



To: All Customers **From:** Credit Risk
Date: 02/25/21 – Update 03/11/21 **Memo#:** 21033
Subject: Louisiana, Oklahoma & Texas Severe Winter Storms – Government Transactions

Due to the recent declared disaster in Louisiana, Oklahoma and Texas caused by severe winter storms on February 11, 2021. Flagstar Bank will now require satisfactory re-inspections as described below. We will continue to monitor the situation and will update the memo as needed.

Loans that have already been issued a *Final Approval Clear to Close* status will be placed in an *Approved with Conditions* status until a re-inspection is performed. Please note that appraisal re-inspections are not required to be completed by the original appraiser; however, a Flagstar Bank eligible appraiser must be utilized. For loans that have an appraisal that was ordered via tpo.flagstar.com, an appraisal re-inspection may be requested via the Appraisal Management Module on tpo.flagstar.com by selecting “Yes” to the “Do you need a Property/Disaster Inspection” question.

State	County				Incident Start Date USDA and VA	Incident End Date USDA and VA	Incident Start Date FHA	Incident End Date FHA
LA	Avoyelles	Claiborne	La Salle	Richland	02/11/21	02/19/21	02/11/21	02/19/21
	Bienville	Concordia	Madison	Sabine				
	Bossier	De Soto	Natchitoches	Webster				
	Caddo	East Baton Rouge	Ouachita	West Carroll				
	Calcasieu	Franklin	Rapides	Winn				
	Catahoula	Grant	Red River					
OK	Canadian	Cotton	McIntosh	Pittsburg	02/08/21	02/20/21	02/08/21	02/20/21
	Carter	Hughes	Oklahoma	Stephens				
	Cherokee	Jefferson	Okmulgee	Tulsa				
	Comanche	Le Flore	Osage	Wagner				
Texas	Anderson	Denton	Jim Hogg	Rockwall	02/11/21	02/21/21	02/11/21	02/21/21
	Angelina	Duval	Jim Wells	Rusk				
	Aransas	Eastland	Johnson	Sabine				
	Atascosa	Ector	Jones	San Jacinto				
	Austin	Ellis	Karnes	San Patricio				
	Bandera	Erath	Kaufman	Scurry				
	Bastrop	Falls	Kendall	Shelby				
	Bee	Fannin	Kleberg	Smith				
	Bell	Fort Bend	Lavaca	Stephens				
	Bexar	Freestone	Leon	Tarrant				

Texas	Blanco	Galveston	Liberty	Taylor	02/11/21	02/21/21	02/11/21	02/21/21
	Bosque	Gillespie	Limestone	Tom Green				
	Bowie	Goliad	Llano	Travis				
	Brazoria	Gonzales	Lubbock	Trinity				
	Brazos	Grayson	Madison	Tyler				
	Brooks	Gregg	Matagorda	Upshur				
	Brown	Grimes	Maverick	Val Verde				
	Burleson	Guadalupe	McLennan	Van Zandt				
	Burnet	Hardin	Medina	Victoria				
	Caldwell	Harris	Milam	Walker				
	Calhoun	Harrison	Montague	Waller				
	Cameron	Hays	Montgomery	Washington				
	Chambers	Henderson	Nacogdoches	Webb				
	Cherokee	Hidalgo	Navarro	Wharton				
	Collin	Hill	Newton	Wichita				
	Colorado	Hood	Nueces	Willacy				
	Comal	Houston	Orange	Williamson				
	Comanche	Howard	Palo Pinto	Wilson				
	Cooke	Hunt	Panola	Wise				
	Coryell	Jackson	Parker	Wood				
Dallas	Jasper	Polk	Rockwall					
DeWitt	Jefferson	Robertson	Rusk					

FHA, VA, AND USDA LOANS

Due to the impact of the Texas Winter Storm, the below requirements apply to all Government transactions and will require interior/exterior disaster re-inspection and may supersede the requirements of the *Natural Disaster Procedures*, [Doc. #4915](#).

FHA TRANSACTIONS

Purchases and all Refinance Mortgages that have not yet closed and funded as of the incident date for the indicated affected disaster area(s), **including Streamline Refinances**, require a damage inspection report with interior/exterior photos from the original FHA Roster Appraiser in good standing or, if not available an FHA Appraiser in good standing who is not on Flagstar's ineligible appraiser list. The appraiser must have geographic competence in the affected market. If a different appraiser is used, the new appraiser must be provided with a complete copy of the original appraisal. The following requirements must be met:

- The inspection must be dated after the incident end date for the indicated affected disaster area(s) as defined by FEMA or 14 days from the Incident Period start date, whichever is earlier.
- Appraiser must quantify damages.
- If damage is below \$5,000 and property is habitable, complete repairs prior to closing or establish repair escrow.
- If damage exceeds \$5,000 or property is uninhabitable, complete repairs prior to closing. Upon completion, obtain an interior/exterior property inspection with photographs.

