Welcome to…
FHA Appraisal Policies, Principles and Practices
Today’s webinar begins at 1:00 PM (Eastern)
We will be underway shortly

Please test your speakers and choose Audio source (computer/smartphone or telephone) by selecting desired option in Audio Settings – see left side of toolbar at bottom of screen.
Technical Support

- Recommend Chrome browser.
- Technical issues? Review *Technology FAQs* by clicking **Chat** icon at bottom of screen or **Landing Page**.
- Need additional tech support? Click *Contact Tech Support* icon on **Chat** link or **Landing Page**.
Questions and Answers

- The presentation team will answer questions submitted in advance.
- Not all submitted questions will be answered today due to time limitations.
Contact FHA Resource Center

- Online at: [www.hud.gov/answers](http://www.hud.gov/answers)
- Via email at: [answers@hud.gov](mailto:answers@hud.gov)
- Via phone at: 1-800-Call-FHA (1-800-225-5342)

Persons with hearing or speech impairments call Federal Relay Service at 1-800-877-8339.
Documents/Materials & Training Evaluation

• Documents/Materials:
  – Click Chat icon or Landing Page – select Webinar Documents/Materials link for copy of presentation.

• Training Evaluation:
  – Click on Chat icon or Landing Page – select Survey link.
Helpful Links

Click **Chat** icon or **Landing Page** – select links to bookmark:

- FHA Lenders page:
  [https://www.hud.gov/program_offices/housing/sfh/lender](https://www.hud.gov/program_offices/housing/sfh/lender)

- FHA FAQ page:
  [https://www.hud.gov/FHAFAQ](https://www.hud.gov/FHAFAQ)

- Single Family Housing Archived Webinars (On Demand) page:
  [https://www.hud.gov/program_offices/housing/sfh/events/sfh_webinars](https://www.hud.gov/program_offices/housing/sfh/events/sfh_webinars)
FHA Appraisal Policies, Principles and Practices

Presented by:
Atlanta HOC PUD - Technical Branch
Benjamin Smith, Sr. Appraiser
Michael Swift, Sr. Appraiser

Last Updated: 08/03/21
AHOC Technical Branch

Appraisal Training Team

• Mr. Benjamin L. Smith, Sr. Appraiser, Technical Branch I
• Mr. Michael A. Swift, Sr. Appraiser, Technical Branch II
Agenda

Single Family Housing Policy Handbook 4000.1
Appraisal Integrity
Components of Appraisal Guidance
Defective Property Conditions

Appraisal Guidance Update 2019/2020
Agenda

Fannie Mae Form 1004
Fannie Mae Form 1004c
Fannie Mae Form 1073
Property Flipping and Transferring Appraisals
New Construction
Contains links for:

- Application and Renewal
- Handbooks and Mortgagee Letters
- Events and Training
- Sanctions and Debarments
- References
- FAQs
- Related Information

Single Family Housing Policy Handbook 4000.1
Single Family Housing Policy Handbook 4000.1

Last Revised: November 18, 2020

Effective: Multiple dates
Search Function

Key Ctrl+F
**Appraisal Results**

### FHA Single Family Housing Policy Handbook

**TABLE OF CONTENTS**

II. ORIGINATION THROUGH POST-CLOSING/ENDORSEMENT...106

A. TITLE II INSURED HOUSING PROGRAMS FORWARD MORTGAGES .......... 106

1. Origination/Processing................................................. 107
   a. Applications and Disclosures .................................. 107
   b. General Mortgage Insurance Eligibility ...................... 130

3. Underwriting the Property ........................................... 163
   a. Property Acceptability Criteria ................................. 163
   b. Required Documentation for Underwriting the Property ..... 176
   c. Conditional Commitment Direct Endorsement Statement of Appraised Value ...... 176

D. APPRAISER AND PROPERTY REQUIREMENTS FOR TITLE II FORWARD AND REVERSE MORTGAGES......................................................... 480
Single Family Housing Appraisal Report and Data Delivery Guide

• Posted to the HUD website:
  https://www.hud.gov/sites/documents/SFH_POLI_APPR_RPT_FIN.PDF

• Describes reporting requirements for the five appraisal report forms utilized by the Federal Housing Administration (FHA)

• Includes Fannie Mae/Freddie Mac Uniform Appraisal Dataset (UAD) formats and requirements where applicable

• Appraisal software companies will use this document to ensure that their products will comply with FHA requirements.
Appraisal Guidance Update 2020/2021
Mortgagee Letter 2020-05

• FHA Single Family’s Exterior-Only or Desktop-Only Appraisal inspection option limits face-to-face contact for certain transactions affected by the Presidentially-Declared COVID-19 National Emergency Declaration.

• Policy updates in this ML are temporary and will not be incorporated into the HUD Single-Family Housing Policy Handbook 4000.1.
### Exterior Only Scope of Work Option (cont.)

<table>
<thead>
<tr>
<th>ML</th>
<th>Action</th>
<th>Extended Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020-14</td>
<td>Extension</td>
<td>through 06/30/2020</td>
</tr>
<tr>
<td>2020-20</td>
<td>Extension</td>
<td>through 08/31/2020</td>
</tr>
<tr>
<td>2020-28</td>
<td>Extension</td>
<td>through 10/31/2020</td>
</tr>
<tr>
<td>2020-37</td>
<td>Removed Desktop Option</td>
<td>N/A</td>
</tr>
<tr>
<td>2020-47</td>
<td>Extension</td>
<td>through 02/28/2021</td>
</tr>
<tr>
<td>2021-06</td>
<td>Extension</td>
<td>through 06/30/2021</td>
</tr>
</tbody>
</table>
New Options to Transfer the Appraisal When the Case is Transferred

- Effective February 25, 2019, lenders have the option to electronically transfer the property appraisal to a new lender at the same time the case is transferred.

- The **Case Transfer** function was renamed **Case/Appraisal Transfer**.

- The FHA Connection’s **Case Processing** menu was modified accordingly.
Case Transfer Update in FHA Connection

- Case Number Assignment
- Appraisal Logging
- Insurance Application
- HECM Insurance Application
- 203k Calculator (with FHA Case Number)
  - Borrower/Address Change
  - CAIVRS Authorization
- Case/Appraisal Track
- Case Query
- Conditional Commitment
- Counseling Certificate
- EEM Calculator
- Electronic Binder Additions Upload
- Electronic Case Binder Upload
- Escrow Closeout
- Firm Commitment
- HECM Financial Assessment
  - HECM Referral
  - Inspector Assignment
  - MIC/NOR List
  - MIP Calculator
  - Mortgage Credit Reject
  - Mortgage Insurance Certificate
  - Notice of Return
  - Post-endorsement Borrower SSN Correction
  - Refinance Authorization
  - Refinance Credit Query
- Secondary Financing

OFFICE OF SINGLE FAMILY HOUSING

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Your Path to FHA HOMEOWNERSHIP
Case Transfer Update in FHA Connection (cont.)

