

**Effective Date:** May 28, 2024

On May 22, 2024 the Federal Emergency Management Agency (FEMA) declared that federal disaster assistance has been made available to the state of Kentucky to supplement state and local recovery efforts in the areas affected by severe storms, straight-line winds, tornadoes, landslides and mudslides that occurred on **April 2, 2024**.

Disaster inspections are required for the following counties in KY:

County:		FEMA Link
1	Boyd	<a href="#">President Joseph R. Biden, Jr. Approves Major Disaster Declaration for Kentucky   FEMA.gov</a>
2	Carter	
3	Fayette	
4	Greenup	
5	Henry	
6	Jefferson	
4	Jessamine	
8	Mason	
9	Oldham	
10	Union	
11	Whitley	

**ALL FILES NEED TO HAVE CURRENT, ACTIVE AND UP TO DATE INSURANCE.**

Property Inspection Requirements for Transactions WITH Appraisals		
Program	If Appraisal is Dated	Property Inspection Type
<ul style="list-style-type: none"> <li>Fannie Mae</li> <li>Freddie Mac</li> <li>Jumbo</li> <li>Non-QM</li> </ul>	On or before the Incident Period End Date, including on-going disasters where an Incident Period End Date has not yet been declared	<ul style="list-style-type: none"> <li>Property Inspection Report (Form 2075)</li> <li>Appraisal Update and/or Completion Report (Form 1004D)</li> <li>Certification from a Licensed Property Inspector</li> <li>Post-disaster inspection from an established and reputable service provider, with post- disaster photos that clearly demonstrate the property has not been adversely affected by the disaster</li> <li>Signed affidavit from borrower along with photos (interior and exterior) that clearly demonstrate the property has not been adversely affected by the disaster</li> </ul>

<ul style="list-style-type: none"> <li>FHA loans closed or endorsed after the Incident Begin Date.</li> </ul>	On or before the Incident Period End Date, or within 14 calendar days from the Incident Begin Date, whichever is earlier.	<ul style="list-style-type: none"> <li>Damage inspection report that identifies and quantifies any dwelling damage and should be completed by the original Appraiser. However, if the original Appraiser is not available, another FHA Roster Appraiser in good standing with geographic competence in the affected market may be used. If the Mortgagee uses a different Appraiser to inspect the Property, the Appraiser performing the damage inspection must be provided with a complete copy of the original appraisal.</li> <li>Must include interior and exterior photographs, and a statement on the neighborhood conditions as they relate to damage from the disaster.</li> </ul>
	After the Incident Period End Date, or 14 calendar days from the Incident Begin Date, whichever is earlier.	The appraisal may be used in lieu of an inspection.

Property Inspection Requirements for Transactions WITHOUT Appraisals		
Program	Applies to	Property Inspection Type
<ul style="list-style-type: none"> <li>Fannie Mae</li> <li>Freddie Mac</li> <li>FHA Streamline</li> <li>Non-QM</li> </ul>	Loans utilizing an Appraisal Waiver or when an appraisal is not required (up to 90 days after an Incident End Date)	<ul style="list-style-type: none"> <li>Property Inspection Report (Form 2075)</li> <li>Appraisal Update and/or Completion Report (Form 1004D)</li> <li>Certification from a Licensed Property Inspector</li> <li>Post-disaster inspection from an established and reputable service provider, with post-disaster photos that clearly demonstrate the property has not been adversely affected by the disaster.</li> <li>Signed affidavit from borrower along with photos (interior and exterior) that clearly demonstrate the property has not been adversely affected by the disaster</li> </ul>
<ul style="list-style-type: none"> <li>Jumbo</li> </ul>	N/A (Full Appraisal always required)	

**Additional Requirements:**
All Loans

- Change of Circumstance:** The appraisal damage certification requirement following a disaster **does** qualify as a changed circumstance under TILA-RESPA Integrated Disclosure Rule, allowing A&D Mortgage to pass the cost to the borrower. Within three (3) business days of the date it becomes known that an appraisal certification will need to be ordered, the lender is required to issue the borrower a revised Loan Estimate or Closing Disclosure with the

appraisal certification fee added in Section B.

#### Conventional/Jumbo

- All inspections must indicate the property has not sustained any damage from the disaster (i.e., flood, tornado/wind, or fire damage)
- All inspections must include exterior photographs, and a statement on the neighborhood conditions as they relate to damage from the disaster

#### FHA Loans

- All inspections by appraisers should attempt to be completed by the original appraiser
- All inspections must include interior and exterior photographs, and a statement on the neighborhood conditions as they relate to damage from the disaster
- If property damage is identified, then:
  - If damage exists but is below \$5,000 and property is habitable complete repairs or establish repair escrow prior to funding (in general A&D Mortgage does not allow escrow holdback for repairs)
  - If damage exists and is above \$5,000 or the property is not habitable, do not close until repairs are completed (cannot be an escrow holdback) and property inspected with interior/exterior photographs
  - If property damage is structural or complex, a qualified third party must inspect the damages and provide evidence that repairs have been completed satisfactorily prior to closing
  - If required by local jurisdictions, obtain copies building permits, inspections and occupancy certificate

#### Additional Information

- It is the Broker's responsibility to obtain certification from the inspector prior to funding
- Evidence that an acceptable insurance policy is in place is required

### **Operational Procedure:**

Effective immediately, the process and steps will be as follows:

1. Brokers will order the inspection once it is confirmed that the property is located in an affected county
2. Underwriting will place the Closing Condition for the required inspection
3. QC will review and add the condition if missed by Underwriting
4. Closing will add a condition for the document to be delivered prior to funding
5. Closer or Funder will review inspections upon receipt to ensure sufficient data is available to confirm property is not damaged
6. Once confirmed, Closer or Funder (whoever received and reviewed the inspection) is responsible to clear the condition