

A disaster area is an area where a natural disaster has occurred, that causes substantial damage to numerous homes. Natural disasters include, but are not limited to, hurricanes, earthquakes, floods, and tornadoes. A disaster area that is declared a Major Disaster Declaration and is eligible for Individual Assistance in a formal declaration issued by the Federal Emergency Management Agency (FEMA) are required to follow these procedures. FEMA maintains a current list of all federally declared disaster areas on the FEMA website. <https://www.fema.gov/disasters>.

Flagstar will publish a list of affected areas, temporarily suspend funding **in those areas, and require appraisal inspections** once closing and funding has **resumed, for transactions as indicated below**. The guidelines below will remain in place for **90** days after the incident end date.

CONVENTIONAL

CORRESPONDENT CONVENTIONAL TRANSACTIONS ONLY (NON-DELEGATED, DELGATED AND BULK)

Customer is solely responsible for determining and obtaining any necessary re-inspections and or other certification(s) for a mortgage loan impacted by a FEMA Declared Disaster which includes Individual Assistance prior to closing with or selling the loan to Flagstar Bank. Customer warrants that the subject property is in marketable condition and that there are no repairs or other damaging conditions to the subject property at the time the loan is sold to Flagstar Bank.

If at any time after loan funding or purchase, Flagstar Bank determines that the subject property was damaged and not in fully marketable condition at the time the loan was sold, the loan is subject to repurchase. Affected designated counties with Individual Assistance will be listed on the FEMA website: <https://www.fema.gov/disasters>.

TABLE FUNDED WHOLESALE TRANSACTIONS

Flagstar will publish a list of affected areas and temporarily suspend funding in those areas. Appraisal re-inspections are required once closing and funding has resumed for the indicated affected disaster area(s). The guidelines below will remain in place for **90** days after the incident end date.

EFFECTIVE DATE OF APPRAISAL IS PRIOR TO THE INCIDENT END DATE

If the effective date of the appraisal is prior to the incident date for the indicated affected disaster area(s), an exterior inspection performed by an appraiser, appraiser trainee, home inspector, real estate agent or a company that specializes in property inspections is required.

The inspection must include the following:

- A statement that the subject property has not sustained any damage. If the inspector observes any damage, interior photos will be required.
- A statement on the neighborhood conditions as they relate to damage.
- An exterior photograph of the subject property evidencing no damage.

The following are examples of acceptable inspection formats:

- Freddie Mac Form 2070
- Fannie Mae Form 2075
- Appraisal Update and/or Completion Report (Form 1004D)

- Catastrophic Disaster Inspection Report, Disaster Area Inspection prepared by a certified appraiser or a Disaster Inspection Company.

When a disaster area is likely to result in interior damage, not likely to be identifiable via an exterior inspection, Flagstar reserves the right to require an interior inspection.

APPRAISAL WAIVERS

An appraisal waiver issued by DU/LPA may continue to be used when an inspection is provided, meeting the requirements described above, and will be required for the 90 days after the incident end date.

IF RE-INSPECTION INDICATES DAMAGE

If the re-inspection confirms the property has been damaged, use the following to determine documentation requirements, before the loan is eligible to close or eligible for purchase by Flagstar Bank.

- If the property has been damaged and the damage does not affect the safety, soundness, or structural integrity of the property and the repair items are covered by insurance, the loan is eligible for closing/purchase. In these circumstances, documentation of the professional estimates of the repair costs, ensuring that sufficient insurance proceeds are available for the borrower's benefit to guarantee the completion of the repairs must be provided.
- If the property was damaged and the damage is uninsured or the damage affects the safety, soundness, or structural integrity of the property, the property must be repaired and an appraisal updated on Fannie Mae Form 1004D (Freddie Mac 442) must be provided before the loan may close and/or be eligible for purchase by Flagstar Bank.

APPRAISALS PERFORMED AFTER THE INCIDENT END DATE

For appraisals performed after the incident end date for the indicated affected disaster area(s), the appraiser must provide the following commentary/evidence:

- Property is free from damage and the disaster had no effect on value or marketability.
- If the appraisal indicates damage, the extent of the damage must be addressed. Completion of repairs is required as evidenced by Form 1004D/442, Appraisal Update and/or Completion Report with photos of interior, exterior, and neighborhood.

