



Newrez Disaster Policy

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Newrez Disaster Policy

Chapter 7A Overview

Newrez Disaster policy is initiated when a Federal Emergency Management Agency (FEMA) Presidentially Declared Major Disaster Area (PDMDA) is issued in response to a natural disaster event, such as a hurricane, tornado, wildfire, or flood that caused widespread damage and disruption to the community.

Under the FEMA PDMDA, designated disaster areas are identified by state and counties and by the type of government disaster assistance provided. When loans secured by properties located in designated counties that have been authorized for Individual Assistance, certain property inspection and income validation requirements are required to validate that condition or marketability of subject property or borrower income have not been negatively impacted by the disaster event. This must be verified prior to closing or purchasing the loan.

The Correspondent Client must ensure that the property continues to meet the collateral requirements set forth above and under the No Adverse Origination Circumstances section in the Correspondent Operations Guide, Chapter 1C, Representations, Warranties, and Covenants.

7A.1 Definitions

1. Declaration Date

The Declaration Date is the date in which the President declare an area a FEMA Major Disaster Declaration

2. Incident Period

The Incident Period is the time interval during which the disaster-causing incident occurs.

A FEMA Disaster Notification with the affected counties will be published by FEMA at <http://www.fema.gov/disasters>



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- The property is considered potentially impacted for 90 days from the Incident Period END date or date to which FEMA may extend the expiration of the disaster.
- The disaster “Declaration Date” is the date in which FEMA announces a Major Disaster Declaration and any aid has been made available.

7A.2 FEMA Presidentially Declared Major Disaster Areas

- If the subject property is in a county where a Major Disaster Declaration with Individual Assistance has been issued, an acceptable recertification of value and property inspection (see below) is required prior to closing the loan.
- If the property is in a county where a Disaster Declaration with Public Assistance or an Emergency Declaration has been issued, or the property is within proximity to a Federally declared disaster areas, no additional action is required.
- Revalidation of employment and income may be required, as per guidance below.

Newrez does not require a specific form or damage inspection report. Inspections must be performed by a certified appraiser, qualified professional (e.g., home inspector, engineer, etc.) or disaster inspection company. Inspections for FHA loans must be performed by the original FHA appraiser or approved FHA roster appraiser. Below are recommended options to certify the property condition:

- *Disaster Area Inspection Report (DAIR)*
- *Desktop Underwriter Property Inspection Report (Form 2075)*
- *Appraisal Update and/or Completion Report (Form 1004D/442)*

All federally declared disaster areas with Incident End Dates within the past 12 months can be found on the [FEMA Disaster website](#).

7A.3 Conventional Conforming Inspection Requirements

7A.3(a) Appraisals Completed Prior to Incident Start or End Date

One of the following is required:



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- A Correspondent client certification, with photos, which represents and warrants that the property has not sustained damage and that the subject property is in marketable condition with no required repairs or adverse conditions. **This Correspondent Client certification option is not eligible for Cash-out refinances.**
- A Disaster Inspection Report with photos evidencing the property is free from damage and the disaster had no effect on the value or marketability is required. If the Disaster Inspection Report or Attestation reveals more than minor cosmetic damage, a new interior and exterior appraisal report is required, and all damage must be repaired prior to closing and purchase by Newrez. Below are recommended forms to certify the property condition:
 - Disaster Area Inspection Report (DAIR)
 - Desktop Underwriter Property Inspection Report ([Form 2075](#))
 - Appraisal Update and/or Completion Report (Form 1004D/442)
 - A letter on the appraiser's letterhead bearing an original signature

If the property inspection reveals more than minor cosmetic damage, a new interior appraisal is required, and all damage must be repaired prior to closing and/or purchase by Newrez.

7A.4 Appraisals Completed after the Incident Date

Appraisal Date	Appraisal Type	Requirements
After the "Incident Period" end date	Standard (Full) appraisal	An additional subsequent inspection is not required unless otherwise noted by the appraiser.
The "Incident Period" is within 90 days of initial application date and within 90 days of disaster expiration date	Appraisal Waiver, ACE, or another reduced appraisal type (per DU/LPA)	Exterior inspection with photos evidencing the property is free from damage and the disaster had no effect on the value or marketability. If the property inspection reveals more than minor cosmetic damage, a new