Purchases and all Refinance mortgages, that have closed and funded, but are not yet endorsed, **including Streamline Refinances** require an **interior/exterior damage inspection** report dated after the incident end date for the indicated affected disaster area(s), with interior/exterior photos from original FHA appraiser in good standing, or, if not available, FHA appraiser in good standing who is not on Flagstar's ineligible appraiser list. The appraiser must have geographic competence in the affected market. If a different appraiser is used, the new appraiser must be provided with a complete copy of the original appraisal. The following requirements must be met:

- Appraiser must quantify damages.
- If damage is below \$5,000 and property is habitable, complete repairs prior to endorsement or establish repair escrow.
- If damage exceeds \$5,000 or property is uninhabitable, complete repairs prior to endorsement and obtain interior/exterior inspection with photos. Repair escrow prohibited.
- The inspection must be dated after the incident end date for the indicated affected disaster area(s) as defined by FEMA or 14 days from the Incident Period start date, whichever is earlier.
- Utility restoration not required.
- Damages must be repaired by licensed contractors or per local jurisdictional requirements.
- Property must be in pre-loss condition or better. Applicable documentation required.

The following are examples of acceptable inspection formats for all FHA disaster inspections:

- Freddie Mac Form 2070
- Appraisal Update and/or completion report (Form 1004D)
- Catastrophic Disaster Area Inspection Report (CDAIR), or Disaster Area Inspection Report (DAIR) prepared by a certified appraiser or a Disaster Inspection Company.

USDA TRANSACTIONS

Purchases and refinances **including Streamlined-Assist** refinance mortgages that have not yet closed and funded as of the incident date for the indicated affected disaster area(s), or that have closed and funded but have not been guaranteed as of the incident date for the indicated affected disaster area(s), require a damage inspection report and must be dated after the incident END date for the indicated affected disaster area(s) with **interior/exterior photos** from an FHA roster appraiser or certified and licensed appraiser familiar with HUD Handbook standards who is not on Flagstar's ineligible appraiser list. The following requirements must be met:

- The inspection must be dated after the incident END date for the indicated affected disaster area(s).
- If the property is damaged, it must be repaired and restored to pre-loss condition with appropriate and applicable documentation prior to guarantee.
- Lenders must ensure that changes to borrower eligibility such as a loss or reduction of income have not occurred.
- Underwriting lender completes Lender Certification at guarantee: "The loan closed in accordance with the conditional commitment and no major changes have taken place since the issuance of a commitment, except any changes specifically approved by the Agency. The loan was closed in accordance with the conditional commitment, which contains the previously noted certification. In the event there are any changes in the loan terms, characteristics of the applicant or characteristics of the property between the issuance of Form RD 3555-18/18E and loan closing, or if any conditions or requirements imposed by the agency will not be met, the lender must notify the Agency in writing."

The inspection must include all of the following:

- The inspection must be dated after the incident END date for the indicated affected disaster area(s).
- A statement that the subject property has not sustained any damage. If the inspector observes any damage, interior photographs are required.
- A statement on the neighborhood conditions as they relate to damage.
- An interior/exterior photograph of the subject property evidencing no damage.

The following are examples of acceptable inspection formats for all USDA disaster inspections:

- Freddie Mac Form 2070
- Appraisal Update and/or completion report (Form 1004D)
- Catastrophic Disaster Area Inspection Report (CDAIR), or Disaster Area Inspection Report (DAIR) prepared by a certified appraiser or a Disaster Inspection Company.

VA TRANSACTIONS

If the loan closed and funded prior to the incident date for the indicated affected disaster area(s) no inspection or certifications are required. Purchases and all refinances, **including Interest Rate Reduction Refinancing Loans (IRRRLs)** closing and funding on or after the incident date for the indicated affected disaster area(s), require all of the following:

- Unless the appraisal was completed after the incident date for the indicated affected disaster area(s), **Interior and exterior inspection with photographs** must be dated after the incident END date for the indicated affected disaster area(s) verifying the property was not damaged in the disaster or has been restored to its pre-disaster condition or better. The inspection cannot be ordered through Loantrac and may be completed by any licensed appraiser not on Flagstar's ineligible appraiser list, home inspector or fee appraiser.
- Lender Certification: This is to affirm that the property which is security for VA loan number (insert VA case number) has been inspected to ensure that it was not damaged in the recently declared disaster or has been restored to its pre-disaster condition or better. The certification must be signed by the Lender and must provide the lender's title and the date the certification was signed. Because the Flagstar underwriter completes the Lender Certification for the loans we underwrite, only VA Automatic Lenders are required to provide the Lender Certification.
- Veteran Certification: I have inspected the property located at (insert full property address) 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. The certification must be signed and dated by the veteran. The sentence pertaining to disaster-related expenses must be omitted for refinance transactions only.
- The VA underwriter must make the following comments on the VA Loan Summary (VA Form 26-0286): "Lender and Veteran Disaster Certifications Enclosed."
- If local laws require a property inspection, a copy of the required inspection report meeting local building authority criteria must be included in the loan file.
- Neither VA nor the veteran purchaser shall bear the expense of any disaster-related inspection for any transaction or repairs on purchase transactions.
- If there's 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 VA appraiser must update the original value estimate and the loan amount must be reduced accordingly. Payment for the appraisal is a contractual matter between the buyer and seller.
- The lender must confirm prior to closing that the veteran's employment and income have not changed since the loan application.

The following are examples of acceptable inspection formats for all VA disaster inspections:

- Freddie Mac Form 2070
- Appraisal Update and/or completion report (Form 1004D)
- Catastrophic Disaster Area Inspection Report (CDAIR), or Disaster Area Inspection Report (DAIR) prepared by a certified appraiser or a Disaster Inspection Company.

CUSTOMER SUPPORT

If you have questions, please email UnderwritingSupport@flagstar.com or call the underwriting support desk at (866) 945-9872.