NON-AGENCY (JUMBO AND STANDALONE HELOCS)

CORRESPONDENT AND TABLE FUNDED BROKER TRANSACTIONS

Flagstar will publish a list of affected areas and temporarily suspend funding in those areas. Appraisal re-inspections are required once closing and funding has resumed for the indicated affected disaster area(s). The guidelines below will remain in place for **90** days after the incident end date.

EFFECTIVE DATE OF APPRAISAL IS PRIOR TO THE INCIDENT END DATE

If the effective date of the appraisal is prior to the incident date for the indicated affected disaster area(s), an exterior inspection performed by an appraiser, appraiser trainee, home inspector, real estate agent or a company that specializes in property inspections is required.

The inspection must include the following:

- A statement that the subject property has not sustained any damage. If the inspector observes any damage, interior photos will be required.

- A statement on the neighborhood conditions as they relate to the damage.
- An exterior photograph of the subject property evidencing no damage.

The following are examples of acceptable inspection forms:

- Freddie Mac Form 2070
- Fannie Mae Form 2075
- Appraisal Update and/or Completion Report (Form 1004D)
- Catastrophic Disaster Inspection Report (CDAIR), Disaster Area Inspection Report (DAIR) prepared by a certified appraiser or a Disaster Inspection Company.

When a disaster area is likely to result in interior damage, not likely to be identifiable via an exterior inspection, Flagstar reserves the right to request an interior inspection.

IF RE-INSPECTION INDICATES DAMAGE

If the re-inspection confirms the property has been damaged, use the following to determine documentation requirements, before the loan is eligible to close or eligible for purchase by Flagstar Bank.

- If the property has been damaged and the damage does not affect the safety, soundness, or structural integrity of the property and the repair items are covered by insurance, the loan is eligible for closing/purchase. In these circumstances, documentation of the professional estimates of the repair costs, ensuring that sufficient insurance proceeds are available for the borrower's benefit to guarantee the completion of the repairs must be provided.
- If the property was damaged and the damage is uninsured or the damage affects the safety, soundness, or structural integrity of the property, the property must be repaired and an appraisal updated on Fannie Mae Form 1004D (Freddie Mac 442) must be provided before the loan may close and/or be eligible for purchase by Flagstar Bank.

APPRAISALS PERFORMED AFTER THE INCIDENT END DATE

For appraisals performed after the incident date for the indicated affected disaster area(s), the appraiser must provide the following commentary/evidence:

- Property is free from damage and the disaster had no effect on value or marketability.
- If the appraisal indicates damage, the extent of the damage must be addressed. Completion of repairs is required as evidenced by Form 1004D/442, Appraisal Update and/or Completion Report with photos of interior, exterior, and neighborhood.

GOVERNMENT

DELEGATED AND BULK TRANSACTIONS ONLY (FHA, VA AND USDA)

Customer is solely responsible for determining and obtaining any necessary re-inspections and or other certification(s), as indicated below, for a mortgage loan impacted by a FEMA Declared Disaster which includes Individual Assistance prior to selling the loan to Flagstar Bank. Customer warrants that the subject property is in marketable condition and that there are no repairs or other damaging conditions to the subject property at the time the loan is sold to Flagstar Bank. If at any time after loan purchase, Flagstar Bank determines that the subject property was damaged and not in fully marketable condition at the time the loan was sold, the loan is subject to repurchase. Affected designated counties with Individual Assistance will be listed on the FEMA website: <https://www.fema.gov/disasters>.

FHA LOANS

Purchases and all Refinance Mortgages that have not yet closed and funded as of the incident date for the indicated affected disaster area(s), excluding Streamline Refinances, require a damage inspection report with interior/exterior photos from the original FHA Roster Appraiser in good standing or, if not available a 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. Repair escrow prohibited.
- Where FHA has granted a waiver for the indicated affected disaster area(s), the inspection must be dated on or after the waiver date. Properties located in counties for which a waiver has not been granted may not be inspected.
- 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.
- Appraisal validity is extended to one year from appraisal effective date if there was damage to the property, otherwise a new appraisal is required.

Only streamline refinances of Flagstar-serviced loans are exempt from inspection requirements.

