



TO: Correspondent Lenders
FROM: Angela Breidenbach, Operations Manager
DATE: August 22, 2012
RE: Disaster Policy
Disaster Announcement

DISASTER POLICY

The following disaster policy has been implemented into the CHL Correspondent Loan Policy Manual under Section 602.05 Mortgage Property as follows:

F. Disaster Policy. Disasters, both natural and man-made, can cause varying degrees of damage and create potential risk. This section provides general guidelines to be following in the event of a major disaster.

Prior Approval Underwriter Discretion

Some disasters are not widespread, and may not be addressed by FEMA or CHL. FEMA does not always issue declarations immediately following a disaster. If an underwriter has reason to believe that a property may have been damaged in a disaster, the underwriter should require an acceptable re-inspection to verify the soundness of the property. This applies to both, delegated loans underwritten by the correspondent lender as well as non-delegated loans underwritten by a CHL underwriter.

Areas Subject to Disaster Policy

CHL's Disaster Policy applies to those areas with either:

1. Federal government issued Disaster Declaration requiring individual assistance, or
2. Where CHL has issued a disaster notification.

CHL's assessment of the significance of an event in a particular geographic area may redefine the affected area. That assessment will utilize data provided by FEMA for counties eligible of individual assistance and other data sources. Until FEMA issues a declaration or CHL has issued a disaster notification, individual underwriters and clients are responsible for determining potential impact to the subject property. **See Prior Approval Underwriter Discretion** within this section.

In general, the Disaster Policy should be followed during an ongoing disaster, and up to 90 days from the FEMA or CHL declaration. CHL may extend disaster declarations.

If a disaster is extended beyond the standard FEMA date, or a disaster is not yet declared by FEMA, CHL will issue a memorandum with the following information:

- Designated Disaster Area(s) by county or zip codes within a county
- Effective Date
- Duration
- Affected Transactions

Documentation Requirements

1. *Appraisal Completed Before the Incident Period End Date*

Prior to purchase, CHL will require a property inspection for any Loan secured by a property in the affected area.

- At no time are unlicensed appraiser assistants authorized to perform this inspection.

- Loan transactions, for which an appraisal may not be generally required, must have full appraisal with an exterior and interior inspection.
- If the inspection notes the property is uninhabitable, unsound, or the condition of the property has been affected by the disaster, a new full appraisal is required.
- If the inspection notes the property is habitable, sound and the property has not been affected by the disaster, the original collateral valuation obtained can be used.

The following are acceptable inspection formats:

- A final inspection or appraisal update of the property signed by the original appraiser.
- A Seller's certification executed by a person, employed by the Correspondent Lender, but who will not receive direct compensation from the subject transaction, stating an acceptable inspection of the property was completed.
- FHLMC form 2070.
- FNMA form 2075.

2. *Appraisal Completed On Or After the Incident Period Ending Date*

In the event of a FEMA declaration for counties eligible for assistance, the following appraisal forms are not acceptable:

- 2070/2075
- 2055/1075

3. *When Required*

A final inspection, or appraisal update, or an acceptable Seller's certification, or property condition report, or 2070/2075 is required when any of the following occurs:

- CHL has determined that a section of the county has an increased risk of loss due to disaster.
- Notification from any government sponsored agency and/or CHL, that an appraisal update is required for an area affected by disaster.

Unless specific guidelines are issued for the disaster, final inspections or certifications of value will be required for all loans secured by properties in the affected area; including loans without an appraisal.

4. *Employment*

In the event of widespread property destruction, a re-verification of the borrower's employment may be appropriate. Correspondents will be notified when re-verification of employment is required.

Seller's Certification

The following is an example of an acceptable Seller's Certification:

CHL Loan number: _____

Street Address: _____

City/State/Zip Code: _____

This is to confirm that the above referenced property has been inspected to ensure that it was either: a) not damaged in the recent disaster, **or** b) that it has been restored to its pre-disaster condition or better.

(Signature of Seller's Representative) (title) (date)

(print signature)

Damaged Properties

1. *Minor Damage*

CHL will not require properties with minor damage not affecting health, safety, habitability, soundness, or structural integrity of the property to be repaired prior to loan purchase. However, professional estimates of the repair costs should be obtained, and an escrow account established with sufficient funds to guarantee completion of repairs. This policy falls within CHL's policy of allowing "weather related" escrows only.

2. *Major Damage*

Any damage that affects health, safety, habitability, soundness, or structural integrity must be repaired before the loan is eligible for purchase by CHL.

DISASTER ANNOUNCEMENT

In reaction to recent wildfire activity, CHL will require correspondent lenders to follow the Disaster Policy for all impacted properties (see ZIP code list below for areas with known impacts). Effective immediately, all impacted properties will require an acceptable property inspection report completed.

At this time, FEMA has not yet issued a declaration specifying impacted areas. It is not know if they will. However, CHL has determined that properties within the following ZIP codes, of El Paso and Larimer counties, are impacted and must follow the Disaster Policy:

El Paso County	Larimer County
80809	80512
80819	80526
80840	80535
80904	80536
80907	80538
80919	
80921	

Precautions must be taken for loans originated within affected areas. Regardless of whether FEMA has formally declared a disaster, all transactions showing any indication of damage, to the collateral, should comply with the Disaster Policy guidelines as published in the CHL Correspondent Loan Policy Manual.

Reminders:

- It is the correspondent's responsibility to confirm if a property may have damage and if there is a need to follow the Disaster Policy; **even if the property is not on the current ZIP code list.**
- Damage may be caused, but not limited to, fire, smoke, heat or ash.
- In the event that FEMA makes a formal declaration indicating that the affected counties are eligible for assistance, a full appraisal with exterior and interior inspection is required; **regardless of AUS feedback.**

Please contact us if you have questions regarding these, or any other issues. We can be reached as follows: abreidenbach@houseloan.com or (505)814-7784, jposen@houseloan.com or (505)814-7788, ncorlett@houseloan.com or (214)780-0770.