

OVERVIEW

Man-made or natural disasters, such as flooding, mudslides, or fires, can inflict varying degrees of damage to a property. To mitigate risk, Franklin American Mortgage Company (FAMC) maintains and publishes requirements for properties that are located within a disaster area. FAMC requirements incorporate agency and investor guidelines.

PROPERTIES SUBJECT TO THE DISASTER POLICY

FAMC's Disaster Policy applies to properties located in counties where:

- The Federal Emergency Management Agency (FEMA) has issued a major disaster declaration; or
- An investor has issued a disaster notification; or
- FAMC has made a determination that there is risk of damage from a disaster that has not yet been declared by FEMA or an investor (i.e. FAMC pre-emption).

The type of assistance that is declared by FEMA determines which product types are affected.

- Individual assistance applies to all loan products.

FAMC routinely publishes the Disaster County Detail Worksheet that includes counties that have been declared by FEMA, an investor, or FAMC.

For a complete list of Disaster Counties and their effective dates, please refer to the link below:

[Disaster County Detail Worksheet](#)

DISASTER POLICY REQUIREMENTS

Properties located in counties disclosed on the Disaster County Detail Worksheet must comply with FAMC's Disaster Policy.

- FAMC Disaster Policy requirements apply during an ongoing disaster and for 90 days following the incident end date.
- Disaster inspections or lender certifications are required if the appraisal is dated on or before the incident end date.
- PIWs/Appraisal Waivers (DU & LPA) require that the AUS submission date offering the PIW/Appraisal Waiver must be dated at least 91 days after the incident end date; otherwise, a disaster inspection or lender certification is required.
- Conventional loans that closed with a reduced appraisal option and need to meet disaster requirements prior to FAMC's purchase of the loan may be suspended for a disaster inspection or lender certification.
- VA IRRRLs and FHA streamlines require a disaster inspection for 90 days after the incident end date. A disaster inspection is not required if the initial application date is at least 91 days after the incident end date.

DISASTER INSPECTION REQUIREMENTS

An exterior inspection is required and must include evidence to verify that the property is undamaged. The inspection may be provided in various formats as long as the requirements are met.

Who May Complete the Inspection				
Loan Type	Original Appraiser Required	Licensed Property Inspector	Field Company	Lender Certification Permitted
Conventional Conforming	No	Yes	Yes	Yes
FHA	Yes (or another FHA roster appraiser)	No	No	No
FHA Streamline	N/A	Yes	Yes	Yes
USDA-RD	No	Yes	Yes	Yes
VA	No	Yes	Yes	Yes
VA IRRRL	N/A	Yes	Yes	Yes


FHA Transaction Requirements excluding Streamlines

- Applicable transactions must have a damage inspection report that identifies and quantifies any dwelling damage.
- The damage inspection report must be completed by an FHA Roster Appraiser (by the original appraiser whenever possible) even if the inspection shows no damage to the property. Lender certifications do not meet FHA requirements and are not permitted.
- The report must be dated after the incident end date, or 14 days from the incident period begin date, whichever date is earlier. If the effective date of the appraisal is on or after the date required for an inspection, a separate disaster inspection report is not required.
- Neither FHA nor FAMC require a specific form for a damage inspection report.
- For damage less than \$5,000:
 - The appraiser must indicate if the property is habitable and provide an itemized repair cost estimate.
 - Repairs must be completed by a licensed contractor or per jurisdictional requirements.
 - An escrow holdback may be established for the repairs if the appraiser has indicated the home is habitable.
 - If the appraiser indicates the home is not habitable, a satisfactory final inspection on Form 1004D/442 “Appraisal Update and/or Completion Report” with interior/exterior photographs is required prior to closing/purchase supporting all repairs were completed.
- For damage of \$5,000 or greater:
 - The appraiser must provide an itemized repair cost estimate.
 - Repairs must be completed by a licensed contractor or per jurisdictional requirements.
- A satisfactory final inspection on Form 1004D/442 “Appraisal Update and/or Completion Report” with interior/exterior photographs is required prior to closing/purchase supporting all repairs were completed and that the property has been restored to pre-loss condition
- All requirements as outlined in HUD Handbook 4000.1 must be met.

FHA Closed and Pending Endorsement	
If the ...	Then...
Loan is closed, pending endorsement	An exterior disaster inspection with exterior photos is required, The inspection must be: <ul style="list-style-type: none"> • DATED PRIOR TO ENDORSEMENT, and the report must be dated after the incident end date, or 14 days from the incident period begin date, whichever date is earlier. • The inspection must be completed by the original FHA appraiser or another FHA roster appraiser if the original appraiser is unavailable
Damage is below \$5,000 and property is habitable	Complete repairs and endorse or establish repair escrow and endorse
Damage is \$5,000 or greater or the property is not habitable	Do not endorse until repairs are completed and inspected with interior/exterior photographs
FHA Closed and Endorsed	
If the ...	Then...
Loan is closed and endorsed on or prior to the disaster declaration date	<ul style="list-style-type: none"> • A disaster inspection is not required
Loan is closed and endorsed after the disaster declaration date	<ul style="list-style-type: none"> • A disaster inspection is required dated prior to endorsement date and the report must be dated after the incident end date, or 14 days from the incident period begin date, whichever date is earlier.

Additional VA Requirements

- A “Lender and Veteran Disaster Certifications” form is required when the loan closed after the FEMA declaration date and the appraisal is dated prior to the FEMA declaration date. The form must be signed by the borrowers and lender and is not required for IRRRLs.

Summary of Disaster Inspection Requirements		
Refer to the Disaster County Detail Worksheet 		Date 1 = Incident End Date Date 2 = Date 1 + 90 Days
Loans with Full Appraisals		
IF...	THEN...	
The appraisal is dated after DATE 1	A disaster inspection is not required	
The appraisal is dated on/before DATE 1	A disaster inspection is required; a new appraisal or appraisal update 1004D/442 may be necessary if damage is identified	
FHA Streamlines and VA IRRRL		
IF...	THEN...	
A standard disaster inspection is performed after DATE 1	No further action is required	
The initial application date is after DATE 2	No further action is required	
The initial application date is on/before DATE 2	A disaster inspection is required	
Conventional Loans with PIW/Appraisal Waiver		
IF...	THEN...	
The most recent AUS submission offering the PIW/Appraisal Waiver is dated after DATE 2	No further action is required	
The most recent AUS submission offering the PIW/Appraisal Waiver is dated after DATE 1 and on/before DATE 2,	A disaster inspection or lender certification is required.	