Disaster Policy and Procedure

**Objective**

The objective of this Disaster Policy and Procedure is to provide guidance to CMG-approved Sellers regarding CMG Financial Correspondent Lending (hereinafter referred to as “CMG”) requirements in relation to the process and steps necessary to be taken on loans in areas affected by disasters.

**Policy & Procedure**

When a property is located in a Disaster Area, the Seller must verify the structure is sound and not negatively impacted by the Disaster. This must be verified prior to the loan file being submitted to CMG for purchase consideration.

Refer to the list of affected counties published by FEMA for Individual Assistance only at the following link: [http://www.fema.gov/disasters](http://www.fema.gov/disasters)

- CMG will require recertification from the appraiser on all loans located in the affected Counties prior to the loan file being considered for 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, 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. The report is called a "Disaster Area Inspection";
- VA IRRRL’s do not require any additional inspections;
- DU Refi Plus and LP Open Access transactions with or without Appraisal Waivers are excluded;
- Correspondent Sellers will be required to furnish CMG with the proper recertification prior to loan approval or purchase.

**Specific Guidance for VA loans with appraisals**

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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, the Correspondent Seller 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
    
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