



ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Date: June 27, 2025

Mortgagee Letter 2025-19

To: All FHA-Approved Mortgagees
All Direct Endorsement Underwriters
All Eligible Submission Sources for Condominium Project Approvals
All FHA Roster Appraisers
All FHA-Approved 203(k) Consultants
All HUD-Certified Housing Counselors
All HUD-Approved Nonprofit Organizations
All Governmental Entity Participants
All Real Estate Brokers
All Closing Agents

Subject Rescission of Mandatory Pre-endorsement Inspection Requirements for Properties Located in Presidentially-Declared Major Disaster Areas (PDMDAs)

Purpose This Mortgagee Letter (ML) eliminates unnecessary and burdensome pre-endorsement PDMDA inspection requirements to allow Mortgagees flexibility in the selection of appropriate risk-based actions regarding disasters.

Effective Date The provisions of this ML are effective immediately.

All updates will be incorporated into a forthcoming update of the HUD Handbook 4000.1, *FHA Single Family Housing Policy Handbook* (Handbook 4000.1).

Affected Programs The provisions of this ML apply to all FHA-insured Single Family Title II forward mortgage programs.

Background FHA previously required damage inspection reports prior to endorsement for all Properties located in PDMDAs. FHA also required the inspection to be completed by an FHA Roster Appraiser, which sometimes resulted in a lengthy waiting period. These requirements applied regardless of whether any damage occurred and have led to unnecessary inspections, delayed loan

Mortgagee Letter 2025-19, Continued

closings, and postponed issuance of FHA insurance. In attempts to temporarily remedy these issues, FHA has issued multiple waivers of PDMDA inspection requirements.

As detailed in Handbook 4000.1 sections III and IV, the Mortgagee is responsible for the cost of Surchargeable Damage, which includes, but is not limited to, damage to a Property caused by fire, flood, earthquake, tornado, hurricane, or Mortgagee Neglect, where the Property has suffered additional damage because of the Mortgagee's failure to take action. As such, Mortgagees have a vested interest in proactively monitoring all disaster-related property risks that may impact eligibility for FHA insurance and potential claims.

Therefore, FHA defers to the Mortgagee's discretion to determine the property condition and scope of inspections and repairs following a disaster event based on its own risk management practices and tolerances. This approach promotes efficiency in the origination process while ensuring the continued protection of the FHA Mutual Mortgage Insurance (MMI) fund.

Rescinding these requirements aligns with Executive Order, *Delivering Emergency Price Relief for American Families and Defeating the Cost-of-Living Crisis*, which includes pursuing appropriate actions to lower the cost of housing.

Summary of Changes

This ML:

- Removes mandatory *Inspection and Repair Escrow Requirements for Mortgages Pending Closing or Endorsement in Presidentially-Declared Major Disaster Areas* (II.A.7.c) and replaces with *Properties Located in a Presidentially-Declared Major Disaster Areas before Endorsement*.

The Handbook 4000.1 sections impacted by this ML are provided in [Attachment 1](#), with changes tracked in redline to help users clearly identify the policy requirements being revised or removed from the Handbook.

FHA Single Family Housing Policy Handbook 4000.1

The policy changes will be incorporated into Handbook 4000.1 as follows:
Post Closing and Endorsement (II.A.7)

c. Properties Located in Presidentially-Declared Major Disaster Areas before Endorsement

Origination through Post-closing/Endorsement

The Mortgagee must exercise reasonable due diligence to determine if additional inspections or repairs are necessary before endorsement for all Properties with pending Mortgages or endorsements in areas under a

Mortgagee Letter 2025-19, Continued

Presidentially-Declared Major Disaster Area (PDMDA) designated for individual assistance. The Mortgagee must determine if a PDMDA has adversely affected the Property's ability to serve as collateral for the Mortgage.

If repairs are required, they must be completed prior to endorsement, unless the Property is habitable and a repair escrow has been established in accordance with [Repair Completion Escrow Requirements](#) (II.A.6.a.viii(B)).

