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DESCRIPTION / OVERVIEW

Disasters can cause varying degrees of damage and create potential risks. It is On Q Financials policy to insure that properties have not been damaged by the disaster and they are in a satisfactory marketable condition throughout the process from origination through purchase.

DISASTER OVERVIEW

A disaster is defined as an event that causes serious loss, destruction, and hardship. Disasters can include but are not limited to the following:

- Fires
- Tornadoes
- Hurricanes / Tropical Storms
- Thunderstorms
- Floods
- Earthquakes
- Landslides
- Volcanoes
- Wildfires
- Volcanic eruptions
- Nuclear accidents
- Terrorist Attacks

IDENTIFYING A DISASTER

Any adverse event that may have impacted a subject property must be evaluated in terms of its effect on the subject's habitability, marketability and value. An adverse event does not specifically require a federal or state disaster declaration.

Once the federal government has declared a disaster with individual assistance, a FEMA Disaster Notification is issued. However, a disaster declaration may occur at a time significantly later than the occurrence of the adverse event. Therefore, regardless of whether there is a declared disaster, anyone with any knowledge of an adverse event must take appropriate action to ensure the safety and soundness of the property.

STATE OF EMERGENCY

FEMA declares a State of Emergency in areas that could potentially be affected by a disaster. A State of Emergency generally only requires action if it is followed by a FEMA Disaster Declaration, or if On Q or an Agency issues a Disaster Announcement.

DISASTER ASSESSMENT AND NOTIFICATION

On Q will assess the significance of events in geographic areas impacted by disasters or potential disasters. The assessment will utilize data provided by FEMA and other data sources regarding impacted areas. As a result of this assessment, On Q may define the affected area differently than the FEMA declaration.

In the event of an undeclared disaster requiring action, On Q will issue an announcement. In the event of a declared disaster the Federally Declared Disaster List will be updated and distributed.

MULTIPLE DISASTER EVENTS

In the event of multiple disasters in the same geographic location, such as a hurricane followed by a flood, the requirements of this Policy apply to the date of the most recent event.

RE-VERIFICATION OF EMPLOYMENT

In the event of a widespread property destruction or large-scale disaster, a re-verification of employment may be required after the disaster end date.

IMPORTANT DISASTER DATES

There are three specific dates that are used in the disaster requirements:

Date	Definition
Disaster Date	The date the disaster event first occurred. If the disaster date is a range, the end date of the range is considered the disaster date.
FEMA Declaration Date or Incident Begin Date	The date that FEMA declared the disaster and made individual assistance available.
End Date	The date the disaster ended.

PROPERTY INSPECTION POST DISASTER

If a property is in a FEMA Declared Disaster Area eligible for Individual Assistance and the most recent appraisal in the file was completed on or before the Incident Period End Date, or an Incident Period End Date has not been declared, then, subject to the applicable product and program requirements, On Q requires that an acceptable property inspection meeting the following requirements be completed.

- A final exterior inspection or appraisal update signed by the original appraiser and completion date
 - Appraisal Update, FNMA Form 1004D, Disaster Inspection, or
 - Completion Report, FHLMC Form 442, or
- Property Inspection Report
 - FNMA Form 2075, or
 - FHLMC Form 2070, Streamlined Inspection, or
- Third-Party Inspection or Lender's Certification (**not eligible for FHA/USDA**)
 - See Lender's Certification section below for requirements.

The inspection document provided must address the specific disaster and indicate any apparent damage to the subject property. If the inspector identifies damage to the exterior it may be necessary to inspect the interior to any additional damage. **If a property is located in a condo project or PUD attached project, both the condition of the unit and the condition of the building in which the unit is located and the common elements must be assessed.** Inspection reports may not be used to estimate or recertify value.

For FHA transactions also refer to the FHA Transaction in Declared Disaster Areas section below.

Property Inspection Requirements for Transactions with Appraisals			
Program	If Appraisal is dated...	Property Inspection Date	Property Inspection Type
FNMA FHLMC USDA FHA loans endorsed/insured <i>prior</i> to the Incident Begin Date VA Loans closed prior to the Incident Begin Date	On or before the Incident Period End Date, including on-going disasters where an Incident Period End Date has not yet been declared.	May be prior to the declared Incident Period End Date.	Utilize any of the exterior inspection types referenced above.
VA Loans closed after the Incident Begin Date	On or before the Incident Period End Date, including on-going disasters where an Incident Period End Date has not yet been declared.	May be prior to the declared Incident Period End Date.	In addition to the inspection requirements above, a signed Lender Certification and signed Borrower Certification must be provided.
FHA loans endorsed/insured <i>after</i> the Incident Begin Date	<ul style="list-style-type: none"> On or before the Incident Period End Date, or Within 14 calendar days from the Incident Begin Date, whichever is earlier 	FHA requires a disaster inspection. The report must be dated after: <ul style="list-style-type: none"> the Incident Period End Date, or 14 calendar days from the Incident Begin Date, whichever is earlier. 	See the FHA Transaction in Declared Disaster Areas Section below.
	<ul style="list-style-type: none"> After the Incident Period End Date, or 14 calendar days from the Incident Begin Date, whichever is earlier. 	No inspection is required.	The appraisal may be used in lieu of an inspection.
Jumbo/Non-Agency	On or before the Incident Period End Date.	Must be after the declared Incident Period End Date.	See Jumbo/Non-Agency Transaction in Declared Disaster Areas Section below.

