

HARP Refi-to-Mod (RTM) Loans and Disasters

Questions & Answers

On November 13, 2012, MGIC announced that in areas affected by significant disasters it would require that lenders obtain an exterior-only inspection report on HARP RTM loans to determine whether the subject property was materially damaged from the event. The following Q&A addresses questions that have been raised as a result of the bulletin:

Q: What if my HARP RTM loan closed before the disaster occurred?

A: If the HARP refinance closed prior to the disaster, MGIC does not require you to go back and obtain an inspection report.

Q: When does MGIC consider a disaster significant?

A: When the area was declared a disaster or assistance was provided by federal, state, or local government.

Q: Is it just the FEMA Major Disaster Declaration counties or all of the states that list a FEMA Emergency Declaration?

A: FEMA typically issues an Emergency Declaration quicker than a Major Disaster Declaration. If you are closing a HARP refinance within the first 7 days after an event you should obtain an inspection report if a FEMA Emergency Declaration has been issued. When closing the HARP refinance more than 7 days after the event, an inspection is only required if the property is in a Major Disaster zone.

Q: What would be considered material damage?

A: When the damage exceeds the lesser of \$20,000 or 10% of the refinance loan amount..

Q: What happens when there is material damage and restoration cannot be completed until after the refinance transaction is closed?

A: The lender should contact their MGIC account manager for a determination of eligibility for RTM on a case by case basis.

Q: Does the exterior-only inspection have to be on a specific form?

A: No, the lender may use any form that clearly identifies the subject property and its condition. Photographs of the subject property are beneficial in clearly identifying the property and its condition. Examples of acceptable forms include:

- 1004D
- 2075 Exterior
- Post Disaster Inspection Report

Q: How long after an area was declared a disaster do we have to order an exterior inspection?

A: For a period of 6 months.

Q: If I have an interior/exterior appraisal that was completed after the disaster occurred, do I also need to obtain an exterior inspection?

A: No, but if the appraisal identifies material damage, the repairs must be completed prior to closing.

Q: Do I have to submit the inspection report?

A: No, the inspection report and any supporting documentation should be retained in your loan file.