
Compliance | Natural Disaster Operations Policy

Overview

Requirements

Events such as fires, earthquakes, landslides, hurricanes, floods, tornadoes, thunderstorms, and hail storms are natural disasters that may have impacts on loans in process or funded but not yet delivered to investors. Properties in areas where natural (or other) disasters have occurred must be evaluated in terms of the effect on the subject's habitability, marketability, and value. While the Federal Emergency Management Agency (FEMA) and states may declare disaster areas, the event does not require a declaration.

Cardinal Financial Company, Limited Partnership ("Cardinal") warrants that the collateral (properties) that are secured by the loans it delivers to its Agency and other Investor partners have not been significantly damaged by fire, wind, or other natural disaster events, from the time of the appraisal through funding.

Prior to delivering loans in areas affected by natural disasters, Cardinal takes prudent and reasonable actions to determine if the property has been materially affected by the adverse event.

Senior Management Position

Cardinal has developed, manages, and maintains processes to ensure that loans meet Cardinal's and investors' property standards. Properties potentially impacted by a large-scale or localized disaster are identified and Cardinal obtains the necessary documentation to determine if the event has had a negative impact on the property condition. Loans secured by properties with significant damage that are in process will not be closed and/or funded until the damage is repaired. Loans secured by properties with significant damage that have been funded, will not be delivered to an investor until Cardinal has verified the property has been repaired to Cardinal's property standards as outlined in the Cardinal Lending Guide or the applicable investor property guidelines.

Scope

This policy applies to all loans in process, including those funded but not yet purchased by a Cardinal investor, regardless of property location, origination channel, or whether an appraisal was required by the loan product.

Inspection Standards

Cardinal identifies areas affected by disasters utilizing FEMA's disaster notifications for individual assistance in addition to Cardinal's knowledge of localized or individual disaster events that may occur.

Once the federal government has declared a disaster with individual assistance, a FEMA Disaster Notification is issued. Due to the timing and delays that are possible in the official declaration of a disaster, it is the underwriter's responsibility to stay aware of events and the possibility of impact to the subject property from a nearby event. If an underwriter identifies that the subject property may have been impacted by a disaster that has not been declared by Cardinal or FEMA, they may contact Support for review.

Cardinal reserves the right to identify disaster areas independent from a FEMA declaration ~~End date~~ see the **Undetermined Disaster Area section for details.**

Date	Definition
Disaster Effective Date	The date that either Cardinal Financial or FEMA has declared a disaster and indicated the incident began.
Incident Declared End Date	The earliest of the date the identified disaster is declared ended by FEMA, Cardinal Financial, or 14 days from the disaster effective date.

Disaster Re-Inspection

Determining Re-Inspection Status

Cardinal will determine when the identified disaster areas can be inspected/re-inspected for potential property damage using the FEMA Disaster End Date or as determined by Cardinal Senior Management.

If an identified impacted county has been removed from the disaster area, a loan in the specified county can continue to Settlement. If an identified impacted county is not removed from a disaster area, Cardinal reserves the right to issue an internal incident end date.

Appraisals Performed Prior to the Disaster

On loans where the effective date of the appraisal is completed **on or before the incident begin date** of the disaster, the system of record will be updated with a new exterior disaster inspection requirement that will be required prior to funding the loan to confirm that no damage has occurred to the subject property.

The appraisal inspection will be requested through workflow directed to the Transaction Assistant (TA) who will be responsible for obtaining the report.

Please refer to the specific product section below for inspection requirements. In addition, all re-inspections must include the following:

- Indication if the property has obvious damage that is visible as viewed from the street
- Indication if there is roof damage
- Indication if there is apparent structural damage
- Indication that the property is habitable and contains no evidence of damage based on the interior and exterior inspection
- Indication of the nature of the disaster and the date
- Indication whether or not the disaster has passed, based on conditions observed at the time of inspection

If the disaster includes a water event such as a hurricane or flash flooding then the following must also be obtained:

- A statement from the appraiser or authorized inspector that the subject property has not sustained any flooding and/or damage
- A statement from the appraiser or authorized inspector on the neighborhood conditions as they relate to flooding and/or damage

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- In the event of multiple adverse events (for example, one hurricane followed by another) the Appraisal Update or Inspection must occur after the most recent event

Note: Any property with damage must be re-inspected by the original Appraiser, unless he or she is unavailable, out of commission, not licensed, retired or has deceased.

