This determination will be based upon the type of loan and the amount of the insurance loss.

In order for Standard Mortgage to determine if the insurance loss draft check can be endorsed over to you or deposited into a loss draft account for scheduled disbursements, the following items must be presented with your request:

- Completed and signed Loss Draft Questionnaire. (See attached page 3)
- A **copy** of all information provided by your insurance company pertaining to the loss, including a copy the **adjustor's settlement worksheet**.
- Original insurance loss draft check **endorsed by all of the named insured and lien holders**.
- A **copy** of your contractor's estimate or contract (if applicable).
- A **copy** of receipts documenting the cost of the repairs that you have completed. (This applies only if you are requesting reimbursement from the insurance loss draft proceeds.)
- Signed Loss Draft Affidavit (only if repairs are complete). See attached page 4.

Please mail the above items to:

Standard Mortgage Corporation
701 Poydras Street, Box 45
New Orleans, LA 70139

* Due to the volume of request, Standard Mortgage will make every attempt to endorse your insurance loss draft check or disburse a portion of the funds to you within (5) business days upon our receipt of the above items in our New Orleans office.

** If you intend to **payoff your mortgage loan with your insurance proceeds**, please send your written request and items #1 and #3, to the above address, **Attn: Payoff Department**. Please note that all remaining escrow and loss draft account balances will be disbursed to you (10) business days after the posting of your payoff transaction.

- ✓ **If you intend to engage a contractor to do the repairs**, we suggest that you make every effort to assure yourself that the contractor you plan to hire is **licensed and insured** in the state in which the property is located. The Better Business Bureau may be able to give helpful information to protect your interests before a contract is actually signed by you. As further protection, we reserve the right to review the qualifications of any contractor. We recommend that you try to obtain at least two different contractor bids, to determine if the costs being charged are reasonable.

The Process:

- Provide Standard with a copy of the contractor's Estimate or Contract. This is essential if you are requesting funds to be released to you and the contractor based upon the stages of completion. If the contractor's total cost to repair is less than or equal to the insurance adjuster's total estimated loss, then Standard Mortgage will mail a check to the insured for 1/3 (**less the insurance loss deductible**) of the contractor's total cost to repair within (5) business days.
 - All checks will be made payable jointly to the borrower(s) and the contractor. Checks will only be mailed to our borrower(s).
 - When the contractor has completed 50% of the repairs, we will release another 1/3 of the loss draft funds after an inspection is completed.
 - The final 1/3 will be released upon the property being 100% complete as verified by a final inspection.
 - You should advise your contractor that we require a Waiver of Lien** to be signed prior to the final disbursement.
 - Borrower(s) must execute a loss draft affidavit** and their mortgage payments must be current prior to the release of any remaining funds.
- ✓ **If you choose to do some or all of the repairs yourself**. Assuming that you may wish to do certain repairs yourself, compensation for your labor will be by virtue of the funds remaining after all materials have been purchased.

The Process:

- Provide Standard with all receipts documenting the cost of the repairs for which you have completed that equals or exceeds your insurance policy deductible.
 - Standard Mortgage will mail a check to the insured for 25% of the insurance adjuster's total estimated loss (**less your deductible**) within (5) business days.
 - The 2nd release of funds will be made when we have received receipts and a property inspection documenting that the original 25% disbursement has been utilized. (Please submit the Request for Second Draw form.**)
 - When disbursements have reached 50% plus your insurance loss deductible, we will have your property inspected prior to releasing additional funds. (Please submit the Request for Property Inspection form.**)
 - Standard Mortgage will retain a minimum of \$2,500 until the work is 100% completed and a final inspection has been received. Once we receive confirmation that all repairs are complete, the borrower(s) must sign the appropriate loss draft affidavit** and their mortgage payments must be current prior to the release of any remaining funds.
- ** A copy of each form will be provided with your first draw.

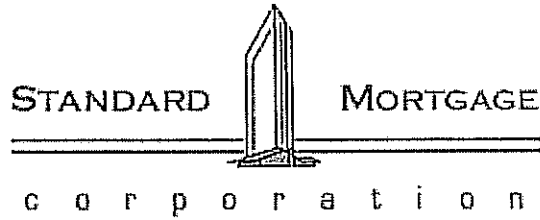
Please mail all supplemental information and/or request to:

Standard Mortgage Corporation
701 Poydras Street, Box 45
New Orleans, LA 70139

FAX: (504) 569-3725 (800) 448-4190

Any variations or deviations to the above guidelines must have Standard Mortgage Corporation's prior approval. The above guidelines are subject to change without notice. Thank you for your assistance and cooperation on this matter.

STANDARD MORTGAGE CORPORATION
Insurance Loss Draft Department



LOSS PROCEEDS AFFIDAVIT

SMC # _____ Investor: _____

To Whom It May Concern:

Standard Mortgage Corporation is the current holder of a mortgage on my dwelling at the following address:

Property Address: _____

City / State / Zip: _____

Parish/County: _____

The above property is insured against hazard of fire and extended coverage through

_____ Insurance Company,

policy # _____.

This is to certify that the damages caused by _____ on or about _____ 20 ____, to the improvements have been fully and satisfactorily restored, and consisted replacement and/or repairs to the following as outlined in the Proof of Loss:

_____.

This is to further certify that all bills for labor and/or material used in connection with such work have been or will be promptly paid in full with proceeds from insurance draft # _____ issued in the amount of \$ _____, so that no liens will be attached to the property as a result thereof. This statement is made for your assistance in endorsing the insurance loss draft for payment.

Please sign and date below, and return to Standard Mortgage Corp. in the enclosed envelope.

Borrowers Signature: _____ Date

Co-Borrowers Signature: _____ Date