FNMA FHLMC VA USDA FHA Jumbo / Non-Agency	After the Incident Period End Date and supports that the property is habitable, sound, and has only minor cosmetic, non-structural damage that does not impair the safety, structural soundness, habitability or functional use of the property.	Not required	Not required
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Property Inspection Requirements for Transactions without Appraisals			
Program	Appraisal Waiver Eligibility	Property Inspection is Required	Property Inspection Type
FNMA with a PIW	Allowed	No Incident Period End Date has been declared and Loan Close date is on or after Incident Begin Date. Or – Incident Period End Date has been declared and Loan Closing is on or within 90 days after Incident Period End Date.	Utilize any of the property inspection types above.
FHLMC with ACE	Allowed		
VA IRRRL	Allowed		
FHA Streamline	Allowed		
USDA Streamline	Allowed		

FHA TRANSACTION IN DECLARED DISASTER AREAS

Transactions for which FHA requires a disaster inspection must meet the requirements in SF Handbook II.A.7.c Inspection and Repair Escrow Requirements for Mortgages Pending Closing or Endorsement in Presidentially Declared Major Disaster Areas, including that the inspection must be completed by an FHA Roster Appraiser, even if the inspection shows no damage to the property, **and the report must be dated after the Incident Period or 14 Days from the Incident Period start date, whichever is earlier.** Lender Certification or Third-Party Inspection is **not** acceptable.

When damage is identified during a disaster inspection on an FHA transaction:

- All damages must be repaired by licensed contractors or per local jurisdictional requirements.
- All damages, regardless of amount, must be repaired and the Property restored to pre-loss condition with appropriate and applicable documentation.

- The repairs must be completed prior to delivering the loan to the agency.
- The Mortgage Loan must be insured prior to delivering the loan to the agency.

VA TRANSACTION IN DECLARED DISASTER AREAS

If the property was appraised on or before the date of the declared disaster and not closed prior to that date, the following items must be included in the loan file:

1. Lender's signed and dated certification that "This is to affirm that the property which is security for VA loan number _____ has been inspected to ensure that it was either not damaged in the recently declared disaster or has been restored to its pre-disaster condition or better."
2. Veteran's signed and dated certification that "I have inspected the property located at _____ and find its condition now to be acceptable to me. I understand that I will not be charged for any disaster-related expenses and now wish to close the loan."

JUMBO/NON-AGENCY TRANSACTION IN DECLARED DISASTER AREAS

Re-inspection Requirements for Jumbo/Non-Agency Transactions:

- If On Q Financial announces that a disaster area has been identified as requiring a re-inspection, then an appraiser must perform the property inspection.
 - Photographs of the subject property must be included.
 - Neither Seller Certifications nor third-party inspections are accepted in this program.
- The appraiser who performs the inspection should review the original appraisal report and be able to certify that the personal inspection of improvements revealed no indications of significant disaster related damages.
- Any of the following may be used by the appraiser to certify the property condition:
 - Appraisal Update and/or Completion Report (FNMA Form 1004D/FHLMC Form 442)
 - Desktop Underwriter Property Inspection Report (Fannie Mae Form 2075)
 - Uniform Residential Appraisal Report (FNMA Form 1004/FHLMC Form 70)
 - Exterior Only Appraisal Report (Freddie Mac Form 2055)
 - Individual PUD Unit Appraisal Report (Fannie Mae Form 1073/Freddie Mac Form 465).
- If the appraiser notes a defect in the exterior inspection, a URAR with interior and exterior inspection and photographs is required.
 - All damage revealed by the inspection must be repaired before the loan closes or is delivered to the investor.

LENDER CERTIFICATIONS AND THIRD-PARTY INSPECTIONS

Lender Certification Requirements

For transactions with appraisals, if a Lender Certification is used, the following are required:

- Must be executed by an On Q Financial employee who will not receive direct compensation from the subject transaction.
- Must be on On Q Financial company letterhead.
- Must state that an acceptable inspection of the property was completed
- On Q Financial Loan number
- Subject property complete street address

- “This is to confirm that the above referenced has been inspected and I have determined that it was either not damaged in the recent disaster declared on _____ date or has been restored to its pre-disaster condition or better.”
- Printed Name and Signature of On Q Representative, Title and Date
- Photos of the property front, back, street in both directions, house number and any visible damage. If the inspector is not able to certify that the property shows no signs of damage, then see Requirements When Damage is Identified Section below.
 - o Condos also require lobby and front of building- lobby through window is acceptable if lobby is not accessible due to security.

Third-Party Inspection Requirements

For properties with appraisals, if an exterior property inspection report from a third-party inspector is used, the inspection report must, at minimum, include:

- Loan Number
- Borrower Name
- Subject property complete street address
- Date of Inspection
- Order Number
- Name of person inspecting
- Signature
- License number if appraiser, inspector, or Realtor
- Post disaster photographs that clearly demonstrate that the property has not been adversely affected by the disaster
 - o Condos also require lobby and front of building – lobby through window is acceptable if lobby is not accessible due to security
- Inspector commentary supporting that there has been no material damage to the property improvements.

If the inspector is not able to certify that the property shows no signs of damage, then see Requirements When Damage is Identified Section below.

REQUIREMENTS WHEN DAMAGE IS IDENTIFIED

If the inspection supports that the property is habitable, sound, and the property has not been affected by the disaster, then the original collateral valuation may be used.

If the inspection notes that the property is uninhabitable, unsound, or that the property condition has been affected by the disaster, then a new, interior and exterior appraisal must be obtain showing that:

- All damage has been repaired, and
- the property is habitable and sound and the property value is supported.

REFERENCES:

- FNMA: B2-3-05 Properties Affected by A Disaster**
- FHLMC: 4407.1 Eligibility of properties impacted by a disaster**

FHA: SF Handbook II.A.7.c Inspection and Repair Escrow Requirements for Mortgages Pending Closing or Endorsement in Presidentially Declared Major Disaster Areas
VA: Chapter 10, Section 27 Natural Disaster during the Appraisal Process