

Disaster Policy

Introduction

When natural disasters occur (such as severe storms, tornadoes, flooding, and wildfires) steps must be taken to ensure that the security on each Loan is protected. Reunion Mortgage requires property re-inspections before loan closing when a disaster occurs.

Guidelines for loans not requiring an appraisal

- FIW for DU Refi Plus loans
 - FIW (Property Fieldwork Waiver) is not allowed if a disaster occurred since the closing of the mortgage being refinanced. An appraisal with interior/exterior inspection is required
- FHA Streamline Refinance without an appraisal
 - To ensure the property has not been damaged, Reunion Mortgage requires an exterior inspection be performed by an FHA-approved inspector. If any indication of damage is discovered a complete FHA appraisal with interior and exterior inspection is required.

Effective Date of Disaster Policy

The disaster policy becomes effective as of the incident period end date for the disaster. FEMA publishes the incident period along with the declaration date once the area is declared by the president.

For example, refer to the following dates to understand when a property re-inspection is required

- Disaster Incident Period:
 - Begin Date: March 15
 - End Date: March 17
- Disaster Declaration Date: April 2
- Effective Date for Disaster Procedures: March 17

Based on the dates noted in the above example, all appraisals performed on or before March 17 would require the appropriate re-inspection and review requirements. Appraisals performed **after** March 17 would continue to require written certification by the appraiser that indicated the property was free from damage and the disaster had no affect on value or marketability, or if there was damage, address the extent of that damage.

Property Inspections

Appraisal Performed On or Before the Incident Period End Date for Disaster

- The property must be re-inspected by the original appraiser (or acceptable inspection source if the original appraiser is unable to complete the inspection)
- The original appraiser/property inspector must provide the following certification
 - An interior and exterior inspection of the property has been performed
 - The property is free from damage and the disaster had no affect on value or marketability
 - Photographs of the subject property

- If the original appraiser is not available the inspection may be completed by any of the following:
 - Another licensed appraiser
 - Local professional, licensed inspector:
 - Property/building inspection company
 - Licensed general contractor
 - Building or safety inspector from the local municipality
 - Licensed structural engineer
 - The inspector must be given a copy of the first two pages of the original appraisal report
 - The inspector must provide photograph(s) of the property and a certification, on their letterhead, stating:
 - The original appraisal has been reviewed
 - Interior and exterior inspection of the subject property has been completed
 - Property is free from damage and the disaster had no affect on value or marketability.
- If the re-inspection indicates damage, the damage must be repaired and completion of repairs is required as evidenced by Form 1004D Appraisal Update with photos

NOTE: Properties with significant damage must be re-inspected by a qualified home inspector or an engineer to assess the nature and degree of the damage.

Appraisal Performed After Incident Period End Date for Disaster

- If the property is free from damage
 - The appraisal must state that the property is free from damage and the disaster has had no affect on value or marketability.
 - All comparables should be post-disaster; however, if sufficient comparables are not available, the appraiser must provide current photos of the subject property and comparables. Multiple Listing Service (MLS) photos or photos used for previous appraisals are not acceptable.
- If the appraisal indicates damage:
 - The extent of the damage must be addressed.
 - Properties with significant damage must be inspected by a qualified home inspector or an engineer to assess the nature and degree of the damage.
 - Completion of repairs is required evidenced by Form 1004D Appraisal Update with photos

Pending Disasters

If a disaster is immanent that will affect our subject property, the funding must be suspended until such time as the disaster has occurred. If the disaster affected the area of our subject property a re-inspection must be obtained as outlined above.

Updated status on Presidential-declared disaster areas may be found at <http://www.fema.gov/news/disasters.fema>.

VA Requirements for Loans in Disaster Areas

Appraisals completed on or before the incident end date, VA requires that the property is re-inspected to certify that the property condition and value have not been worsened as a result of the disaster. To be eligible for VA guaranty, **BOTH** the lender and the veteran borrower are required to provide certifications to this effect.

NOTE: Any loan closed prior to the disaster is eligible for VA guaranty without regard to the disaster.

Properties That Suffered Damages

- If there is an indication that the property, despite repairs, will be worth less at the time of loan closing than it was at the time of appraisal, the lender must have the VA fee appraiser update the original value estimate.
- The payment of the appraiser's fee for that service will be a contractual matter between the buyer and the seller.
- If the property value has decreased, the loan amount must be reduced accordingly.

Veteran Disaster Certification

- The veteran must perform an inspection of the property.
- The veteran must sign and date the *Veteran Disaster Certification* form certifying that he has inspected the property and finds the condition acceptable.
- A copy of the Veteran's Disaster Certification form is attached. This form must be reproduced on letterhead.
- The executed Veteran's Disaster Certification form must be included in the file when submitted to VA for purchase.

Lender Disaster Certification

- The lender must complete the *Lender Disaster Certification* form to verify that the property has been inspected and either was not damaged or has been restored to pre-disaster condition (or better).
- The Lender Disaster Certification form must be reproduced on letterhead.

Additional VA Processing Requirements

- Prior to closing we must insure that the veteran's employment and income have not changed since the loan application. Employment and income may be verified by a telephone VOE or most recent pay stub.
- If at the time of the loan closing the veteran is no longer employed or family income has been reduced, the loan must be re-evaluated by the VA Automatic Underwriting Consultant prior to closing.
- On the "Remarks" section of VA Form 26-0268, VA Loan Summary Sheet, enter the words "*Lender and Veteran Disaster Certifications Enclosed.*" Place both Certifications below the VA Loan Summary Sheet when the file is submitted to Post Closing.
- Additionally, if local law requires the property to be inspected and approved by the local building inspection authority, a copy of the appropriate local report(s) must be provided. Please note the Veteran purchaser cannot be charged for any disaster-related inspections or repairs.