Form:

- **Case/Appraisal Transfer**: New
  - **FHA Case Number**: 371-555555
  - **New Originator ID**: 55555000005
  - **New Sponsor/Agent ID**: 
  - **Date of Assignment Letter**: 12/26/18
  - **Appraisal Transfer**: Select
    - Select
    - Yes
    - No

- **Send**  
- **Reset**
Case Transfer Update in FHA Connection (cont.)

* Appraisal Update *

Appraiser (State Certificate or License No.):  
ID:  
Name:  
Certify subject property did not decline in value

* Appraisal Transfer *

Appraisal Transfer: Yes

Second Appraisal  
Select link if you wish to enter second appraisal
Case Transfer Update in FHA Connection (cont.)

* Appraisal Update *

Appraiser (State Certificate or License No.):
ID: 
Name:
Certify subject property did not decline in value 

* Effective Date of Appraisal Update: 

* Appraisal Transfer *

Appraisal Transfer: 
Select Appraisal Transfer
Select Appraisal Transfer
Yes
No

Second Appraisal

Which to enter second appraisal

Send  Reset  New Request
Sept 1, 2020 mortgagees can begin to utilize the EAD pathway in Catalyst

- This starts the transition period until a later mandatory date is set.
- Once appraisal is submitted in either platform, that platform must be used for all subsequent submissions.
- Catalyst is not currently available for reverse mortgages.
- Appraisal submitted through Catalyst will be the appraisal of record for endorsement.
- Mortgagee remains responsible for proper submission and ensuring FHA guidelines are met during the transition.

For additional information and user training:
https://www.hud.gov/program_offices/housing/fha_catalyst_property_valuation_module
There is a new manufactured home category that include features that are found in site-built construction, including, but not limited to high pitched roof lines, interior drywall finished and attached garages. Appraisals must include at least two sales with similar certification when available.

These programs are:
  - *Fannie Mae MH Advantage®*
  - *Freddie Mac CHOICEHome®*

These MH will have a sticker affixed near the HUD data plate.

A photo of the sticker must be included to meet documentation requirements.
Under a temporary exception, (expires on 12/21/2022), if less than two comparable MH Advantage® (Figure 1) or CHOICEHome® (Figure 2) sales are available, the Appraiser may utilize other factory-built, or site-built construction as comparable sales.
Accept Risk Classifications Requiring a Downgrade to Manual Underwriting

Appraisal Integrity
Property Acceptability Criteria

- The Mortgagee must evaluate the appraisal and any supporting documentation to determine if the property complies with HUD’s Property Acceptability Criteria.

- Existing and New Construction properties must comply with Application of Minimum Property Requirements and Minimum Property Standards by Construction Status.
Appraiser Responsibility

- Mortgagees bear primary responsibility for determining eligibility; however, the Appraiser:
  - Provides preliminary verification that the property meets the Property Acceptability Criteria, which includes HUD's Minimum Property Requirements (MPR) and Minimum Property Standards (MPS).

Handbook 4000.1, Section II.A.3.a.ii
Mortgagee Responsibilities: (cont.)

- **The Mortgagee must** evaluate the appraisal in accordance with the requirements for Defective Conditions to determine if the Property is eligible for an FHA-insured Mortgage.

- If defective conditions exist and correction is not feasible, **the Mortgagee must reject the Property.**

---

Handbook 4000.1, Section II.A.3
Fair Housing

- HUD expects all parties engaged in the FHA-insured Mortgages process to comply with all anti-discrimination laws, rules, and requirements applicable in the performance of their duties, including full compliance with the relevant provisions of:
  - Title VIII of the Civil Rights Act of 1968 (Fair Housing Act);
  - the Fair Credit Reporting Act, Public Law 91-508; and
The Fair Housing Act prohibits discrimination because of race, color, national origin, religion, sex, familial status, and disability in the sale or rental of housing, including against individuals seeking a mortgage or housing assistance or other housing-related activities. Various federal fair housing and civil rights laws require HUD and its program participants to affirmatively further the purposes of the Fair Housing Act.
Components of Appraisal Guidance
## Components of Appraisal Guidance

<table>
<thead>
<tr>
<th>Component</th>
<th>Guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Requirements</td>
<td>FHA requires underwriting of Property condition, as well as valuation.</td>
</tr>
<tr>
<td>Appraiser Requirements to Observe, Analyze, and Report</td>
<td>The appraisal provides the Mortgagee with necessary information to determine if a property meets the minimum requirements and eligibility standards for a FHA-insured Mortgage.</td>
</tr>
<tr>
<td>FHA Appraiser Roster Relations</td>
<td>FHA Appraiser Roster relationship is discussed in the Doing Business with FHA section of Handbook 4000.1.</td>
</tr>
<tr>
<td>FHA Appraiser Quality Control and Oversight</td>
<td>FHA monitors FHA Appraisers and employs enforcement actions if its requirements are violated.</td>
</tr>
</tbody>
</table>
Appraisal Effective Date

Information Required before Commencement of the Appraisal:

• The Effective date of the appraisal cannot be a date before FHA case number assignment unless the Mortgagee certified that the appraisal:
  – Was ordered for conventional lending or Government-guaranteed loan purposes; and
  – Was performed pursuant to FHA guidelines.

Handbook 4000.1, Section II.D.1.a
Intended Use/User

• The intended use of the appraisal must indicate that it is solely to assist FHA in assessing the risk of the Property securing the FHA-insured Mortgage.

• Additionally, FHA and the Mortgagee must be indicated as the intended users of the appraisal report.

Handbook 4000.1, Section II.D.1.a
Documents Provided to Appraiser

- A complete copy of the Executed Sales Contract when a purchase transaction occurred
- The land lease, if applicable
- Surveys or legal description, if available
- A point of contact and contact information for the Mortgagee so that the Appraiser can communicate noncompliance issues
- Any other legal documents contained in the loan file

Handbook 4000.1, Section II.D.1.a
The 120-day validity period for an appraisal may be extended for 30 days at the option of the Mortgagee without an appraisal update, if:

1. The Mortgagee approved the borrower or HUD issued the Firm Commitment before the expiration of the original appraisal; or
2. The borrower signed a valid sales contract prior to the expiration date of the appraisal.

If an appraisal will expire before an update can be completed, or a 30-day extension of the original appraisal is insufficient to complete the insurance process, the lender may:

- Order a new appraisal under the same case number, or
- Cancel the case number, and order a new case number and appraisal.

Handbook 4000.1, Section II.A.1.a.i.(A)(1)(b)
Update of Appraisal (cont.)

• Update of Appraisal must be performed before the initial appraisal has expired.

