

Corporate Policy Statement 1004-ALL

Overview

CMG Mortgage, Inc., dba CMG Financial, NMLS #1820, (“CMG”) requires certain steps be taken by production staff prior to closing or purchasing a loan located on a property in a declared disaster area in order to mitigate risk for the company.

Ownership

Document Owner:	Corporate Credit
Applicable Channel(s):	All Channels
Process Responsibility:	All Production Staff

Policy

A disaster is a calamitous natural or human caused event which can have a significant effect on the lives and property of those in affected areas, and it is crucial that CMG protect the interests of its borrowers and investors by verifying the safety and soundness of potentially impacted properties. The designation of an area as a “disaster area” for the purpose of this policy is made by CMG Corporate Credit and can be based on a federally or state declared disaster area (FEMA or state/federal agency), or through knowledge of a disaster as a result of news and media or personal contacts. CMG maintains an internal list of counties and zip codes and should be referenced as the master list by which a property’s location is determined to be covered by this policy as a disaster area.

When a property is located in a Disaster Area, CMG must verify the structure is sound and not negatively impacted by the Disaster. This must be verified prior to closing / purchasing the loan.

- CMG will require recertification from the appraiser on all loans located in the affected Counties prior to closing / purchase;
- If the county is indicated as being in a declared disaster area, the policy must be adhered to;
- The Disasters are referenced with both an incident start date and an incident ending date. The property is considered potentially impacted for 120 days from the incident END date to the date of the property inspection or valuation date;
- If a full appraisal was obtained on the property prior to the declared disaster’s incident end date, the inspection must verify the property is sound and habitable and in the same condition as when it was appraised. Any of the following options are acceptable to satisfy this requirement:
 - A 1004D Final Inspection or Appraisal Update signed by the original appraiser
 - FNMA 2075 – Desktop Underwriter Property Inspection Report
 - DAIR – Disaster Area Inspection Report
- Full appraisals obtained after the declaration need to indicate the property has not been impacted by the disaster;
- If the loan qualified for a non-standard appraisal (Property Valuation Update, PIW, 1075, 2055, 2075, 2095) and a Disaster has been declared prior to funding or purchase, a full appraisal with interior and exterior inspection dated after the incident period end date is required. The non-standard appraisal product is not permitted for 120 days after the disaster incident period end date;
- FHA Streamline loans without an appraisal will require an exterior inspection from an FHA approved appraiser;
- VA IRRRL’s do not require any additional inspections;
- DU Refi Plus and LP Open Access transactions with or without Appraisal Waivers are excluded;
- Retail CMG branches will request the appropriate appraisal or inspection through the normal channels
- Wholesale and Correspondent clients will be required to furnish CMG with the proper recertification prior to loan approval or purchase.

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Specific Guidance for FHA loans

Based on HUD Handbook 4000.1 requirements, re-inspections for FHA Loans that have not closed as of the beginning of the incident period cannot occur until after the incident period end date (as defined by FEMA).

In addition, once eligible for the inspection, the inspection is to be an on-site inspection with interior/exterior photographs. Damage inspections should be completed by the original appraiser. However, if the original appraiser is not available, another FHA Roster Appraiser in good standing with geographic competence in the affected market may be used. If a different appraiser is used to inspect the property, the appraiser performing the damage inspection must be provided with a complete copy of the original appraisal.

On Properties that have closed but are not yet endorsed a drive-by inspection with exterior photographs is required.

Reference: See *FHA Handbook 4000.1, II.A.7.c. Inspection and Repair Escrow Requirements for Mortgages Pending Closing or Endorsement in Presidentially-Declared Major Disaster Areas.*

Specific Guidance for VA loans with appraisals

- If the VA loan closed prior to the Disaster:
- Any loan closed prior to the date of the declared disaster is eligible for VA Guaranty without regard to the disaster, as long as the property was appraised prior to the Disaster:
- If the property was appraised on or before the date of the declared disaster and not closed prior to that date, the *Lender Certification and Veteran Certification* must be completed and submitted with the VA Guaranty request;
- If the property was appraised after the date of the declared disaster, the inspecting appraiser must comment regarding the effect on the property that the disaster had, if no effect the appraiser must comment as such.
- *VA Loan Summary Sheet* (VA Form 26-0286). The Remarks section of this form must be annotated 'Lender and Veteran Disaster Certifications Enclosed'. 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. Neither VA nor the veteran purchaser shall bear the expense of any disaster-related inspection or repairs.
- Decline in Value - 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, CMG/Correspondent must have the VA 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 seller.
 - If the property value has decreased, the loan amount must be reduced accordingly

Note: This specific guidance relates to VA Guaranty requirements. Correspondent clients are required to furnish CMG with the proper recertification prior to loan purchase for all non-IRRRL transactions.

Additional Information

Related Documents:

- [CMG Disaster List \(Internal Use Only\)](#)

External Resources:

- FEMA—Disaster Area Information
<http://www.fema.gov/disasters>