

External Circular

New Appraisal Disaster Area Reporting Requirements

Circular No.: 2012-35-E

Date: November 26, 2012

Distribution: Fee Panel Appraisers
Staff Appraisers/Reviewers
Vendor Management Companies

Effective: November 26, 2012

LandSafe monitors publications and announcements to notify appraisers when there are declared disasters in geographic areas of your state. This circular replaces prior circular 2009-20-E, dated August 13, 2012. During your regular course of business, you may become aware of a declared disaster prior to receiving notification from LandSafe. LandSafe requires additional information in the appraisal report when a property is located in a declared disaster area. This circular provides guidance for different disaster scenarios under different loan product situations, and also serves as an introduction for the engagement of non-FNMA, LandSafe-approved Disaster Inspection Report forms that may be used under certain circumstances.

Please remember that when completing an appraisal of a property located in a declared disaster area, additional reporting requirements are provided in the Engagement Letter.

Disaster Area Reporting Requirements

Appraisal of Subject in a Declared Disaster Area

If the subject property is located in a declared disaster area, at the time of inspection for an appraisal, the **appraisal report** must:

- Include a statement indicating **whether or not** the property was affected by the disaster
- Indicate whether or not the disaster has passed, based on conditions observed at the time of inspection
- If the disaster affected the property, provide details about the damage and indicate **whether or not:**
 1. The property is “safe, sound and sanitary” for the occupants per the loan type requirements

AND

2. The value of the property has been adversely affected and any estimated costs to repair

If damage was done to the property, the damage must be described and photographed, and the appraisal report made “subject to” being repaired or inspected. A Fannie Mae/Freddie Mac 1004D form with photographs and will be required to report the completion of the repairs before a loan can close.

Disaster Area Declared After the Appraisal Completed, but Before Loan Closed Upon Re-Inspection, If No Damage

When a subject property has already been appraised or a disaster inspection has previously been completed, and either report indicates repairs are required, but the loan has not closed, the appraiser may be engaged to complete a Completion Report 1004D to ensure repairs have been completed.

If a re-inspection after the appraisal was completed indicates the subject property **suffered no damage**, that is, no damage was readily apparent to the appraiser:

Disaster Area Reporting Requirements

- Check the “**Yes**” box under “*Have the Improvements Been Completed In Accordance with the Requirements and conditions Stated in the Original Appraisal Report*” on the 1004D and include comments similar to the following:
 - *Subject is located in a recently declared disaster area and this inspection is being completed after the date of the disaster.*
 - *There is no damage to the subject was apparent and it appears to be in the same condition as when it was originally appraised.*
- If repairs were noted in the original appraisal or in a subsequent disaster report, include photographs to show that the items have been repaired.
Note: An updated value is not required.

Upon Re-Inspection Damage Apparent

If a re-inspection after the appraisal was completed and indicates the subject property **suffered damage**, that is, damage was readily apparent to the appraiser:

- Check the “No” box under “*Have the Improvements Been Completed In Accordance with the Requirements and conditions Stated in the Original Appraisal Report*” on the 1004D and include comments that are similar to, and/or address, the following:
 - Subject is located in a recently declared disaster area and this inspection is being completed after the date of the disaster.
 - The appraiser **must** provide detailed comments about the damage and indicate **whether or not**:
 - The property is “safe, sound and sanitary” for the occupants per the loan type requirements.

AND

 - The value of the property has been adversely affected, and include any estimated cost of repairs.
 - Provide photographs the damage

Damage Apparent – Third Party Inspections Required

If the subject property suffered **apparent damage, per a re-inspection after the appraisal was completed (e.g., flood, fire, wind, hurricane, tornado damage, earthquake)** including potential damage **not readily apparent** to the appraiser’s untrained eye (e.g., damage to the foundation):

