Modernizing and Strengthening FHA's Minimum Property Requirements (MPR)

Summary of Changes

This document includes a summarized list of the updates to FHA MPRs to reorganize, refine, and align policies, as practicable, with modern industry practices. These updates have been incorporated into a draft version of the FHA Single Family Housing Policy Handbook (Handbook 4000.1).

A new section II.D includes content that was primarily moved from other sections II.A, section II.B, and the renumbered section II.E. The new section consolidates redundant content related to Property Eligibility and Acceptability. The reorganization provides a clearer way to identify relevant property policies and associated responsibilities.

The changes are grouped and ordered as follows:

A. New Content
B. Modified Content
C. Technical Edits
D. Moved Content
E. Removed Content

A. **New Content:** This lists newly added sections that include new content.

1. II.D Property Eligibility and Acceptability for Title II Forward and Reverse Mortgages
    - Update: Property Eligibility and Acceptability Criteria for Title II Forward and Reverse Mortgages consolidate all of these requirements across programs and a new structured hierarchy
    - Rationale: New section is updated in its entirety. Consolidation and reorganization provide a clearer way to identify property policies and associated responsibilities.
2. II.D.2.a.iii(B) Property Condition and Quality of Construction
    - Update: Added GSE Condition and Quality Rating standards for property acceptability based on Freddie Mac policy with examples and applicability to post-closing escrow.
    - Rationale: GSE condition ratings allow for a holistic view of the property condition to determine property acceptability. Condition ratings range from C1-C6. A minimum of C4 is required for FHA acceptability. Quality ratings range from Q1-Q6 with a minimum required quality rating of Q5.
3. II.E.3.a.i Appraisal Condition and Quality of Construction Ratings and Level of Updating Definitions

- Update: Added GSE Condition and Quality Rating definitions for appraisers.
- Rationale: These ratings are based on the Uniform Appraisal Dataset (UAD) 3.6 and include the additional guidance aligned with Freddie Mac policy. GSE condition rating definitions include examples and guidance on the application of these ratings.

4. II.D.2.a.iii(F) Highest and Best Use
   - Update: Added guidance clarifying that the highest and best use is as improved or as proposed per plans and specification. Also added Appraiser Protocols Standard and Required Analysis and Reporting.
   - Rationale: Aligns with GSEs. Expanded policy, plus adding Appraiser Protocols with Standard, and Required Analysis and Reporting guidance to resolve an existing policy gap.

B. Modified Content: This list includes existing sections where substantive policy has been modified.

5. II.D.2.a.iii(D) Lead-Based Paint
   - Update: Modified to reduce the required repair scope from the entire property to the dwelling structure.
   - Rationale: Removes ancillary structure and improvements that generate significant repairs with limited value added.
6. II.E.3.k.i Lead-Based Paint
   - Update: Modifies appraiser guidance to remove ancillary property improvements.
   - Rationale: Provides a more practical approach that aligns with the industry.
7. II.D.2.c.i Foundation Systems
   - Update: Revised the skirting requirement to adopt the HUD model manufactured housing installation standards.
   - Rationale: The current standard is outdated, costly, and frequently cited required repair. This new standard aligns with modern industry practice and materials.
8. II.D.1.c.viiManufactured Housing
   - Update: Replaces the PFGMH with the HUD model manufactured housing installation standard.
   - Rationale: The current standard is outdated, costly and frequently cited required repair. This new standard aligns with modern industry practice and materials.
9. II.D.1.c.vii(C)(2) Certification of Structural Modifications

- Update: Replaces the required PFGMH engineer certification with the Certification of Structural Modifications.
- Rationale: Removes mandatory foundation inspection and replaces with an observation-based standard that aligns with the GSEs.