Appraisals Performed After the Disaster

On loans where the effective date of the appraisal is completed **on or after the incident end date**, the system of record has been updated with a new appraisal requirement indicating the appraiser must comment on the condition of the property and any effects to the marketability.

If the Appraisal | Report smart document has already been approved, the new requirement will need to be decided by the Collateral Underwriter, and an Appraisal Correction workflow will be requested. If the Appraisal meets the requirement, the Collateral Underwriter will approve the requirement and no additional action is needed. If the appraisal does not meet the requirement, the Collateral Underwriter will send the loan to the Transaction Assistant (TA) who will be responsible for obtaining an updated appraisal report and will fulfill the requirements for the Collateral Underwriter to decision. Upon receipt of the revised appraisal with the appropriate commentary regarding the impact of the disaster:

- If there is no damage indicated, the appraisal will be approved and no additional steps are required.
- If there is damage indicated, a 1004D Appraisal Update and/or Completion Report will be required.

Note: The requirement for specific appraiser commentary concerning the absence of damage to the property will remain in effect 90 days following the declared end date.

Construction to Permanent / One Time Close Construction

Follow guidance for an already constructed dwelling according to the respective agency.

Conventional Loans

Disaster Inspection Requirements

A Disaster Area Property Inspection Report must be ordered to verify if there is any damage to the property.

Disaster Area Property Inspections may be completed using one of the following documents:

- Form 1004D Appraisal Update and/or Completion Report Completed by a Cardinal approved Appraisal Management Company (“AMC”) and although preferred, the report does not have to be performed by the same appraiser that completed the initial appraisal inspection; or
- Disaster Area Inspection Report completed by a Cardinal approved Appraisal Management Company (“AMC”); or
- Property Inspection report performed by a licensed home inspector; or
- Homeowner or Flood Insurance Provider Inspection report performed by licensed homeowners insurance agent with the license number present on the inspection; or
- For Condominiums and co-ops, an inspection will be required on multi-story and single-story properties to ensure the property and common areas are not damaged

If the property has suffered damage from the event, the certification must detail the extent of the damage and provide interior and exterior photos. A subsequent disaster inspection report will be required prior to the approval and closing of the transaction.

If the disaster inspection indicates the subject property has not suffered damage from the event, the appraiser must 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 that was apparent and it appears to be in the same condition as when it was originally appraised.

**Conventional Loans when the Appraisal Completion Date was prior to the Disaster Incident Begin Date, or
Conventional Loans with Appraisal Waiver**

If...	Then...	Acceptable Disaster Inspection Documentation
Closing Documents have not been delivered to the settlement agent (Closing Reconciliation is not yet complete)	<ul style="list-style-type: none"> Disaster Inspection required Prior to Document Fee will be charged to borrower 	
Closing Documents have been delivered to the settlement agent (Closing Reconciliation is complete and closing may or may not have occurred) and loan has not been purchased by the investor (Beneficiary > Investor > From Date (Purchase Advice))	<ul style="list-style-type: none"> Disaster Inspection will be required Prior to Delivery Fee will not be charged to the borrower 	A disaster inspection as outlined in Disaster Inspection Requirements .
Loan has been purchased by the investor. (Beneficiary > Investor > From Date (Purchase Advice))	No disaster inspection is required.	

ACE+ PDR eligibility in Eligible Disaster Areas

For Mortgages secured by properties in Eligible Disaster Areas, Sellers may accept an ACE+ PDR offer if the PDR validates the condition of the subject property, meets eligibility requirements, and the value and marketability of the subject has not been adversely impacted. However, if the PDR effective date is prior to the disaster event, the Seller must meet the following requirements:

- If there is property damage, it must not have impacted the safety, soundness, or structural integrity of the Mortgaged Premises. The Seller must ensure all damage is documented and is covered by insurance as required by Freddie Mac, or
- If the Mortgaged Premises has been damaged such that the damage impacts the safety, soundness or structural integrity of the Mortgaged Premises, the Mortgage is not eligible for sale to Freddie Mac until all repairs to the property are documented and completed

FHA Loans

FHA loans on properties within a presidentially declared disaster area where FEMA has declared Individual Assistance require a damage inspection report from the original FHA Appraiser in good standing with the Appraisal Subcommittee (SC). If the original appraiser is not available, another ASC Appraiser in good standing with geographic competence in the affected area may be used. If a different appraiser inspects the property, the new appraiser must be provided with a complete copy of the original appraisal.