The Mortgagee must document any information relied upon to make their determination if additional inspections or repairs are necessary. If applicable, copies of any inspections and evidence of repairs or the repair escrow must be included in the Case Binder.

Paperwork Reduction Act

The information collection requirements contained in this document have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. 3501-3520) and assigned OMB control numbers 2502-0005; 2502-0059; 2502-0117; 2502-0189; 2502-0302; 2502-0306; 2502-0322; 2502-0328; 2502-0358; 2502-0404; 2502-0414; 2502-0429; 2502-0494; 2502-0496; 2502-0524; 2502-0525; 2502-0527; 2502-0538; 2502-0540; 2502-0556; 2502-0561; 2502-0566; 2502-0570; 2502-0583; 2502-0584; 2502-0589; 2502-0600; 2502-0610; and 2502-0611. In accordance with the PRA, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

Feedback or Questions

HUD welcomes feedback from interested parties and will consider feedback in determining the need for future updates. Any feedback or questions regarding this ML may be directed to the FHA Resource Center at 1-800-CALLFHA (1-800-225-5342), answers@hud.gov, or www.hud.gov/answers. The FHA Resource Center is prepared to accept calls from persons who are deaf or hard of hearing, as well as individuals with speech or communication disabilities. Information on how to make an accessible phone call is available at <https://www.fcc.gov/consumers/guides/telecommunications-relay-service-trs>.

Signature

Frank Cassidy
Principal Deputy Assistant Secretary for Housing

Attachment 1
Handbook 4000.1 Pages Impacted by this Mortgagee Letter

The Handbook 4000.1 sections impacted by this Mortgagee Letter (ML) are provided in this attachment, with changes tracked in redline, to help users clearly identify the policy requirements being revised or removed from the Handbook.

II. ORIGINATION THROUGH POST-CLOSING/ENDORSEMENT

A. Title II Insured Housing Programs Forward Mortgages

7. Post-closing and Endorsement

xix. New Construction Exhibits

For New Construction, the Mortgagee must confirm that the documentation requirements found in the [New Construction product sheet](#) are in the mortgage file.

xx. Form HUD-92800.5B, *Conditional Commitment Direct Endorsement Statement of Appraised Value*

The Mortgagee must confirm that form [HUD-92800.5B](#), *Conditional Commitment Direct Endorsement Statement of Appraised Value*, is completed.

xxi. Appraisal Report

The Mortgagee must confirm that the original [Fannie Mae Form 1004/Freddie Mac Form 70](#), *Uniform Residential Appraisal Report (URAR)*, or other appropriate appraisal form, is complete and contains the Appraiser's signature and date.

xxii. Specialized Eligibility Documents

The Mortgagee must confirm that the mortgage file contains all required program-specific documents.

xxiii. Sales Contract and Addenda

The Mortgagee must confirm that the Sales Contract, addenda, and the Amendatory Clause are signed by all Borrowers and sellers. The Amendatory Clause is not required on REO Sales, or 203(k) Mortgages.

The Mortgagee must confirm that Real Estate Certification is signed by Borrowers, sellers, and selling real estate agent or broker if their signature is not contained within the purchase agreement.

~~c. Inspection and Repair Escrow Requirements for Mortgages Pending Closing or Endorsement in Presidentially-Declared Major Disaster Areas (08/19/2024)~~ Properties Located in Presidentially-Declared Major Disaster Areas before Endorsement

The Mortgagee must exercise reasonable due diligence to determine if additional inspections or repairs are necessary before endorsement for all Properties with pending Mortgages or endorsements in areas under a Presidentially-Declared Major Disaster Area (PDMDA) designation for individual assistance. The Mortgagee must determine if a PDMDA will have an adverse effect on the Property's ability to serve as collateral for the Mortgage.

If repairs are required, they must be completed prior to endorsement, unless the Property is habitable and a repair escrow has been established in accordance with [Repair Completion Escrow Requirements](#).