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		interior appraisal is required, and all damage must be repaired prior to closing and/or purchase by Newrez.
<p>Recommended forms to certify the property condition:</p> <ul style="list-style-type: none"> • Disaster Area Inspection Report (DAIR) • Desktop Underwriter Property Inspection Report (Form 2075) • Appraisal Update and/or Completion Report (Form 1004D/442) • A letter on the appraiser's letterhead bearing an original signature 		

Minor cosmetic damage is defined as damage that would not warrant an insurance claim and so minor as not to impact the safety, soundness, structural integrity, security, or preservation of the property. Minor cosmetic damage examples include but are not limited to:

- Landscaping damage
- Cracked or damaged exit doors
- Marred paint surfaces
- Cracked window glass

7A.5 FHA Inspection Requirements

Pending mortgage closings or endorsement in a declared disaster require a damage inspection that identifies and quantifies any dwelling damage.

The damage inspection report must be completed by an FHA Roster Appraiser even if the inspection shows no damage to the property. If the original appraiser is not available, another FHA Roster Appraiser may complete the disaster inspection. The original appraisal report must be provided to the appraiser completing the damage inspection report and be able to certify that his or her personal inspection of the building revealed no indications of significant disaster related damages.

- The report must be dated after the earlier of the Incident Period end date or 14 days from the Incident Period start date;
- **The appraiser may, at their discretion, perform a Remote Observation of the Property;**



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- If the effective date of the appraisal is on or after the date required above for an inspection, a separate damage inspection report is not required;
- The appraiser is not required to ensure utilities are on at the time of this inspection if they have not yet been restored for the area.
- 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 applicable documentation.

Newrez and FHA do not require a specific form or damage inspection report. Below are recommended forms to certify the property condition:

- Disaster Area Inspection Report (DAIR)
- *Desktop Underwriter Property Inspection Report (Form 2075)*
- *Appraisal Update and/or Completion Report (Form 1004D/442)*
- A letter on the appraiser's letterhead bearing an original signature

Refer to our Product Summaries for possible exceptions to the Disaster Policy.

<p>Appraisal completed on or prior to the disaster "Incident Period" end date</p>	<p>The original appraiser or another FHA Roster Appraiser must re-inspect the property and include the following:</p> <ul style="list-style-type: none"> • Interior and Exterior inspection with photos, dated after the earlier of the Incident Period end date or 14 days from the Incident Period start date; • A statement as to the dwelling habitability; • Property is free from damage and has not sustained any flooding and/or windstorm damage; and • A statement as to whether sustained damage is above or below \$5000. <p>If the re-inspection indicates damage below \$5000 and the property is habitable, one of the following must be met prior to closing:</p> <ul style="list-style-type: none"> • A re-inspection showing that repairs have been completed, or • Established repair escrow (Refer to Newrez's Escrow Holdback policy).
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	<p>If the re-inspection indicates damage above \$5000 or the property is not habitable, the following must be met prior to closing the loan:</p> <ul style="list-style-type: none"> • An interior and exterior re-inspection showing that the repairs have been completed, and • Appraiser must state that the property is habitable.
<p>Appraisal completed after the “Incident Period” end date (or 14 days from the Incident Period start date, whichever is earlier), up to the expiration date of the disaster (90 days from the end of the “Incident Period”)</p>	<p>Full appraisal with interior and exterior inspection is required. The appraiser must address the physical condition of the site and improvements as well as the impact of any damages to the property value and marketability if the inspection occurs within 90 days of the incident end period.</p> <p>The appraiser must include the following:</p> <ul style="list-style-type: none"> • Interior and Exterior inspection with photos, • A statement as to the dwelling habitability, • Property is free from damage and has not sustained any flooding and/or windstorm damage, and • A statement as to whether sustained damage is above or below \$5000. <p>If the damage exists and is below \$5000 and the property is habitable, one (1) of the following must be met prior to closing the loan:</p> <ul style="list-style-type: none"> • A re-inspection showing that repairs have been completed, or • Establish repair escrow (Refer to Newrez’s Escrow Holdback policy). <p>If damage exists and is above \$5000 or the property is not habitable, the following must be met prior to closing the loan:</p> <ul style="list-style-type: none"> • An interior and exterior re-inspection showing that the repairs have been completed, and • Appraiser states that the property is habitable.
<p>Loans Pending Mortgage Endorsement</p>	<p>The appraiser must complete an exterior inspection with photos.</p> <p>If damage exists and is below \$5000 and the property is habitable, one of the following must be met prior to closing the loan:</p>