10. II.E.3.b.v Nonstandard House Construction
    - Update: Adopts a more flexible approach for comparable selection and support of marketability.
    - Rationale: This aligns with the VA and GSE approach to unique housing
11. II.D.2.a.ii(F)(1) Public Water Supply System
    - Update: Removes requirement for Mortgagee to confirm connection to public or community water system whenever feasible at a reasonable cost for existing properties. Added: If public water is available, connection is required when mandated by local authority.
    - Rationale: Aligns FHA with the industry and removes an operationally challenging requirement which potentially removes a barrier to affordable housing.
12. II.D.2.a.ii(F)(3) Requirements for Well Water Testing
    - Update: Removes minimum distances between wells and sources of pollution for existing properties.
    - Rationale: Aligns FHA with the industry and relies on the local authority to regulate well water location.
13. II.D.2.a.ii(J) Sewage System
    - Update: Removes requirement for Mortgagee to confirm connection to public or community sewage disposal system whenever feasible at a reasonable cost for existing properties. Added: If public sewer is available, connection is required when mandated by local authority.
    - Rationale: Aligns FHA with the industry. Removes an operationally challenging requirement which removes a barrier to affordable housing.
14. II.D.2.a.ii(L) Swimming Pools
    - Update: Resets the mortgagee responsibility from compliance with all local ordinances to ensure that enclosures meet local requirements.
    - Rationale: Aligns with VA and provides a more practical standard which is more operationally reasonable.
15. II.E.3.d Utilities – Mechanical Components
    - Update: Modifies appraiser guidance to remove requirement to have utilities turned on and operated.

- Rationale: Aligns with VA and industry standards to an observation-based approach. Provides a more practical standard which is operationally reasonable.

C. **Technical Edits:** This lists changes which are considered minor or technical edits. These types of changes include instances where previous references to Minimum Property Requirements (MPR) and Minimum Property Standards (MPS) have been updated to Property Eligibility and Acceptability Criteria.

16. II.A.1.a.iii(B)(10) Ordering an Update to an Appraisal

Update: Replaced MPR and MPS reference with Property Acceptability Criteria.

17. II.A.1.b.iv Property Valuation

Update: Replaced MPS reference with Property Acceptability Criteria.

18. II.A.1.b.iv(C) Verifying Property Acceptability Criteria

Update: Replaced MPS and MPR reference with Property Acceptability Criteria.

19. II.A.2.a.v(A) Appraiser Required Repairs

Update: Replaced MPR reference with Property Acceptability Criteria.

20. II.A.3 Underwriting the Property
    - Update: Added reference to Property Eligibility and Acceptability Criteria. Added link to Appraiser and Property Requirements for Title II Forward and Reverse Mortgages. Removed a Property Acceptability Criteria paragraph that contained reference to MPR and MPS.
21. II.A.3.a Defective Conditions
    - Update: Clarifying edit, removed requirement that Mortgagee may only approve Property after Mortgagee confirms all defects reported by Appraiser have been corrected.
22. II.A.8.a.xiv(B) Required Documentation for Standard 203(k) Only
    - Update: Replaced MPS and MPR reference with Property Acceptability Criteria.
23. II.A.8.i.vi Property Considerations
    - Update: Replaced MPR and MPS reference. Added: Property Eligibility and Acceptability. Added: Property Eligibility and Acceptability and Property Requirements for Title II Forward and Reverse Mortgages.
24. II.A.9.b.ii Consultant Inspection

- Update: Replaced MPR and MPS reference with Property Acceptability Criteria.