II. ORIGINATION THROUGH POST-CLOSING/ENDORSEMENT

A. Title II Insured Housing Programs Forward Mortgages

7. Post-closing and Endorsement

The Mortgagee must document any information relied upon to make their determination if additional inspections or repairs are necessary. If applicable, copies of any inspections and evidence of repairs or the repair escrow must be included in the Case Binder.

~~All Properties with pending Mortgages or endorsements in areas under a Presidentially-Declared Major Disaster Areas (PDMDA) designated for individual assistance must have a damage inspection report that identifies and quantifies any dwelling damage. The damage inspection report must be completed by an FHA Roster Appraiser even if the inspection shows no damage to the Property, and the report must be dated after the Incident Period (as defined by FEMA) or 14 Days from the Incident Period start date, whichever is earlier. The Appraiser may, at their discretion, perform a Remote Observation of the Property. If the effective date of the appraisal is on or after the date required above for an inspection, a separate damage inspection report is not necessary.~~

~~Streamline Refinances are allowed to proceed to closing and/or endorsement without any additional requirements.~~

~~FHA does not require the Appraiser to ensure utilities are on at the time of this inspection if they have not yet been restored for the area.~~

~~Damage inspections may be completed by any FHA Roster Appraiser in good standing with geographic competence in the affected market. If the Mortgagee uses a different Appraiser than the Appraiser that did the original inspection of the Property, the Appraiser performing the damage inspection must be provided with a complete copy of the original appraisal. All damages must be repaired by licensed contractors or per local jurisdictional requirements. All damages, regardless of amount, must be repaired and the Property restored to pre-loss condition with appropriate and applicable documentation.~~

i. Mortgages Pending Closing

The following table shows inspection and repair escrow requirements that apply to Mortgages on Properties that have not yet been closed:

Pending Mortgage Closure	
If...	Then...
The Mortgage is not closed,	Inspect the Property to determine damage exists. Provide on-site inspection with interior/exterior photographs.
No damage exists,	Close Mortgage and document inspection.
Damage exists but is below \$5,000 and Property is habitable,	Complete repairs and close Mortgage or establish repair escrow and close Mortgage.

II. ORIGINATION THROUGH POST-CLOSING/ENDORSEMENT

A. Title II Insured Housing Programs Forward Mortgages

7. Post-closing and Endorsement

Pending Mortgage Closure	
If...	Then...
Damage exists and is \$5,000 or above or the Property is not habitable,	Do not close Mortgage. Repairs must be complete prior to closing.
When...	Then...
Repairs \$5,000 or above are completed and inspected with interior/exterior photographs,	Document inspection and close Mortgage.

ii. ~~Mortgages Pending Endorsement~~

The following table shows inspection and escrow requirements that apply to Mortgages on Properties that have closed but are not yet endorsed:

Pending Mortgage Endorsement	
If...	Then...
The Mortgage is closed but not yet endorsed,	Inspect the Property to determine if damage exists. Provide drive-by inspection with exterior photographs.
No damage exists,	Endorse Mortgage and document inspection.
Damage exists but is below \$5,000 and Property is habitable,	Complete repairs and endorse Mortgage or establish repair escrow and endorse Mortgage.
Damage exists and is \$5,000 or above or the Property is not habitable,	Do not endorse Mortgage.
When...	Then...
Repairs \$5,000 or above are completed and inspected with interior/exterior photographs,	Document inspection and endorse Mortgage.

iii. ~~Pre-closing Appraisal Validity in Disaster Areas~~

For Mortgages that are not closed prior to the Incident Period, as defined by FEMA, in PDMDAs where a damage inspection report reveals property damage, the appraisal validity period is extended from 180 Days to a maximum of one year from the effective date of the original appraisal.

In no instance will an appraisal be acceptable for a mortgage closing that has an effective date beyond one year. Mortgages with appraisals having effective dates in excess of one year require a new appraisal.