• An appraisal cannot be updated if an appraisal extension has been issued.

• Once updated, the maximum validity period for an appraisal is 240 days after the Effective Date of the initial appraisal report.
The update should be completed by the same appraiser who performed the original appraisal. Extenuating circumstances may warrant an exception to this requirement.

The update must be completed on the 1004D form.

A new 1004MC must accompany the 1004D.
General Appraiser Requirements

When performing an appraisal, the Appraiser must review and analyze the following:

• A complete copy of the executed sales contract for the subject, if a purchase transaction;
• The land lease, if applicable;
• Surveys or legal descriptions, if available; and
• Any other legal documents contained in the loan file

The Appraiser must report the result of that analysis in the appraisal report.

Handbook 4000.1, Section II.D.2
Encroachments

- The Appraiser must identify any Encroachments of the subject’s dwelling, garage, or other improvement onto an adjacent Property, right-of-way, utility Easement, or building restriction line.

- The Appraiser must also identity any Encroachments of a neighboring dwelling, garage, other physical Structure or improvements onto the subject Property.

Handbook 4000.1, Section II.D.3.c.ii.(D)
Encroachments (cont.)

- Encroachment by the subject or adjacent Property fences is acceptable provided such Encroachment does not affect the marketability of the subject Property.
Easements and Deed Restrictions

- The Appraiser must analyze and report the effect that Easements and other legal restrictions, such as Deed Restrictions, may have on the use, value and marketability of the Property.

- The Appraiser must review recorded subdivision plats and deeds when available through the normal course of business.

Handbook 4000.1, Section II.D.3.c.ii.(E)
Externalities

Externalities refer to off-site conditions that affect a Property’s value.

• Externalities include:
  – Heavy traffic, airport noise and hazards, special airport hazards, proximity to high pressure gas lines, Overhead Electric Power Transmission Lines and Local Distribution Lines, smoke, fumes and other offensive or noxious odors, and stationary storage tanks.

• The Appraiser must report the presence of Externalities so that the Mortgagee can determine eligibility.

Handbook 4000.1, Section II.D.3.c.iii
Airport Noise and Hazards

- The Appraiser must identify if the property is affected by noise and hazards of low flying aircraft because it is near an airport.
- The Appraiser must review airport contour maps and analyze accordingly.
- The Appraiser must identify if the Property is located within a Runway Clear Zone (also known as a Runway Protection Zone).
- For Properties located in an Accident Potential Zone 1 (APZ 1) at military airfields, the Appraiser must require compliance with the Department of Defense (DoD) Guidelines and a buyer’s acknowledgement.
Externalities (cont.)

Airport Noise and Hazards
https://www.faa.gov/airports/environmental/airport_noise/noise_exposure_maps/

Handbook 4000.1, Section II.D.3.c.iii
High Voltage Transmission Line

- The appraiser must notify the Mortgagee of the deficiency of MPR (minimum property requirements) or MPS (minimum property standards) if:
  - The Overhead Electric Power Transmission Lines or the Local Distribution Lines pass directly over any dwelling, Structure or related property improvement, including pools, spas, or water features; or
  - The dwelling or related property improvements are located within an Easement or if they appear to be located within an unsafe distance of any power line or tower.

Handbook 4000.1, Section II.D.3.c.iii
Stationary Storage Tanks

- If the subject property line is located within 300 feet of an above ground stationary storage tank with a capacity of 1,000 gallons or more of flammable or explosive material, then the property is ineligible for FHA insurance.

Handbook 4000.1, Section II.D.3.c.iii
Non-Residential Use

• The non-residential portion of the total floor area may not exceed 49 percent.
  – Storage areas or similar spaces that are integral parts of the non-residential portion must be included in the calculation of the non-residential area.

• Any non-residential use of the Property must be subordinate to its residential use, character and appearance.

• Non-residential use may not impair the residential character or marketability of the Property.

Handbook 4000.1, Section II.D.3
Mixed Use

- Mixed Use refers to:
  - A Property suitable for a combination of uses including any of the following: commercial, residential, retail, office or parking space.

Handbook 4000.1, Section II.D.13
Mixed Use (cont.)

Mixed Use one- to four-unit Single Family Properties are eligible for FHA insurance, provided:

– A minimum of 51 percent of the entire building square footage is for residential use; and
– The commercial use will not affect the health and safety of the occupants of the residential Property.

Handbook 4000.1, Section II.D.13
A Planned Unit Development (PUD) refers to:
- A residential development that contains, within the overall boundary of the subdivision, common areas and facilities owned by a Homeowners’ Association (HOA), to which all homeowners must belong and to which they must pay lien-supported assessments.

A unit in a PUD consists of:
- The fee title to the real estate represented by the land; and
- The improvements thereon plus the benefits arising from ownership of an interest in the HOA.
Partially Below-Grade Habitable Space

- Partially Below-Grade Habitable Space
  - Refers to living area constructed partially below-grade but that has the full utility of GLA (gross living area).

- The Appraiser must report:
  - The design and measurements of the subject;
  - The market acceptance or preference;
  - How the levels and areas of the dwelling are being calculated and compared; and
  - The effect that this has on the analysis.
Partially Below Grade Habitable Space (cont.)

• Regardless of the description of the rooms, bedrooms or baths as above grade or below grade:
  – The Appraiser must analyze all components of the subject Property in the valuation process.

• The Appraiser must not identify a room as a bedroom that cannot accommodate ingress or egress in the event of an emergency:
  – Regardless of location above or below grade.

Handbook 4000.1, Section II.D.3.d.iv
Appliances

• Definition
  – Appliances refer to refrigerators, ranges/ovens, dishwashers, disposals, microwaves, and washers/dryers.

• Standard
  – Appliances that are to remain and that contribute to the market value opinion must be operational.

Handbook 4000.1, Section II.D.3.e
The Appraiser must notify the Mortgagee if mechanical systems do not appear to:

- Have reasonable future utility, durability, and economy;
- Be safe to operate;
- Be protected from destructive elements; or
- Have adequate capacity.

Handbook 4000.1, Section II.D.3.g
The Appraiser must notify the Mortgagee of the deficiency of MPR or MPS if the permanently installed heating system does not:

- Automatically heat the living areas of the house to a minimum of 50 degrees Fahrenheit in all Gross Living Areas (GLAs), as well as in non-GLAs containing building or system components subject to failure or damage due to freezing;
- Provide healthful and comfortable heat or is not safe to operate; or
- Rely upon a fuel source that is readily obtainable within the subject’s geographic area;

Handbook 4000.1, Section II.D.3.i
The Appraiser must notify the Mortgagee of the deficiency of MPR or MPS if the permanently installed heating system does not:

- Have market acceptance within the subject’s marketplace; and
- Operate without human intervention for extended periods of time.
Central air conditioning is not required but, if installed, must be operational.