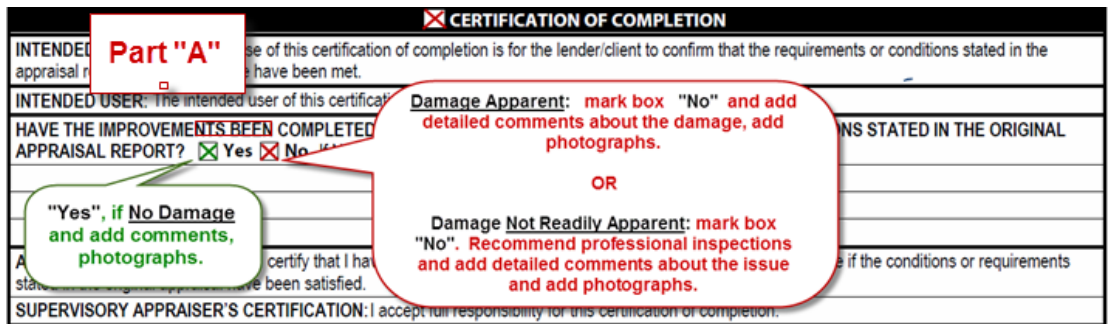
- Check the “No” box under “*Have the Improvements Been Completed In Accordance with the Requirements and conditions Stated in the Original Appraisal Report*” on the 1004D and include comments that are similar to, and/or address, the following:

Disaster Area Reporting Requirements

- Subject is located in a recently declared disaster area and this inspection is being completed after the date of the disaster.
- The appraiser **must** provide detailed comments about the damage.
- Recommend that the lender **obtain** appropriate third party **professional inspection(s)** to determine the extent of potential damage.
- Provide photographs of the damage

Note: The lender will be responsible for obtaining the required inspection(s).

1004D Example



Part "A"

Use of this certification of completion is for the lender/client to confirm that the requirements or conditions stated in the appraisal report have been met.

INTENDED USER: The intended user of this certification is the lender/client to confirm that the requirements or conditions stated in the appraisal report have been met.

HAVE THE IMPROVEMENTS BEEN COMPLETED APPRAISAL REPORT? Yes No

Damage Apparent: mark box "No" and add detailed comments about the damage, add photographs.

OR

Damage Not Readily Apparent: mark box "No". Recommend professional inspections and add detailed comments about the issue and add photographs.

"Yes", if No Damage and add comments, photographs.

SUPERVISORY APPRAISER'S CERTIFICATION: I accept full responsibility for this certification of completion.

FHA Disaster Inspection Requirements

FHA Disaster Inspection Requirements: Complete the FHA Disaster Inspection Report using the 1004D form.

When completing the FHA Disaster Inspection Report 1004D form the appraiser must complete the following in Part "A", Summary Appraisal Update Report top section and:

- Perform an on-site inspection and provide interior/exterior photos, including damaged areas
- Include statement as to dwelling habitability
- Provide statement as to any sustained damage, **if any** is: **Below** \$5,000 or **Above** \$5,000 that includes an itemized repair estimate with cost.

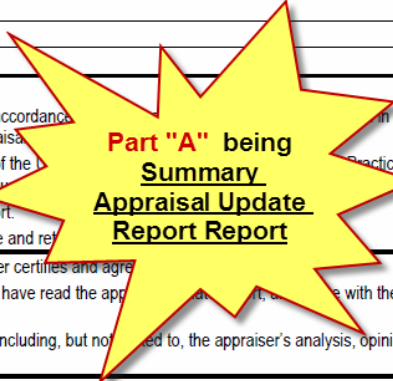
FHA Final Repair Inspection Requirements

When completing an **FHA Final Repair Inspection** the appraiser must:

- Perform an on-site inspection and provide interior/exterior photos
- Utilize the 1004D form by completing the following sections;
 - Part "A", **Summary Appraisal Update Report**; to determine if there has been a change in the value of the property as of the effective date of the appraisal.
 - Part "B", **Certification of Completion**; to determine and confirm that repairs are complete