25. II.B.2.b.iii(B) Property Valuation
    - Update: Replaced MPR and MPS reference with Property Acceptability Criteria.
26. II.B.4.a. Property Acceptability Criteria
    - Update: Removed MPR and MPS reference
27. II.B.4.a.ii(B) Minimum Required Repairs
    - Update: Replaced MPR and MPS reference
28. II.B.6.a.xiv(A)(2)(a) Seasoning Requirements for Existing Non-HECM Liens – Standard
    - Update: Replaced MPR and MPS reference with Property Acceptability Criteria.
29. II.B.8.a.vi(D) Property Considerations
    - Update: Replaced MPR and MPS reference with Property Acceptability Criteria.
30. II.B.8.a.vii Completion of Construction
    - Update: Replaced MPR and MPS reference with Property Acceptability Criteria.
31. II.E. Appraiser and Appraisal Requirements for Title II Forward and Reverse Mortgages
    - Update: Revised Appraiser and Property Requirements to Appraiser and Appraisal Replaced MPR reference
32. II.E.2 General Appraiser Requirements
    - Update: Replaced MPR and MPS reference with Property Acceptability Criteria.
33. II.E.3.a.ii(B) Defective Conditions Requiring Repair
    - Update: Removes Cost to cure
34. II.E.3.b Property Acceptability Criteria
    - Update: Replaced MPR and MPS reference with Property Acceptability Criteria.
35. II.D.1.a.vi(B) Nonresidential Use of Property (Mixed Use)
    - Update: Added clarifying language that property must be residential in nature.
36. II.D.1.a.ii Property Location
    - Update: Merged with forward and HECM with consistent standard.

D. **Moved Content:** This table lists content that was moved to reorganize Property Eligibility and Acceptability Criteria.

37. II.A.8.i.vi. Property Considerations
38. II.B.4.a.i. Definitions
39. II.B.8.a.vi(E) Sales Comparison Approach: Comparable Selection
40. II.D.1. Property Eligibility
41. II.D.1.a. General Property Eligibility
42. II.D.1.a.ii Property Location

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43. II.D.1.a.iii(A) Real Estate Entity
44. II.D.1.a.iv Property Rights
45. II.D.1.a.v Leasehold Interest
46. II.D.1.a.vi.(B) Nonresidential Use of Property (Mixed Use)
47. II.D.1.a.vii Special Flood Hazard Areas
48. II.D.1.a.viii Seller Must Be Owner of Record
49. II.D.1.a.ix Restrictions on Property Flipping
50. II.D.1.a.x Restriction on Investment Properties for Hotel and Transient Use
51. II.D.1.a.xi Property Assessed Clean Energy
52. II.D.1.a.xii Dwelling Unit Limitation
53. II.D.1.b.i Lava Zones
54. II.D.1.c Property Type Eligibility
55. II.D.2.a.ii. Site Considerations
56. II.D.2.a.ii(A) Encroachment
57. II.D.2.a.ii(B) Access to Property
58. II.D.2.a.ii(C) Onsite Hazards and Nuisances
59. II.D.2.a.ii(C) Onsite Hazards and Nuisances (previously Overhead Electric Power)
60. II.D.2.a.ii(C) Onsite Hazards and Nuisances (Previously Abandoned Gas and Oil Well)
61. II.D.2.a.ii(D) Environmental
62. II.D.2.a.ii(E) Utility Services
63. II.D.2.a.ii(F) Water Supply Systems
64. II.D.2.a.ii(G) Shared Wells
65. II.D.2.a.ii(H) Individual Residential Water Purification Systems
66. II.D.2.a.ii(I) Required Documentation
67. II.D.2.a.ii(J) Sewage System
68. II.D.2.a.ii(K) Airport Hazards
69. II.D.2.a.ii(L) Swimming Pools
70. II.D.2.a.iii(A) Requirements for Living Unit
71. II.D.2.a.iii.(C) Structural Conditions
72. II.D.2.a.iii.(D) Lead-Based Paint
73. II.D.2.a.iii.(E) Termites
74. II.D.2.b.iv. Completion of Construction

E. Removed Content: This list includes content and sections that were removed, including those which have been incorporated within another standard.