Handbook 4000.1, Section II.D.3.i
Flush the toilets and operate a sample of faucets to:

• Observe water pressure and flow;
• Determine whether:
  – the plumbing system is intact;
  – any foul odors are emitted;
  – faucets function appropriately, that both cold and hot water run; and
  – there is no readily observable evidence of leaks or structural damage under fixtures.
The Appraiser must treat room additions and garage conversions as part of the GLA of the dwelling, provided that the addition or conversion space:

- Is accessible from the interior of the main dwelling in a functional manner;
- Has a permanent and sufficient heat source; and
- Was built in keeping with the design, appeal, and quality of construction of the main dwelling.

Handbook 4000.1, Section II.D.3.d.iii
Additions and Converted Space (cont.)

- Room additions and garage conversions that do not meet the criteria listed above are to be addressed as a separate line item in the sales grid, not in the GLA.

- The Appraiser must not add an Accessory Dwelling Unit (ADU) or secondary living area to the GLA.

Handbook 4000.1, Section II.D.3.d.iii
**Excess vs. Surplus Land**

*Excess Land* refers to land that is not needed to serve or support the existing improvements.

- The highest and best use of the Excess Land may or may not be the same as the highest and best use of the improved parcel.

- Excess Land may have the potential to be sold separately.
Surplus Land refers to land that is not currently needed to support the existing improvement but cannot be separated from the Property and sold off.

- Surplus Land does not have an independent highest and best use and may or may not contribute to the value of the improved parcels.
  - The Appraiser must include the highest and best use analysis in the appraisal report to support the Appraiser’s conclusion of the existence of Excess Land.
  - The Appraiser must include Surplus Land in the valuation.
• If the subject of an appraisal contains two or more legally conforming platted lots under one legal description and ownership, and the second vacant lot is capable of being divided and/or developed as a separate parcel where such a division will not result in a non-conformity in zoning regulations for the remaining improved lot, the second vacant lot is Excess Land.

• The value of the second lot must be excluded from the final value conclusion of the appraisal and the Appraiser must provide a value of only the principal site and improvements under a hypothetical condition.
Excess vs Surplus Land (cont.)

House  Vacant Lot  House
Defective Property Conditions
Defective Conditions

- Defective construction, evidence of continuing settlement, excessive dampness, leakage, decay, termites, environmental hazards, or other conditions affecting the health and safety of occupants, collateral security or structural soundness of the dwelling.

- The Mortgagee must render the property ineligible until the defects or conditions have been remedied and the probability of further damage eliminated.
Defective Conditions (cont.)

Inspection Requirements:

• Examples of conditions that require an inspection by qualified individuals or Entities include, but are not limited to:
  – Standing water against the foundation and/or excessively damp basements
  – Hazardous materials on the site or within the improvements
  – Faulty or defective mechanical systems (electrical, plumbing or heating)
  – Evidence of possible structural failure (e.g., settlement or bulging foundation wall, unsupported floor joists, cracked masonry walls or foundation)

Handbook 4000.1, Section II.D.3.c
Defective Conditions (cont.)

Inspection Requirements:

• Examples of conditions that require an inspection by qualified individuals or Entities include, but are not limited to:
  – Evidence of possible pest infestation
  – Leaking or worn-out roofs
  – Chipped, Peeling, Loose Lead-Based Paint (on homes built in 1978 or prior)
  – The reason for or indication of a particular problem must be given when requiring an inspection of any mechanical system, structural system, etc.
Minimum Required Repairs

• When the appraisal report or inspection from a Qualified Entity indicates that repairs are required to make the property meet HUD’s MPR or MPS, the Mortgagee must comply with Repair Requirements.

• If repairs for Existing Construction cannot be completed prior to closing, the Mortgagee may establish an escrow account in accordance with Repair Completion Escrow Requirements.

Handbook 4000.1, Section II.D.3.c
Minimum Required Repairs (cont.)

- The underwriter will determine which repairs for existing properties must be made for the property to be eligible for FHA-insured financing.

- Required repairs are **limited to those repairs necessary to maintain safety, security and soundness.**

- Required repairs are those necessary to **preserve the continued marketability of the property and protect the health and safety of the occupants.**

- If an element is functioning well but has not reached the end of its useful life, the appraiser should not recommend replacement because of age.
Methamphetamine Contaminated Properties

- Contaminated properties have potentially significant environmental risks due to use and/or storage of dangerous chemicals on the property.
- If the Mortgagee notifies the Appraiser or the Appraiser has evidence that a Property is contaminated by the presence of methamphetamine (meth), either by its manufacture or by consumption, the Appraiser must render the appraisal subject to the Property being certified safe for habitation.
- The Appraiser must analyze and report any long-term stigma caused by the Property’s contamination by meth and the impact on value or marketability.

Handbook 4000.1, Section II.D.3.c
Underwriting the Property

Documentation Requirements:

• If additional inspections, repairs, or certifications are noted by the appraisal or are required to demonstrate compliance with Property Acceptability Criteria, the Mortgagee must obtain evidence of completion of such inspections, repairs, or certifications.
Acceptable Appraisal Forms

Documentation Requirements:

<table>
<thead>
<tr>
<th>Property/Assignment Type</th>
<th>Acceptable Reporting Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fannie Mae Form 1004 MC / Freddie Mac Form 71, Market Conditions Addendum to the Appraisal Report, must be completed for every appraisal.</td>
<td></td>
</tr>
<tr>
<td>Single Family, Detached, Attached or Semi-Detached Residential Property</td>
<td><strong>Fannie Mae Form 1004 / Freddie Mac Form 70</strong>, Uniform Residential Appraisal Report (URAR); MISMO 2.6 GSE format</td>
</tr>
<tr>
<td>Single Unit Condominium</td>
<td><strong>Fannie Mae Form 1073 / Freddie Mac Form 465</strong>, Individual Condominium Unit Appraisal Report; MISMO 2.6 GSE format</td>
</tr>
<tr>
<td>Manufactured (HUD Code) Housing</td>
<td><strong>Fannie Mae Form 1004C / Freddie Mac Form 70B</strong>, Manufactured Home Appraisal Report; MISMO 2.6 Errata 1 format</td>
</tr>
<tr>
<td>Small Residential Income Properties (Two to Four Units)</td>
<td><strong>Fannie Mae Form 1025 / Freddie Mac Form 72</strong>, Small Residential Income Property Appraisal Report; MISMO 2.6 Errata 1 format</td>
</tr>
<tr>
<td>Update of Appraisal (All Property Types)</td>
<td>Summary Appraisal Update Report Section of <strong>Fannie Mae Form 1004D / Freddie Mac Form 442</strong>, Appraisal Update and/or Completion Report; MISMO 2.6 Errata 1 format</td>
</tr>
<tr>
<td>Compliance or Final Inspection for New Construction or Manufactured Housing</td>
<td>Form <strong>HUD-92051</strong>, Compliance Inspection Report, in Portable Document Format (PDF)</td>
</tr>
<tr>
<td>Compliance or Final Inspection for Existing Property</td>
<td>Certification of Completion Section of <strong>Fannie Mae Form 1004D / Freddie Mac Form 442</strong>, Appraisal Update and/or Completion Report; MISMO 2.6 Errata 1 format</td>
</tr>
</tbody>
</table>