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	<ul style="list-style-type: none"> • A re-inspection showing that repairs have been completed, or • Establish repair escrow (Refer to Newrez’s Escrow Holdback policy). <p>If damage exists and is above \$5000 or the property is not habitable, the following must be met prior to closing the loan:</p> <ul style="list-style-type: none"> • An interior and exterior re-inspection showing that the repairs have been completed, and • Appraiser states that the property is habitable.
<p>FHA Streamline Refinance (No appraisal)</p>	<p>No inspection required.</p>
<p>Appraisal completed with Remote Observation</p>	<p>Remote Observation is a technology-based method that allows the Appraiser to directly observe the Property characteristics, concurrently and in coordination with another individual at the Property. The technology must provide data capture of the observation and include metadata with geocoding for location confirmation</p> <p>Required Analysis and Reporting: All required visual exhibits and photography images for the applicable scope of work must be included. A Remote Observation option is only available in connection with:</p> <ul style="list-style-type: none"> • Damage inspections in a Presidentially-Declared Major Disaster Area or • Completing the Certification of Completion section of Fannie Mae Form 1004D/Freddie Mac Form 442, <i>Appraisal Update and/or Completion Report</i>, for the reobservation of a Property. <p>When using a Remote Observation technology, the appraisal report must include a certification that states the visual inspection was performed with Remote Observation and the technology verified the location of the Property.</p>



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

7A.6 VA Inspection Requirements

Pending mortgage closings or endorsement in a declared disaster require a damage inspection that identifies and quantifies any dwelling damage.

<p>Loans Closed Prior to Natural Disaster</p>	<p>Any loan closed prior to the date of the declared disaster is eligible for VA Guaranty without regard to the disaster.</p>
<p>Appraisal completed on or prior to the Natural disaster end date and not closed</p>	<p>Exterior inspection performed by a VA approved appraiser is required. Appraiser must address the physical condition of the site and improvements as well as the impact of any damages to the property value and marketability and if damage is noted an interior inspection must also be performed.</p> <p>The following items must be submitted with the VA guaranty request:</p> <p>Lender Certification, signed with title and dated</p> <p>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.</p> <p>Veteran Certification, signed and dated</p> <p>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.</p> <p>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)</p>



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	<p>must be provided. Neither VA nor the veteran purchaser shall bear the expense of any disaster-related inspection or repairs.</p> <p>Decline in Value</p> <p>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 VA appraiser must 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.</p> <p>If the property value has decreased, the loan amount must be reduced accordingly.</p>
Appraisal completed after the “Incident Period” end date up to the expiration date of the disaster (90 days from the end of the “Incident Period”)	Full appraisal with interior and exterior inspection required. Appraiser must address the physical condition of the site and improvements as well as the impact of any damages to the property value and marketability if the inspection occurs within 90-days of the disaster end period.
VA IRRRL (No appraisal)	No inspection is required.

7A.7 USDA Inspection Requirements

USDA Streamlined-Assist and Streamline without Appraisal Refinance do not require Disaster Inspections.

Loans with an appraisal date prior to the declared disaster Incident Date requires a Disaster Inspection Report with photos evidencing the property is free from damage and the disaster had no effect on value or marketability.

Newrez and USDA do not require a specific form or damage inspection report. Below are recommended forms to certify the property condition:



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- A letter on the appraiser's letterhead bearing an original signature

7A.8 Smart Series Inspection Requirements

Refer to Conforming Inspection requirements.

Revision History	Date
Non-Agency Inspection Requirements	August 31,2021
Overview-Borrower Attestation Requirements -Added	October 31, 2021
Removed Appraisals dated on or before September 3, 2021	August 22, 2022
Removed: requirements shown in Correspondent Operations Guide Ch 1C	
Removed: Appraisals dated on or before September 3, 2021	
Added definition of incident date based on FEMA website and reporting tool	
Removed County declaration information and references to Incident Start Date, End Date and Incident period	
Added Conventional inspection options for appraisals dated prior to FEMA incident date	
Removed Conventional disaster inspection report content and inspector qualifications	
Removed: Age of Underwriting (Employment, Credit or Asset) documents as of note date throughout for Fannie Mae, Freddie Mac and VA sections	
Updated VA Disaster Policy to change incident date to declaration date	
Removed VA requirement to complete VA Loan Summary Sheet (VA Form 26-0286) per VA announcement manual 16-7 (lenders handbook A and B updates as of 05.20.204 removing this form Added information about Remote Observations	July 30, 2024