



ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Date: March 12, 2019

Mortgagee Letter 2019-04

To: All FHA-Approved Mortgagees
All Direct Endorsement Underwriters
All FHA Roster Appraisers
All FHA Roster Inspectors
All FHA-Approved 203(k) Consultants
All HUD-Approved Housing Counselors
All HUD-Approved Nonprofit Organizations
All Governmental Entity Participants
All Real Estate Brokers
All Closing Agents

Subject **Removal of the Federal Housing Administration (FHA) Inspector Roster**

Purpose This Mortgagee Letter communicates the elimination of the regulations for the FHA Inspector Roster. This means FHA has deregulated the FHA Inspector Roster requirements, and FHA no longer keeps a roster of inspectors. This change is part of FHA’s efforts to streamline inspection requirements for FHA Single Family Mortgage Insurance.

Effective Date This final rule became effective August 2, 2018.

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

Public Feedback HUD welcomes feedback from interested parties for a period of 30 calendar days from the date of issuance. To provide feedback on this policy document, please send any feedback to the FHA Resource Center at answers@hud.gov. HUD will consider the feedback in determining the need for future updates.

Continued on next page

Mortgagee Letter 2019-04

Affected Programs

This guidance applies to all FHA mortgage programs that require inspections and compliance inspections by FHA Roster Inspectors, including Section 203(b) and Section 203(k) Mortgages for new construction and repair/renovation in FHA Single Family Housing Policy Handbook 4000.1.

Background

On July 3, 2018, at FR-5457-F-02, HUD published a Final Rule to streamline the inspection requirements for FHA Single Family home insurance, effective August 2, 2018. As part of this rule, HUD eliminated the FHA Inspector Roster codified at 24 CFR 200.170-172. The Roster listed inspectors, approved by HUD, to perform inspections in the limited circumstances when either: (1) a local jurisdiction did not already perform its own inspections for new construction and issue building permits and certificates of occupancy; or (2) the inspection of a structural repair or renovation was not performed by a licensed professional as specified by regulation. (See 24 CFR 200.170(b)).

HUD originally established the Roster to standardize the inspection process for properties with FHA-insured mortgages. Before the Roster, cities and states developed their own building codes, which had little uniformity or consistency with each other. Now, however, the International Residential Code (IRC) is in use or adopted in 49 states, the District of Columbia, Puerto Rico, Guam, and the U.S. Virgin Islands. The International Code Council (ICC), which developed the IRC, also certifies Combination Inspectors (CIs) and Residential Combination Inspectors (RCIs). To be certified by the ICC, CIs and RCIs must pass a rigorous set of examinations, which includes testing their knowledge of the IRC. Therefore, there is no longer a need for HUD to maintain and administer its own standardization process for inspectors.

Summary of Changes

HUD has eliminated the requirements for the FHA Inspector Roster. For local jurisdictions that do not provide building code enforcement and requisite documentation, the rule allows inspections performed by the International Code Council (ICC) RCI or CI, who is licensed or certified as a home inspector in accordance with the applicable state and local requirements governing the licensing or certification of inspectors in the respective jurisdiction. For jurisdictions that have an absence of RCIs or CIs, the rule requires lenders to obtain an inspection performed by a third party who is a registered architect, a professional engineer, or a trades person or contractor with a minimum of 5 years' experience and has met the licensing and bonding requirements of the state in which the property is located, as specified.

Mortgagee Letter 2019-04

HUD Single Family Housing Policy Handbook 4000.1

Requirements to use an FHA Roster Inspector will be removed or amended in the following subsections of the HUD Single Family Housing Policy Handbook 4000.1. The revised version will read as follows.

II. ORIGINATION THROUGH POST-CLOSING/ ENDORSEMENT

A. Title II Insured Housing Programs Forward Mortgages

8. Programs and Products

c. Energy Efficient Mortgages

xii. Inspection

The Mortgagee, the rater, or an International Code Council (ICC) Residential Combination Inspector (RCI) or Combination Inspector (CI) may inspect the installation of the improvements. The Borrower may be charged an inspection fee.

i. New Construction

ii. Inspections or Warranties for Maximum Financing

(A) Site Built Housing and Condominiums (By Construction Status at Time of Appraisal)

(1) Proposed Construction

The Mortgagee must obtain one of the following:

- copies of the building permit and CO (or equivalent);
- three inspections (footing, framing and final) performed by an ICC RCI or CI on form HUD-92051, *Compliance Inspection Report* (for Modular Housing, footing and final only);
- three inspections (footing, framing and final) performed by the local authority with jurisdiction over the Property (for Modular Housing, footing and final only).

(2) Under-Construction

The Mortgagee must obtain one of the following:

- copies of the building permit and CO (or equivalent); or
- a final inspection issued by the local authority with jurisdiction over the Property or an ICC RCI or CI.

3) Existing for Less than One Year (100 Percent Complete)

The Mortgagee must obtain:

- copies of the building permit and CO (or equivalent);
or

Mortgagee Letter 2019-04

**HUD Single
Family
Housing
Policy
Handbook
4000.1
(continued)**

- a final inspection issued by the local authority with jurisdiction over the Property or an **ICC RCI or CI**; and
- an appraisal evidencing Property is 100 percent complete.

(B) Manufactured Housing (By Construction Status at Time of Appraisal) Inspection Requirements for Maximum Financing

(1) Proposed Construction

The Mortgagee must obtain:

- two inspections (initial and final) performed by an **ICC RCI or CI**; or
- two inspections (initial and final) performed by the certifying engineer or architect.

(2) Under Construction

The Mortgagee must obtain a final inspection issued by the **ICC RCI or CI** or certifying engineer or architect;

(3) Existing for Less than One Year (100 Percent Complete)

The Mortgagee must obtain a final inspection issued by the **ICC RCI or CI** or certifying engineer or architect.

HUD will only accept inspections by a local building authority on Manufactured Housing Properties with jurisdiction over the property if there are no **ICC RCIs or CIs, certifying engineers, or architects** available to perform these inspections.

I. Weatherization

i. Eligibility

D. Maximum Dollar Amount

The maximum allowable cost of energy-related weatherization items that can be financed is:

- \$2,000 (not to exceed actual cost) without a separate value determination;
- \$3,500 (not to exceed actual cost) if supported by a value determination made by an FHA Roster Appraiser or Direct Endorsement (DE) underwriter; or

Mortgagee Letter 2019-04

**HUD Single
Family
Housing
Policy
Handbook
4000.1
(continued)**

- no limit (not to exceed actual cost) if:
 - supported by a value determination made by an approved Appraiser or underwriter; and
 - a separate on-site inspection is made by an **ICC RCI or CI** or DE staff Appraiser.

**Paperwork
Reduction
Act**

The information collection requirements contained in this document are approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) and assigned OMB control number 2502-0538 (form HUD-92563) and 2502-0189 (forms HUD-92051 and HUD-92300). In accordance with the Paperwork Reduction Act, 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.

Questions

For additional information on this ML, please visit www.hud.gov/answers or call FHA's Resource Center at 1-800-CALL-FHA (1-800-225-5342). Persons with hearing or speech impairments may reach this number via TTY by calling the Federal Relay Service at 1-800-877-8339.

Signature

Brian D. Montgomery
Assistant Secretary for Housing –
Federal Housing Commissioner