- An inspection must be completed using Form 1004D Appraisal Update and/or Completion Report. The inspection must be dated after the incident end date or 14 days after its declaration whichever is earlier.
- If utilities have not been fully restored to the area, the appraiser is not required to ensure utilities are on at the time of inspection.
- Damages must be repaired by licensed contractors or per local jurisdictional requirements. All damages must be repaired and the property must be restored to pre-loss condition with appropriate and applicable documentation.
- Damage inspections should be completed by the original Appraiser, however, if the original Appraiser is not available, another FHA Certified and in Good Standing with ASC registry with geographic competence in the affected market may be used. If a different Appraiser is used to inspect the Property, the Appraiser performing the damage inspection must be provided with a complete copy of the original appraisal.

FHA Mortgages Pending Closing

- Form 1004D Appraisal Update and/or Completion Report must include both interior and exterior inspection photographs.
- The appraiser must identify and quantify all dwelling damages.
- If the damage exists but is below \$5,000 and the property is habitable, complete the repairs or establish a repair escrow.

- If damage exists and is above \$5,000 or the property is not habitable, repairs must be completed prior to closing and no repair escrow is permitted.
- If damage exists, the appraisal validity is extended from 180 days (120 days for case numbers assigned prior to June 1, 2022) to a maximum of one year from the effective date of the original appraisal. If a loan does not close within one year of the effective date of the appraisal, a new appraisal is required.
- Form 1004D, Parts A and B, must be completed and if the market value has declined since the effective date of the original appraisal, a new appraisal is required that supports the loan amount prior to closing.

FHA Mortgages Closed but Not Endorsed

- Form 1004D Appraisal Update and/or Completion Report is required with exterior photos. The appraiser must identify and quantify all dwelling damages.
- If the damage exists but is below \$5,000 and the property is habitable, complete the repairs or establish a repair escrow.
- If damage exists and repairs exceed \$5,000 or the property is not habitable, the endorsement is not permitted until repairs are complete and satisfactory repair inspection with interior and exterior photographs is received.

FHA Loans Requiring an Appraisal		
If...	Then...	Acceptable Disaster Inspection Documentation
Closing Documents have not been signed	<ul style="list-style-type: none"> ● Disaster Inspection required Prior to Document (PTD) ● Fee will be charged to borrower 	A disaster inspection as outlined in Disaster Inspection Requirements including interior and exterior photographs

<p>Closing Documents have been signed but loan is not insured with HUD and case query reflects “Insurance Pending”</p>	<ul style="list-style-type: none"> • Disaster Inspection required Prior to Delivery • Fee will not be charged to borrower 	<p>A disaster inspection as outlined in Disaster Inspection Requirements including exterior photographs</p>
<p>Closing Documents have been signed and loan is insured with HUD and case query reflects “Case Endorsed”</p>	<p>No disaster inspection is required.</p>	

VA Loans

If the loan closed prior to the Disaster Incident Date, no inspection or certifications are required.

If the loan was not closed prior to the effective date of the disaster, the following requirements apply:

- Obtain form 1004D Appraisal Update and/or Completion Report by either the original appraiser or by another licensed appraiser, with interior and exterior photographs verifying the property was not damaged in the disaster or has been restored to its pre-disaster condition or better.

- A Veteran Certification is required:

“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.

- A Lender Certification by Cardinal is required and it must state:

“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.

- 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 Cardinal 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 value, despite repairs, will be reduced 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 underwriter must confirm prior to closing that the veteran's employment and income have not changed since the loan application.
- The VA underwriter must make the following comments on the VA Loan Summary (VA Form 26-0286): "Lender and Veteran Disaster Certifications Enclosed."

VA Loans Requiring an Appraisal		
If...	Then...	Acceptable Disaster Inspection Documentation
Closing Documents have not been signed	<ul style="list-style-type: none"> • Disaster Inspection required Prior to Document (PTD) • Fee will be charged to borrower 	A disaster inspection as outlined in Disaster Inspection Requirements including interior and exterior photographs
Closing Documents have been signed	No disaster inspection is required.	

USDA Loans

All properties with pending closings or guarantees in Disaster Areas require an inspection to determine the property's condition using form 1004D Appraisal Update and/or Completion Report with interior and exterior photographs completed by an ASC appraiser.

In addition, USDA's Conditional Commitment requires Cardinal's attestation on the Lender Certification for SFH Guaranteed Loan that there has been no change in the borrower's financial status or the property status since USDA issued the Conditional Commitment.

Non-Conforming Loans

Individual investor guidelines must be reviewed for adherence to their respective guidelines. In addition to specific requirements, the following may apply.