AR&DDG, Section A
Fannie Mae Form 1004: Single Family, Detached, Attached or Semi-Detached Residential Property
<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Area</th>
<th>Shape</th>
<th>View</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specific Zoning Classification</td>
<td>Zoning Description</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zoning Compliance</td>
<td>Legal</td>
<td>Legal Nonconforming (Grandfathered Use)</td>
<td>No Zoning</td>
</tr>
<tr>
<td>Is the highest and best use of the subject property as improved (or as proposed per plans and specifications) the present use?</td>
<td>Yes</td>
<td>No</td>
<td>If No, describe</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Utilities</th>
<th>Public</th>
<th>Other (describe)</th>
<th>Public</th>
<th>Other (describe)</th>
<th>Off-site Improvements—Type</th>
<th>Public</th>
<th>Private</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>☐</td>
<td>☐</td>
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<tr>
<td>Water</td>
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<tr>
<td>Street</td>
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<tr>
<td>Gas</td>
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<tr>
<td>Sanitary Sewer</td>
<td>☐</td>
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<td>☐</td>
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<tr>
<td>Alley</td>
<td>☐</td>
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<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>FEMA Special Flood Hazard Area</td>
<td>☐</td>
<td>Yes</td>
<td>☐</td>
<td>No</td>
<td>FEMA Flood Zone</td>
<td>FEMA Map #</td>
<td>FEMA Map Date</td>
</tr>
<tr>
<td>Are the utilities and off-site improvements typical for the market area?</td>
<td>☐</td>
<td>Yes</td>
<td>☐</td>
<td>No</td>
<td>If No, describe</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are there any adverse site conditions or external factors (easements, encroachments, environmental conditions, land uses, etc.)?</td>
<td>☐</td>
<td>Yes</td>
<td>☐</td>
<td>No</td>
<td>If Yes, describe</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Observing the Site

- FHA requires the appraiser to disclose any hazards that:
  - endanger physical improvements;
  - affect livability;
  - impair marketability; and
  - risk health and safety of occupants.

Handbook 4000.1, Section II.D.3.c.iv
Observing the Site (cont.)
Observing the Site (cont.)
Flood Zone: Determination & Responsibilities

• A property is not eligible for FHA insurance if:
  – A residential building and related improvements to the property are located within Special Flood Hazard Area AND insurance under the National Flood Insurance Program (NFIP) is not available in the community; or
  – The improvements are, or are proposed to be, located within a Coastal Barrier Resource System (CBRS).
• The appraiser must provide a copy of a flood map when the property is located within a special flood hazard area.
• The appraiser should comment on any effect on the marketability of the property when located within a flood hazard area.

Handbook 4000.1, Section II.D.3.c.iv
Public Water Supply System

- The Mortgagee must confirm that a connection is made to a public or Community Water System whenever feasible and available at a reasonable cost.

- If connection costs to the public or community system are not reasonable, the existing onsite systems are acceptable, provided they are functioning properly and meet the requirements of the local health department.

- The underwriter, not the appraiser, is required to determine feasibility of connecting improvements to public water and/or septic system.
Individual Water Supply Systems (Wells)

- When an Individual Water Supply System is present, the Mortgagee must ensure that the water quality meets the requirements of the health authority with jurisdiction.

- If there are no local (or state) water quality standards, then water quality must meet the standards set by the EPA, as presented in the National Primary Drinking Water regulations in 40 CFR §§ 141 and 142.

- The appraiser and/or Mortgagee must require inspections of readily observable deficiencies of well or septic systems.

Handbook 4000.1, Section II.A.3.a
Improvements Section

- Number of Units
- Stories
- Property Type
- Design
- Year Built
- Effective Age
Accessory Dwelling Units (ADU)

- An ADU refers to a habitable living unit added to, created within, or detached from a primary one-unit single family dwelling, which together constitute a single interest in real estate.

- It is a separate additional living unit, including:
  - Kitchen;
  - Sleeping; and
  - Bathroom facilities.
Accessory Dwelling Units (cont.)
Interior: Materials Condition

- Appraiser is to state what he/she saw and describe when necessary.
- What is readily observable?
- What upgrades did he/she see?
The appraiser is required to observe the interiors of all attic spaces.

The appraiser is not required to disturb insulation, move personal items, furniture, equipment or debris that obstructs access or visibility.

- If unable to view the improvements safely in their entirety, the appraiser must contact the Mortgagee and reschedule a time when a complete visual observation can be performed; or complete the appraisal subject to inspection by a qualified third party.

- Photograph required.
Mechanical Systems

• All utilities must be on at the time of appraisal.
## Improvement Section

<table>
<thead>
<tr>
<th>Appliances</th>
<th>Refrigerator</th>
<th>Range/Oven</th>
<th>Dishwasher</th>
<th>Disposal</th>
<th>Microwave</th>
<th>Washer/Dryer</th>
<th>Other (describe)</th>
</tr>
</thead>
</table>

### Finished area above grade contains:

- Rooms
- Bedrooms
- Bath(s)
- Square Feet of Gross Living Area Above Grade

### Additional features (special energy efficient items, etc.)

### Describe the condition of the property (including needed repairs, deterioration, renovations, remodeling, etc.)

### Are there any physical deficiencies or adverse conditions that affect the livability, soundness, or structural integrity of the property?  
- Yes  
- No  
- If Yes, describe

### Does the property generally conform to the neighborhood (functional utility, style, condition, use, construction, etc.)?  
- Yes  
- No  
- If No, describe
Property Condition Requirements

- Determine the overall quality and condition of property.

- Identify items that require immediate repair and are Defective Conditions (health & safety, structural soundness).

