



**Rural Development**

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TO: All RHS MFH National Office Directors  
Field Office Staff  
Rural Development

ATTN: Leadership Designees  
Field Operations Division Program Staff  
Rural Development

FROM: Joaquin Altoro  
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Rural Housing Service

SUBJECT: Multifamily Housing Guidance for Processing Insurance Claim  
Proceeds (Handbook 2-3560, 4.13 D.I. *Bid Requirements*)

**PURPOSE**

The purpose of this Unnumbered Letter (UL) is to inform Multifamily Housing (MFH) staff of procedural changes to the process requirements for insurance claims, specifically related to bid requirements. Many insurance companies have specific requirements for hiring vendors (preferred contractors) as a condition of payment of funds. These procedural changes will reduce Agency and owner administrative burdens.

**BACKGROUND**

Handbook 2-3560, Chapter 4 , paragraph 4.13 D.I. *Bid Requirements* requires a minimum of two bids when the expenditure of reserve funds for a project (all work included in one contract) is estimated to cost more than \$5,000. When there is an Identity of Interest (IOI) entity between the borrower or property manager and a contractor, a minimum of three bids must be submitted to the Agency.

Many insurance companies have specific requirements for selecting preferred contractors. Rural Development’s bid requirements generally duplicate this work and add another layer of compliance.

EXPIRATION DATE:  
June 30, 2024

FILING INSTRUCTIONS:  
Housing Programs

## **IMPLEMENTATION**

To alleviate redundancy and the administrative burden of processing insurance claim proceeds, when the insurance company selects a contractor to perform the mitigation or repairs, the Agency will no longer require the minimum bids.

In instances where the insurance company selects a contractor to perform insurance proceed funded mitigation or repairs, the Agency agrees that the 2-bid reserve account requirement is not applicable.

In instances where the insurance company selects a contractor that has an Identity of Interest with the insurance company, owner or management agent, the Agency agrees that the 3-bid reserve account requirement is not applicable.

This is based on the insurance industry standard that the selected (preferred) contractor will not charge more than what the insurance company will pay and therefore the deductible is the only expense the property will incur.

**This guidance does not apply to, or change the bid requirements for, reserve account requirements if the insurance company does not select the contractor on insurance claim mitigation or repairs. This bid requirement guidance does not apply to reserve withdrawal requests that do not involve insurance claim proceeds.**

The contractor and insurance company will comply with all Agency design requirements, state and local laws and local code enforcement requirements.

If the insurance company receives executed contract documents, such as construction contracts, change orders, warranties, inspection reports, etc. the MFH Servicing Specialist may request copies of these documents for the project file.

In all cases where there is substantial or major rehabilitation, the selected contractor must adhere to Section 504 of the Rehabilitation Act of 1973. If substantial or major rehabilitation includes development of plans and specifications, the plans and specifications should be reviewed by Program Support Services, Architectural Services Branch, prior to the start of the work.

If you have any questions regarding the guidance in this UL, please contact Deb Reed, Finance & Loan Analyst, Asset Management Division, Policy & Budget Branch ([deb.reed@usda.gov](mailto:deb.reed@usda.gov)) or telephone 712-254-4365.