For transactions where the appraisal was performed prior to the disaster date the property must be re-inspected by the original appraiser if possible. If the original appraiser is not available another licensed appraiser may complete the inspection. An interior/exterior 1004D Appraisal Update and/or Completion Report is required.

The appraiser must provide the following commentary/evidence:

- Property is free from damage and the disaster had no effect on value or marketability, with photos of the interior, exterior, and neighborhood.
- If the re-inspection indicates damage, the extent of the damage must be noted and the repairs must be addressed prior to closing.
- A second 1004D Appraisal Update and/or Completion Report or a new appraisal confirming the completion of repairs along with photos of the repairs, interior, exterior, and neighborhood will be required.

For Appraisals with an effective date after the disaster, the appraiser must address the disaster's effect on the property values in the market. The commentary must include post-disaster market data (ie. closed sales, pending sales, or listings) or other relevant analysis to demonstrate the appraiser gave disaster impacts and other pertinent factors adequate consideration.

Transferred Appraisals

On loans, where an appraisal was ordered and completed by another lender and is being transferred to Cardinal, and the appraisal was completed prior to the disaster date, a disaster inspection of the subject property must be obtained to determine the property's condition.

The 1004D must be completed by the original appraiser. If the original appraiser will not accept the order, a full appraisal report must be ordered through the applicable appraisal vendor according to the subject property state and Branch.

See [Disaster Re-Inspection](#) for re-inspection requirements.

Transactions Without an Appraisal

FHA Streamline, USDA Streamline, and VA IRRRL Refinance

Only FHA Streamline, USDA Streamline, and VA IRRRL refinance transactions **without appraisals** are exempt from inspection requirements.

Natural Disaster

Company Notification Plan

To facilitate FEMA notices Cardinal has ensured that our Risk and Controls Inbox in addition to support@cardinalfinancial.com has been subscribed to the [National Incident Management Alert System](#). Emails originating from FEMA will be flagged as a high priority, and a copy of the email will be forwarded to the FreshDesk ticketing system for disaster.notification@cardinalfinancial.com.

Cardinal may also receive notification from Investors, Warehouse Banks, or directly from the Federal Emergency Management Agency (FEMA).

In the event that a notification is received by an investor or warehouse bank, the party receiving the notification must forward the email with details to the following email address:

disaster.notification@cardinalfinancial.com.

FreshDesk has been configured to forward tickets when the subject line includes 'Important | FEMA Disaster' to the following Senior Management recipients, who will comprise the Natural Disaster Senior Management team:

- Chief Credit Officer
- VP of Settlement and Operations roles
- SVP Underwriting & Credit Policy

The Chief Credit Officer is responsible for communicating and coordinating the activities to ensure that Cardinal identifies all loans in processing and funding that need to be addressed. The Chief Credit Officer in cooperation with the Senior Management team will determine if closing and/or funding need to be suspended and will work with the various operations groups to identify all impacted and all potentially affected loans in conjunction with the operations managers.

Impacted Area Identification

Upon notification of a disaster, and at minimum daily or until the incident is complete (typically 120 days), Cardinal's leadership and risk teams will:

- Coordinate data with FEMA and non-FEMA sources to determine impacted areas that are not eligible for warehouse participation
- Review all active disasters to determine any additional counties in which an active declared disaster area has been identified as receiving individual assistance
- Ensure all counties, incident dates, and sources have been recorded in the Declared Disaster List
- Communicate any newly affected area(s) via a Change Management Disaster Area Notification to all employees

Exclusion of Zip Codes

In the event that a zip code is a sufficient distance from the disaster area, Cardinal reserves the right to exclude the zip code. Cardinal's leadership and risk teams will determine the sufficient distance required for the zip code to be excluded.

Undetermined Disaster Area

Cardinal may determine that a disaster could impact a certain area prior to FEMA declaring a Major Disaster Declaration with Individual Assistance. For example, when mandatory evacuation orders are in effect or FEMA has declared an Emergency Declaration. In these cases, Cardinal reserves the right to pause closing and/or funding in that area until it is determined that the pending disaster will be converted to a declared disaster by FEMA, or if the pending disaster will be withdrawn.

For non-jumbo loans, a Property Condition Attestation may be signed by all borrowers and then loans can proceed to closing or funding. For jumbo loans, appraisal documentation as outlined in the "Non-Conforming Loans" section will be required prior to closing or funding.