Disaster Area Reporting Requirements

SUMMARY APPRAISAL UPDATE REPORT
INTENDED USE: The intended use of this appraisal update is for the lender/client to evaluate the property that is the subject of this report to determine if the property has declined in value since the date of the original appraisal for a mortgage finance transaction.
INTENDED USER: The intended user of this appraisal update is the lender/client.
SCOPE OF WORK: The appraiser must, at a minimum: (1) concur with the original appraisal, (2) perform an exterior inspection of the subject property from at least the street, and (3) research, verify, and analyze current market data in order to determine if the property has declined in value since the effective date of the original appraisal.
HAS THE MARKET VALUE OF THE SUBJECT PROPERTY DECLINED SINCE THE EFFECTIVE DATE OF THE ORIGINAL APPRAISAL? <input type="checkbox"/> Yes <input type="checkbox"/> No
APPRaiser's CERTIFICATION: The appraiser certifies and agrees that: <ol style="list-style-type: none"> 1. I have, at a minimum, developed and reported this appraisal update in accordance with the requirements of the Uniform Standards of Professional Appraisal Practice and concur with the analysis and conclusions in the original appraisal. 2. I performed this appraisal update in accordance with the requirements of the Uniform Standards of Professional Appraisal Practice and promulgated by the Appraisal Standards Board of The Appraisal Foundation and the requirements of the Uniform Standards of Professional Appraisal Practice that were adopted by the Appraisal Standards Board of The Appraisal Foundation. 3. I have updated the appraisal by incorporating the original appraisal report. 4. I have summarized my analysis and conclusions in this appraisal update and report.
SUPERVISORY APPRAISER'S CERTIFICATION: The Supervisory Appraiser certifies and agrees that: <ol style="list-style-type: none"> 1. I directly supervised the appraiser for this appraisal update assignment, have read the appraisal update report, and concur with the appraiser's analysis, opinions, statements, conclusions, and the appraiser's certification. 2. I accept full responsibility for the contents of this appraisal update report including, but not limited to, the appraiser's analysis, opinions, statements, conclusions, and the appraiser's certification.



CERTIFICATION OF COMPLETION
INTENDED USE: The intended use of this certification of completion is for the lender/client to confirm that the requirements or conditions stated in the appraisal report referenced above have been met.
INTENDED USER: The intended user of this certification of completion is the lender/client.
HAVE THE REQUIREMENTS AND CONDITIONS STATED IN THE ORIGINAL APPRAISAL REPORT BEEN MET? <input type="checkbox"/> Yes <input type="checkbox"/> No
APPRaiser's CERTIFICATION: I certify that I have performed a visual inspection of the subject property to determine if the conditions or requirements stated in the original appraisal have been satisfied.
SUPERVISORY APPRAISER'S CERTIFICATION: I accept full responsibility for this certification of completion.



FHA Disaster Inspection Resource

For details see link for ***Guidance for FHA-Approved Mortgagees Originating and Servicing Mortgages in Presidentially-Declared Major Disaster Areas.*** [Mortgagee Letter 2012-23.](#)

REO Property Appraisals

On REO properties the appraisal is to be completed per the Engagement Letter. In addition, the REO appraisal should be completed in accordance with applicable guidelines above. (e.g., **No Damage, Damage Apparent or Damage Not Readily Apparent** with recommended inspections and repair cost estimates, if **Damage Apparent**.) REO orders are identified under the Property Information header in the Engagement Letter.

PROPERTY INFORMATION:

Property Type: SFR
 Loan Type: REO
 Sub Loan type: Conventional

Disaster Area Reporting Requirements

Engagement Letter Revisions LandSafe encourages the appraiser to read the Engagement Letter and Scope of Work for every assignment. The Engagement Letter has been revised for Disaster Area Reporting as follows:

Disaster Reporting Requirements - If the subject property is located in a geographic area that has been declared a disaster area and the appraisal was completed before or after the date of the disaster, the appraiser **must complete the appraisal per LandSafe Circular: New Disaster Appraisal Reporting Requirements 2012-35-E, dated 11/26/2012.** If the subject property is located within a neighborhood or zip code area that has been recently declared a FEMA disaster area, a **Yellow Standard Disaster Area notice will appear at the bottom of the section** labeled Lender Specific Assignment Conditions (Orange and Red Standard notifications are used for Catastrophic Disasters).

LandSafe approved Disaster Inspection Reports LandSafe may, in some circumstances, request an appraiser to complete a separate, stand alone, non-FNMA type, LandSafe approved Disaster Inspection Report Form on any property in their geographic area, including the subject under current engagement. The appraiser will be provided the form, being either a Walk-in or Drive-By type. Completion of the form is not technically difficult. Separate Engagement Letters for the two products will be provided with completion instructions and specific submission instructions.

Note: **DO NOT** submit the Disaster Inspection Report Form with the appraisal report as this will cause a Do Not Accept (DNA).

Resolution Customer Assistance Team If you have questions regarding **Disaster Reporting Requirements** contact the **LandSafe Resolution Customer Assistance Team** at 1.800.341.6033.