Purchases and all Refinance mortgages that have closed and funded, but are not yet endorsed, require a drive-by damage inspection report dated after the incident end date for the indicated affected disaster area(s), with 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.

Only streamline refinances of Flagstar serviced loans are exempt from the inspection requirement.

Streamline Refinances of FHA loans NOT serviced by Flagstar Bank that have not yet closed and funded, or that have closed and funded but are not yet endorsed, require an Exterior inspection report performed by any appraiser that is not on Flagstar's ineligible appraiser list. The inspection must include all of the following:

- A statement that the subject property has not sustained any flooding and/or damage. If the inspector observes any damage, interior photographs are required.
- A statement on the neighborhood conditions as they relate to flooding and/or damage.
- An exterior photograph of the subject property evidencing no damage.
- Where FHA has granted a waiver as indicated in the grid above, the inspection must be dated on or after the waiver date. Properties located in counties for which a waiver has not been granted may not be inspected.

Only streamline refinances of Flagstar serviced loans are exempt from the inspection requirement

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

- Freddie Mac Form 2070
- Fannie Mae Form 2075
- 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.

When a disaster area is likely to result in interior damage, not likely to be identifiable via an exterior inspection, Flagstar reserves the right to require the following:

An interior inspection with photos of all main living areas evidencing no damage on one of the following forms:

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

USDA

Purchases and refinances except 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.”

Only streamlined-assist refinances of USDA loans serviced by Flagstar are exempt from the inspection requirement.

Streamlined-assist refinances of USDA loans NOT serviced by Flagstar Bank that have not yet closed and funded, or that have closed and funded but are not yet guaranteed at the time of the incident, require an exterior inspection report performed by any appraiser that is not on Flagstar’s ineligible appraiser list. 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 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
- Fannie Mae Form 2075
- 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.

Only streamlined-assist refinances of USDA loans serviced by Flagstar are exempt from the inspection requirement.

When a disaster area is likely to result in interior damage, not likely to be identifiable via an exterior inspection, Flagstar reserves the right to require the following:

An interior inspection with photos of all main living areas evidencing no damage on one of the following forms:

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

VA APPRAISAL RE-INSPECTIONS AND NATURAL DISASTER POLICY

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 except 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.
- Only IRRRLs of Flagstar serviced VA loans are exempt from the inspection requirements. However, the veteran must still complete the Veteran Certification.

Interest Rate Reduction Refinancing Loans (IRRRLs) of VA loans NOT serviced by Flagstar Bank that were not closed and funded, or were closed and funded but not yet guaranteed prior to the incident date for the indicated affected disaster area(s), require an exterior inspection report performed by any appraiser that is not on Flagstar's ineligible appraiser list. The inspection must include all of the following:

- The inspection must be dated after the incident END date for the indicated affected 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 exterior photograph of the subject property evidencing no damage.
- The veteran must complete the veteran certification.
- Only IRRRLs of Flagstar serviced VA loans are exempt from the inspection requirements. However, the veteran must still complete the Veteran Certification.

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

- Freddie Mac Form 2070
- Fannie Mae Form 2075
- Appraisal Update and/or completion report (Form 1004D)



Natural Disaster Procedures

- Catastrophic Disaster Area Inspection Report (CDAIR), or Disaster Area Inspection Report (DAIR) prepared by a certified appraiser or a Disaster Inspection Company.

When a disaster area is likely to result in interior damage, not likely to be identifiable via an exterior inspection, Flagstar reserves the right to require the following:

An interior inspection with photos of all main living areas evidencing no damage on one of the following forms:

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

TILA-RESPA CHANGED CIRCUMSTANCES

Appraisal re-inspection fees that are required for properties located in the above areas are considered authorized changed circumstances for an increase to section B, *Services You Cannot Shop For of the Loan Estimate*. When inputting the appraisal re-inspection fee in Fee Summary, you are required to enter a detailed comment explaining the addition of the fee i.e. the property is within the indicated disaster area. Based on the addition of the fee and comment, an automated changed circumstance will be sent to the appropriate area for review and redisclosure.

FLAGSTAR–PAID LO COMPENSATION TRANSACTIONS

The appraisal re-inspection fee must be paid by the borrower on Flagstar-Paid LO Compensation transactions since the originators compensation cannot be reduced according to the Reg Z LO Compensation Rule.