- Identify items where maintenance has been deferred, which may not require immediate repair.
Property Condition Requirements (cont.)
Property Condition Requirements (cont.)
Property Condition Requirements (cont.)
Property Condition Requirements (cont.)
Reconciliation

• The three approaches to value are reconciled with a brief description of the validity of each approach with respect to the subject property appraisal:
  - Sales Comparison Approach;
  - Cost Approach; and
  - Income Approach
The Appraiser must follow proper appraisal practices including:

- Application of the Principle of Contribution
- Calculation of Contributory Value
- Analysis via all applicable approaches:
  - Direct Sales Comparison Approach
  - Cost Approach
  - Income Approach
- Reconciliation of the indications calculated
### Identifying the Appraisal Report

<table>
<thead>
<tr>
<th>Clarity</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As Is</strong></td>
<td>No repairs, alterations or required inspections; Establish the “as is” value for 203(k); or Appraiser is recommending the property for rejection</td>
</tr>
<tr>
<td><strong>Subject To Completion per Plans &amp; Specs</strong></td>
<td>Subject is less than 90% complete</td>
</tr>
<tr>
<td><strong>Subject To Repairs or Alterations</strong></td>
<td>The subject property is 90% or more complete</td>
</tr>
<tr>
<td><strong>Subject To Required Inspection(s)</strong></td>
<td>The subject property is subject to inspection by a qualified individual or entity when the observation reveals evidence of a potential safety, soundness, or security issue beyond the appraiser’s ability to assess. (termite, electrician, structural, etc.)</td>
</tr>
</tbody>
</table>
Addressing Unique Properties

- Must be:
  - Legally zoned;
  - Structurally sound;
  - Marketable; and
  - Highest & Best Use.

- If zoning is Legal Non-Conforming—evidence property can be rebuilt.

- Mixed Use Properties require that a minimum of 51 percent of the entire building area be for Residential use.
## Photograph Requirements

<table>
<thead>
<tr>
<th>Photograph Exhibit</th>
<th>Minimum Photograph Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Subject Property Exterior</strong></td>
<td>• Front and rear at opposite angles to show all sides of the dwelling</td>
</tr>
<tr>
<td></td>
<td>• Improvements with Contributory Value not captured in the front or rear photograph</td>
</tr>
<tr>
<td></td>
<td>• Street scene photograph to include a portion of the subject site</td>
</tr>
<tr>
<td></td>
<td>• For New Construction, include photographs that depict the subject’s grade and drainage</td>
</tr>
<tr>
<td></td>
<td>• For Proposed Construction, a photograph that shows the grade of the vacant lot</td>
</tr>
<tr>
<td><strong>Subject Property Interior</strong></td>
<td>• Kitchen, main living area, bathroom, bedrooms</td>
</tr>
<tr>
<td></td>
<td>• Any other room representing overall condition</td>
</tr>
<tr>
<td></td>
<td>• Basement, attic, and/or crawl space</td>
</tr>
<tr>
<td></td>
<td>• Recent updates, such as restoration, remodeling and renovation</td>
</tr>
<tr>
<td></td>
<td>• For two- to four-unit properties, also include photographs of common areas, hallways, etc.</td>
</tr>
<tr>
<td><strong>Comparable Sales, Listings, Pending Sales, Rentals, etc.</strong></td>
<td>• Front view of each comparable utilized</td>
</tr>
<tr>
<td></td>
<td>• Photographs taken at an angle to depict both the front and the side when possible</td>
</tr>
<tr>
<td></td>
<td>• Multiple Listing Service (MLS) photographs are acceptable to exhibit comparable condition at the time of sale. However, appraisers must include their own photographs as well to document compliance.</td>
</tr>
<tr>
<td><strong>Subject Property Deficiencies</strong></td>
<td>• Photographs of the deficiency or condition requiring inspection or repair</td>
</tr>
<tr>
<td><strong>Condominium Projects</strong></td>
<td>• Additional photographs of the common areas and shared amenities of the Condominium Project</td>
</tr>
</tbody>
</table>
Required Exhibits

- Maps
  - Local street map showing location of subject and each comparable sale.
  - Show proposed roadways and street names.
Required Exhibits (cont.)
No Contributory Value?

- Contributory value, whether positive or negative, must be calculated.

- Appraisers are not to assign “zero” value just to avoid addressing FHA requirements!
Fannie Mae Form 1004C: Manufactured Housing
Manufactured Homes
You can no longer tell when sitting at the curb.
Manufactured Home Appraisal
HUD Certification Label: “Red Tag”

• HUD Certification Label, also known as a HUD seal or HUD tag, refers to a two inch by four-inch aluminum plate permanently attached to Manufactured Housing.

Handbook 4000.1, Section II. D. 5. f.
The Appraiser must report the HUD label number for all sections, or report that the HUD Certification Label is missing or that the Appraiser was unable to locate it.

If the appraisal indicates the HUD Certification Label is missing from the Manufactured Housing unit, the Mortgagee must obtain label verification from the Institute for Building Technology and Safety (IBTS).

Handbook 4000.1, Section II. D. 5. f.; II. A.1. b.
Data Plate refers to a paper document located on the interior of the Property that contains specific information about the unit and its manufacturer.

Handbook 4000.1, Section II. D. 5. g.
The Appraiser must report the information on the Data Plate within the appraisal, including the manufacturer name, serial number, model and date of manufacture, as well as wind, roof load and thermal zone maps.

If the Data Plate is missing or the Appraiser is unable to locate it, the Appraiser must report this in the appraisal and is not required to secure the Data Plate information from another source.

Handbook 4000.1, Section II. D. 5. g.
Foundations
• For Manufactured Housing, the appraisal **must** be conditioned upon the certification of an engineer or architect that the foundation is in compliance with the Permanent Foundations Guide for Manufactured Housing (PFGMH).

Handbook 4000.1, Section II. D. 3. l
The **Mortgagee** must obtain a certification by an engineer or architect, who is licensed/registered in the state where the Manufactured Home is located, attesting to compliance with the PFGMH.

The Mortgagee may obtain a copy of the foundation certification from a previous FHA-insured Mortgage, showing that the foundation met the guidelines published in the PFGMH that were in effect at the time of certification, provided there are no alterations and/or observable damage to the foundation since the original certification.

Handbook 4000.1, Section II. A. 1. b.
Foundations – Perimeter Enclosure

**Perimeter Enclosure** refers to a continuous wall that is adequately secured to the perimeter of the unit and allows for proper ventilation of the crawl space.

**Skirting** refers to a non-structural enclosure of a foundation crawl space intended to ensure the crawl space is free from exposure to the elements and free from vermin, trash, and debris. Typically, but not always, it is a lightweight material such as vinyl or metal attached to the side of the Structure, extending to the ground (generally, not installed below frost depth).

