

Loan Insurance Claim Process

How to submit a loan insurance payment request to FAME

Once a lender is ready to certify that it has liquidated all collateral and pursued and exhausted all sources of repayment, or once a lender has negotiated with FAME a mutually acceptable, alternative insurance settlement arrangement, it is time to memorialize the insurance settlement in writing and to get the insurance claim paid. Lenders at this point should submit to FAME a written request for payment addressing the following:

- i. Borrowers' name, guarantors' names, original loan amount, and date of FAME loan insurance authorization;
- ii. Certification that lender has liquidated the collateral and all guarantees for the insured loan and has diligently pursued and exhausted all sources of repayment (lender should spell out any exceptions to meeting these standards and any alternative arrangements for which it is seeking approval from FAME);
- iii. Details of:
 - a. Date of loan acceleration and the insured loan balance at time of loan acceleration;
 - b. A brief history of the loan account, the nature of the problems arising, lender's pre-acceleration efforts to resolve same with borrower, a brief recounting of the measures taken to collect the loan/liquidate the collateral once FAME approved acceleration/liquidation;
 - c. The amounts collected afterwards and the sources of such collection;
 - d. The legal and other collection expenses incurred and any protective advances made;
 - e. The current accrued interest amount owed and the per diem interest cost;
 - f. The remaining unpaid principal balance;
- iv. If applicable, certification that lender has allocated payments, collateral proceeds and other collection proceeds, and expenses among the FAME-insured and other non-insured loans of borrower in the manner prescribed in the Loan Insurance Agreement (discussed above), and providing an accounting for same.

If a lender knows that as part of the loan insurance claim settlement, FAME is going to be taking assignment of the insured loan from lender, then lender should send along to FAME with the request for payment a set of photocopies of the loan documents which FAME can use to help prepare the loan assignment documents; lender will have to execute in FAME's favor.

Lenders should take note of the fact, when preparing insurance payment requests, that FAME loan insurance coverage does not cover the following items:

- i. Interest in excess of 90 days, or penalty interest, or prepayment penalties;
- ii. Late charges or other loan default or forbearance fees levied on borrower;
- iii. The cost of any FAME loan insurance premiums, which lender has paid to FAME and has been unable to get reimbursed by borrower;
- iv. Professional fees or other collection costs which FAME finds unnecessary or excessive.

Upon receipt of a written request for a loan insurance payout, FAME's senior workout officer reviews the history of the loan and of the loan workout, and if everything is in order, promptly seeks internal approval to issue an insurance settlement check. If any requirement remains unresolved, then FAME will promptly contact lender and search for mutually agreeable solutions to any open issues. FAME will always prepare a Settlement Memorandum to accompany a settlement check. The Settlement Memorandum will spell out any remaining obligations of lender and FAME to one another concerning the settlement. Although FAME always requests lender to promptly execute and return to FAME an acknowledgement copy of the Settlement Memorandum, cashing of the insurance check also signifies to FAME the lender's acceptance of the outlined settlement terms, so the memorandum should be reviewed carefully. If an assignment of the insured loan from lender to FAME is a required part of the insurance settlement, FAME may require completion and return of the assignment documents and delivery of the original loan documents prior to turning over the insurance settlement check. If an assignment of the insured loan from lender to FAME is a required part of the insurance settlement, in lieu of the above noted Settlement Agreement, FAME may require completion and return of an Assignment Agreement including the delivery of the bank's original loan documents prior to turning over the insurance settlement check.