Communication Plan

General Communication

Within 24 hours of receipt of a Disaster notification, Cardinal will issue an announcement to all team members internally and externally addressing the occurrence and the procedures for managing loans in the pipeline, or at a minimum that procedures will be forthcoming.

The affected areas will be identified in Octane by the Product Team.

Quantification of Impact

Operations

Upon receipt of a disaster notification, the Senior Vice President of **Credit Policy Operations** will identify and report on the potentially affected loans in the application, processing, underwriting, closing, and statuses to the Chief Credit Officer.

Settlement

The Senior Vice President of Operations will identify and report on potentially affected loans in funding and delivery statuses to the Chief Credit Officer.

Department Responsibilities

Loan Origination

Loan originators are responsible for ensuring that any required lock extensions are requested and managed appropriately. The current process for lock extensions should be used.

Vendor Management

The Vendor Management Team Lead or designee will coordinate with Cardinal's approved AMCs to ensure that once the disaster is declared ended, all appraisals on properties located within the disaster area that occur after the disaster date, will include appraiser comments on any observed impact of the disaster on the property.

The Vendor Management Team Lead or designee will also coordinate re-inspection requests, manage turn times, and report any issues to Senior Management.

The Director of Support will ensure that all support personnel has an adequate understanding of the disaster mitigation plan, customer-facing communication, and Cardinal requirements to sufficiently answer questions from borrowers and/or impacted third parties.

Transaction Management

Transaction Management Team Managers are responsible for managing the overall pipeline of impacted loans within their processing team. This includes building or managing pipelines, working with Underwriting and Settlement to coordinate priority transactions, and ensuring any training on requirements and procedures is conducted, if needed.

The Transaction Assistant is responsible to retrieve completed disaster re-inspection reports and submit them for underwriting approval using the current submission process.

Underwriting

Underwriters are responsible for reviewing disaster re-inspection reports and confirming for each loan that the property meets all Cardinal property standards.

Settlement

The assigned closer on a loan is responsible for ensuring that closing is not scheduled on any loan with open prior-to-close disaster re-inspection requirements.

The assigned funder is responsible for ensuring that funding is not authorized on any loan with any open prior-to-funding disaster re-inspection requirements.

Post-Closing

The post-closing team is responsible to ensure that no loans with an open disaster re-inspection requirement are delivered for investor purchase.

References

Reference List

[National Incident Management Alert System](#)

Revision History

Revision History is to be used as a reference only and will only provide a summary of document changes. For complete versioning, refer to the Google Docs versioning functionality, which is the system of record.

Date	Version	Description	Approver
2.10.23	V5	Added guidance for ACE + PDR	Kristen Bellon
1.18.23	V4	Revised Disaster Inspection Requirements for Conventional loan types	Kristen Bellon
7.15.22	V3	Updated appraisal validity date	Kristen Bellon
5.25.22	V2	Added section for Construction to Permanent / One Time Close construction	Kristen Bellon
10.28.20	V1	Reformatted to company standards and added details regarding: <ul style="list-style-type: none"> ● Excluding zip codes ● Provisional Disaster details ● Additional details regarding FHA incident end dates 	Shannon Ames
10/16/2020	-	Added clarification to how an underwriter should handle a subject property that may be potentially impacted by a disaster that has not been declared by Cardinal or FEMA.	Shannon Ames
9/14/2020	-	Revised Transactions Without an Appraisal Section	Erica Price
6/18/2020	-	Added additional guidance under Disaster Inspection Requirements	Kristen Bellon
01/06/2020	-	Added clarification that An FHA Streamline Refinance without an Appraisal will not require a re-inspection of a property located within a presidentially declared disaster area	Ellen Clayson
9/9/2019	-	Clarified inspection requirements for loans with appraisal waivers and mortgage type specific requirements	Erica Price
8/30/2019	-	Approved parties who may complete disaster inspections	Erica Price
5/22/2019	-	Clarified appraisal performed after disaster declaration	Ellen Clayson
1/21/2019	-	Added appraisal performed after disaster declaration	Shannon Ames
10/19/2018	-	Added appraiser commentary requirement	Erica Price
9/16/2018	-	Updated communication plan and added determining re-inspection status section	Erica Price

1/16/2018	-	Updated incident date to begin date	Erica Price
9/19/2017	-	Marketing clean up verbiage	Erica Price
8/17/2019	-	Updated executives in company notification	Erica Price
7/3/2017	-	Clarified specific mortgage type requirements and communication plan	Erica Price
10/14/2016	-	Policy created	Jessica Nolan