Handbook 4000.1, Section II. D. 5. e.
New Construction

- The space beneath the house must be enclosed by a continuous foundation type construction designed to resist all forces to which it is subject without transmitting forces to the building superstructure. The enclosure must be adequately secured to the perimeter of the house and be constructed of materials that conform, accordingly, to HUD MPS (such as concrete, masonry or treated wood) and the PFGMH for foundations.
Existing Construction

- If the perimeter enclosure is non-load-bearing skirting comprised of lightweight material, the entire surface area of the skirting must be permanently attached to backing made of concrete, masonry, treated wood or a product with similar strength and durability.
Foundations - Skirting (Examples)
Foundations - Skirting (Examples) (cont.)
Foundations - Additions to Manufactured Housing
If the Appraiser notes additions or alterations to the Manufactured Housing unit, the Mortgagee must ensure the addition was addressed in the foundation certification. If the additions or alterations were not addressed in the foundation certification, the Mortgagee must obtain:

- an inspection by the state administrative agency that inspects Manufactured Housing for compliance; or
- certification of the structural integrity from a licensed structural engineer if the state does not employ inspectors.

Handbook 4000.1, Section II. A. 1. b.
Additional Manufactured Home on Property
Additional Manufactured Home on Property (cont.)

• The Appraiser may consider a Manufactured Home to be an ADU if it meets the highest and best use and FHA requirements.

• The Appraiser may value a Manufactured Home on the Property that physically or legally may not be used as a dwelling and does not pose any health and safety issues by its continued presence as a storage unit.

Handbook 4000.1, Section II. D. 3. c.
Fannie Mae Form 1073: Single Unit Condominium
## Individual Condominium Unit

- Appraisal Report: Fannie Mae Form 1073

![Individual Condominium Unit Appraisal Report](image)
Condominiums

- Condominium Project refers to a project in which one-family Dwelling Units are attached, semi-detached, detached, or Manufactured Home units, and in which owners hold an undivided interest in Common Elements.

- Common Elements refer to the Condominium Project’s common areas and facilities including underlying land and buildings, driveways, parking areas, elevators, outside hallways, recreation and landscaped areas, and other elements described in the condominium declaration.

Handbook 4000.1, Section II.C.1.
Site Condominium or Single Family Home?
FHA Condominium Project Approval (cont.)

Condominium or Attached Single Family Residence?
FHA Condominium Project Approval (cont.)

Condominium or Manufactured Home?
FHA Condominium Project Approval (cont.)

• Condominium?
A Site Condominium refers to:

– a Condominium Project that consists entirely of single family detached dwellings that have no shared garages, or any other attached buildings; or

– a Condominium Project that:
  - consists of single family detached or horizontally attached (townhouse) dwellings where the unit consists of the dwelling and land;
  - does not contain any Manufactured Housing units; and
  - is encumbered by a declaration of condominium covenants or a condominium form of ownership.
Site Condos (cont.)

- Manufactured Housing condominium units may not be processed as Site Condominiums.

- Project approval is required for any condominium that does not meet the definition of a site condo.

- The appraiser must report the appraisal on Fannie Mae Form 1073/Freddie Mac Form 465, Individual Condominium Unit Appraisal Report.

Handbook 4000.1, Section II.D.6.d
Property Flipping
and
Transferring Appraisals
Restrictions on Property Flipping

• A Property that is being resold 90 Days or fewer following the seller’s date of acquisition is not eligible for an FHA-insured Mortgage.

  – The Seller’s Date of Acquisition refers to the date the seller acquired legal ownership of that Property.

  – The Resale Date refers to the date all parties have executed the sales contract that will result in the FHA-insured Mortgage for the resale of the Property.

Handbook 4000.1, Section II.A.1.b.iv(A)(3)(b)(i)
FHA Connection Portal
Transferring Existing Appraisals

- The first Mortgagee must, at the Borrower’s request, transfer the appraisal to the second Mortgagee within five business days.

- The Appraiser is not required to provide the appraisal to the new Mortgagee. The client's name on the appraisal does not need to reflect the new Mortgagee.

- If the original Mortgagee has not been reimbursed for the cost of the appraisal, the Mortgagee is not required to transfer the appraisal until it is reimbursed.

- The second Mortgagee may not request the Appraiser to re-address the appraisal.

- If the second Mortgagee finds deficiencies in the appraisal, the Mortgagee must order a new appraisal.

Handbook 4000.1, Section II.A.1.a.iii.(B)(8)
When an existing appraisal is being used for a different borrower, the Mortgagee must:

– Enter the new borrower’s information in FHA Connection (FHAC); and
– Collect the appraisal fee from the new borrower and refund the fee to the original borrower.
Second Appraisal Warning Screen
Material Deficiencies

• Material deficiencies on appraisals are those deficiencies that have a direct impact on value and marketability.
• Material deficiencies must be evident on the effective date of the appraisal.

Handbook 4000.1, Section II.A.1.a.iii.(B)(9)(a)
Material Deficiencies (cont.)

- Material deficiencies include, but are not limited to:
  - Failure to report readily observable defects that impact the health and safety of the occupants and/or structural soundness of the house;
  - Reliance upon outdated or dissimilar comparable sales when more recent and/or comparable sales were available as of the effective date of the appraisal; and
  - Fraudulent statements or conclusions when the appraiser had reason to know or should have known that such statements or conclusions compromise the integrity, accuracy and/or thoroughness of the appraisal submitted to the client.

Handbook 4000.1, Section II.A.1.a.iii.(B)(9)(a)
Reconsideration of Value

- The underwriter may request a reconsideration of value when the appraiser did not consider information that was relevant on the effective date of the appraisal.

- The underwriter must provide the appraiser with all relevant data that is necessary for a reconsideration of value.

Handbook 4000.1, Section II.A.3.a.viii
• The Appraiser may charge an additional fee if the relevant data was not available on the effective date of the appraisal.

• If the unavailability of data is not the fault of the Borrower, the Borrower must not be held responsible for the additional costs.

• The effective date of the appraisal is the date the Appraiser inspected the Property.
New Construction
“Proposed Construction” refers to a Property where no concrete or permanent material has been placed. Digging of footing is not considered permanent.
“Under Construction” refers to the period from the first placement of permanent material to 100 percent completion with no Certificate of Occupancy (CO) or equivalent.

Handbook 4000.1, Section II.A.8.i.i
“Existing Less than One Year” refers to a Property that is 100 percent complete and has been completed less than one year from the date of the issuance of the CO or equivalent. The Property must have never been occupied.

Handbook 4000.1, Section II.A.8.i.i
Eligible Property Types

For case numbers assigned on or after January 4, 2021

- The following property types are eligible for New Construction financing:
  - Site Built Housing (one- to four-units),
  - Condominium units in Approved Projects of Legal Phases, and
  - Manufactured Housing.

Handbook 4000.1, Section II.A.8.i.ii
Site Built Housing and Condominium Units

“Proposed Construction”

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

- three inspections (footing, framing and final) performed by the local authority with jurisdiction over the Property or an ICC certified RCI or CI (for Modular Housing, footing and final only); or

Handbook 4000.1, Section II.A.8.i.iii(A)(1)
“Proposed Construction”

- in the absence of such ICC certified RCI or CI, the Mortgagee may obtain three inspections (footing, framing and final) performed by a disinterested third party, who is a registered architect or a structural engineer and has met the licensing and bonding requirements of the state in which the Property is located.