75. II.A.3.a.ii(F) Minimum Requirements for Living Unit – (Appliances)

II.B.4.a.ii(B)(6) Minimum Requirements for Living Unit (Appliances)
II.D.3.d Appliances
II.D.3.f Utilities – Mechanical Components (Appliances)

- Rationale: Removed the observation requirement and standards for kitchen appliances. Aligns with VA and GSEs. Requirements were an unnecessary burden and did not impact criteria that all homes be safe, sound and secure.

76. II.B.4.a.ii(B)(11) Defective Exterior Paint Surfaces
    - Rationale: Eliminated unnecessary repair requirement and defers to general standards of structural integrity and UAD condition ratings to determine acceptability.
77. II.A.3.a.ii(K) Methamphetamine Contamination
    II.B.4.a.ii(B)(12) Methamphetamine Contamination
    - Rationale: Incorporated under a broader standard - Onsite Hazards and Nuisances
78. II.D.2.a.iii(B) Heating and Cooling
    - Rationale: Eliminated as it is now redundant to the guidance in the UAD condition rating
79. II.D.3.g Roof Covering
    - Rationale: Eliminated as it is now redundant to the guidance in the UAD condition rating
80. II.D.5.e Perimeter Enclosure
    - Rationale: Unnecessary as the key requirements of proper enclosure has been incorporated into the Manufactured Housing Property Acceptability foundation guidance.
81. II.D.3.b.i(C) Planned Unit Development
    - Rationale: Eliminated as unnecessary since FHA no longer requires approval of PUDs.
82. II.D.3.b.ii(A) Party or Lot Line Wall
    - Rationale: Eliminated as unnecessary due to the guidance in the UAD condition rating.
83. II.D.3.b.iii(C)(4) Proximity to High Pressure Gas Lines
    - Rationale: Incorporated under a broader standard – Environmental
84. II.D.3.b.iii(C)(5) Overhead Electric Power Transmission and Local Distribution Line
    - Rationale: Incorporated under a broader standard – Onsite Hazards and Nuisances
85. II.D.3.b.iii(C)(7) Stationary Storage Tanks
    - Rationale: Incorporated under a broader standard – Onsite Hazards and Nuisances
86. II.D.3.b.iv(C) Topography

- Rationale: Aligns with VA. Incorporated under a broader standard

87. II.D.3.b.iv(D) Grading and Drainage
    - Rationale: Aligns with VA. Incorporated under a broader standard – Onsite Hazards and Nuisances
88. II.D.3.b.iv(E) Suitability of Soil
    - Rationale: Incorporated under a broader standard
89. II.D.3.b.iv(F) Land Subsidence and Sinkholes
    - Rationale: Incorporated under a broader standard – Onsite Hazards and Nuisances
90. II.D.3.b.iv(G) Oil or Gas Wells
    - Rationale: Incorporated under a broader standard – Onsite Hazards and Nuisances
91. II.D.3.b.iv(H) Slush Pits
    - Rationale: Incorporated under a broader standard – Environmental
92. II.D.3.b.iv(M) Soil Contamination
    - Rationale: Incorporated under a broader standard – Onsite Hazards and Nuisances
93. II.D.3.b.iv(N) Residential Underground Storage Tanks
    - Rationale: Incorporated under a broader standard – Onsite Hazards and Nuisances
94. II.D.3.b.vi Excess and Surplus Land
    - Rationale: Aligns with VA. Replaced outdated policy with Real Estate Entity, Multiple Parcels
95. II.D.3.b.viii Characteristics of Property Improvements
    - Rationale: Removed header Characteristics of Property Improvements and kept Requirements for Living Unit
96. II.D.3.j. Attic Observation Requirements
    - Rationale: Aligns with VA and GSEs. Removes specific requirement for Appraiser to complete an attic observation. Incorporated under broader standard that Appraiser must identify readily observable defective conditions.
97. II.D.3.l. Crawl Space Observation Requirements
    - Rationale: Aligns with VA and GSEs. Removes specific requirement for Appraiser to complete a crawl space observation. Incorporated under broader standard that Appraiser must identify readily observable defective conditions.