Handbook 4000.1, Section II.A.8.i.iii(A)(1)
Site Built Housing and Condominium Units (cont.)

“Under Construction”

- copies of the building permit (or equivalent) and CO (or equivalent); or
- a final inspection issued by the local authority with jurisdiction over the Property or by an ICC certified RCI or CI; or
- in the absence of such ICC certified RCI or CI, the Mortgagee may obtain a final inspection performed by a disinterested third party, who is a registered architect or a structural engineer and has met the licensing and bonding requirements of the state in which the Property is located.

Handbook 4000.1, Section II.A.8.i.iii(A)(2)a
“Existing Less than One Year”

• a copy of the CO (or equivalent); or
• a final inspection issued by the local authority with jurisdiction over the Property or by an ICC certified RCI or CI; or
• in the absence of such ICC certified RCI or CI, the Mortgagee may obtain a final inspection performed by a disinterested third party, who is a registered architect or a structural engineer and has met the licensing and bonding requirements of the state in which the Property is located.

Handbook 4000.1, Section II.A.8.i.iii(A)(3)
Manufactured Housing

“Proposed Construction”

• copies of the building permit, (or equivalent) and CO (or equivalent); or
• two inspections (initial and final) performed by the local authority with jurisdiction over the Property or an ICC certified RCI or CI; or

Handbook 4000.1, Section II.A.8.i.iii(B)(1)
“Proposed Construction”

- in the absence of a local authority with building code jurisdiction or ICC certified RCI or CI, the Mortgagee may obtain two inspections (initial and final) performed by a disinterested third party, who is a registered architect or a structural engineer and has met the licensing and bonding requirements of the state in which the Property is located.
Manufactured Housing (cont.)

“Under Construction”

• copies of the building permit, (or equivalent) and CO (or equivalent); or
• a final inspection performed by the local authority with jurisdiction over the Property or an ICC certified RCI or CI; or

Handbook 4000.1, Section II.A.8.i.iii(B)(2)
“Under Construction”

- in the absence of a local authority with building code jurisdiction or ICC certified RCI or CI, the Mortgagee may obtain a final inspection performed by a disinterested third party, who is a registered architect or a structural engineer and has met the licensing and bonding requirements of the state in which the Property is located.
“Existing Less than One Year”

- a copy of the CO (or equivalent); or
- a final inspection performed by the local authority with jurisdiction over the Property or an ICC certified RCI or CI; or

Handbook 4000.1, Section II.A.8.i.iii(B)(3)
“Existing Less than One Year”

- in the absence of a local authority with building code jurisdiction or ICC certified RCI or CI, the Mortgagee may obtain a final inspection performed by a disinterested third party, who is a registered architect or a structural engineer and has met the licensing and bonding requirements of the state in which the Property is located.

Handbook 4000.1, Section II.A.8.i.iii(B)(3)
The Mortgagee must obtain and include the following documents in the case binder:

- form HUD-92541, Builder’s Certification of Plans, Specifications, and Site;
- form HUD-92544, Warranty of Completion of Construction;
- required inspections, as applicable;
- inspections performed by an ICC certified RCI or CI or a third-party, who is a registered architect or structural engineer must be reported on form HUD-92051, Compliance Inspection Report, or on an appropriate state-sanctioned inspection form;

**New Construction Required Documentation**

Handbook 4000.1, Section II.A.8.iv
New Construction Required Documentation (cont.)

- Wood Infestation Report, unless the Property is located in an area of no to slight infestation as indicated on HUD’s “Termite Treatment Exception Areas” list:
  - Form HUD-NPMA-99-A, Subterranean Termite Protection Builder’s Guarantee, is required for all New Construction. If the building is constructed with steel, masonry or concrete building components with only minor interior wood trim and roof sheathing, no treatment is needed. The Mortgagee must ensure that the builder notes on the form that the construction is masonry, steel, or concrete.
– Form HUD-NPMA-99-B, New Construction Subterranean Termite Service Record, is required when the New Construction Property is treated with one of the following: Termite Bait System, Field Applied Wood Treatment, soil chemical termiticide, or Physical Barrier System is installed, as reflected on the HUD-NPMA-99-A.

– The Mortgagee must reject the use of post construction soil treatment when the termiticide is applied only around the perimeter of the foundation.

– Local Health Authority well water analysis and/or septic report, where required by the local jurisdictional authority; and
• When a third party, who is a registered architect or structural engineer is relied upon for required inspections due to the absence of an ICC certified RCI or CI, include certification from such inspector that they are licensed and bonded under applicable state and local laws.
Documents To Provided Appraiser At Assignment

• The Mortgagee must provide the Appraiser with a fully executed form HUD-92541, signed and dated no more than 30 Days prior to the date the appraisal was ordered.

• For Properties 90 percent completed or less, the Mortgagee must provide a copy of the floor plan, plot plan, and any other exhibits necessary to allow the Appraiser to determine the size and level of finish of the house they are appraising.

Handbook 4000.1, Section II.A.8.v
• For Properties greater than 90 percent but less than 100 percent completed, the Mortgagee must provide the Appraiser with a list of components to be installed or completed after the date of inspection.
Helpful Links

• Handbook 4000.1 Information:
  – https://www.hud.gov/program_offices/housing/sfh/handbook_4000-1
  – https://www.hud.gov/program_offices/administration/hudclips/handbooks/hsg

• Upcoming Single Family Housing Events and Training:
  – https://www.hud.gov/program_offices/housing/sfh/events

• Subscribe to FHA INFO:
  – https://www.hud.gov/program_offices/housing/sfh/FHA_INFO_subscribe203(k)

• Resource Documents:
  – https://www.hud.gov/program_offices/housing/sfh/203k/sample_documents
## FHA Resource Center

<table>
<thead>
<tr>
<th>Option</th>
<th>Point of Contact</th>
<th>Hours Available</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>FHA Knowledge Base – FAQs</td>
<td><a href="http://www.hud.gov/answers">www.hud.gov/answers</a></td>
<td>24/7/365</td>
<td>Knowledge Base web page includes option to email questions.</td>
</tr>
<tr>
<td>Email</td>
<td><a href="mailto:answers@hud.gov">answers@hud.gov</a></td>
<td>24/7/365</td>
<td></td>
</tr>
<tr>
<td>Telephone</td>
<td>1-800-CALL-FHA (1-800-225-5342) Persons with hearing or speech impairments may reach this number by calling the Federal Relay Service at 1-800-877-8339.</td>
<td>8:00 AM to 8:00 PM Eastern M-F</td>
<td>Voicemail is available after hours or during extended wait periods.</td>
</tr>
</tbody>
</table>

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Q & A
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