

U. S. Department of Housing and Urban Development
Washington, D.C. 20410-8000

January 5, 2000

OFFICE OF THE ASSISTANT SECRETARY
FOR HOUSING-FEDERAL HOUSING COMMISSIONER

MORTGAGEE LETTER 00-1

TO: ALL APPROVED MORTGAGEES

**SUBJECT: Single Family Loan Production - Impact of New EPA Lead
Hazard Regulations on 203(k) Rehabilitation Mortgage
Insurance**

This Mortgagee Letter is to advise all HUD-approved lenders that the Environmental Protection Agency (EPA) has issued new Lead Hazard regulations effective June 1, 1999. The new EPA regulations require added disclosure and recordkeeping for construction contractors who repair or upgrade pre-1978 properties including those financed with 203(k) Rehabilitation Mortgage Insurance.

Impact on Construction Contractors

The new EPA regulation, known as the *Pre-Renovation Lead -Information Rule (Section 406(b) of the Toxic Substances Control Act)*, requires that renovation contractors provide homeowners or occupants of pre-1978 properties with EPA pamphlet, **Protect Your Family from Lead in Your Home** (see attachment), obtain a signed acknowledgment of receipt or certificate of mailing, and maintain a record of the acknowledgment or certificate for **three years**. Contractors who fail to provide the pamphlet may be subject to criminal and civil sanctions under Section 16 of the Toxic Substances Control Act. The regulation defines 'renovation' as the modification of any existing structure, or portion thereof, that results in the disturbance of painted surfaces. The regulation does not require that contractors change their work practices, if the presence of lead-based paint is suspected. However, the pamphlet warns homeowners about the health hazards posed by lead contaminated dust or lead-based paint debris generated during home renovations. The Department strongly recommends that contractors follow "safe work practices" (avoiding open flame burning or torching, machine sanding or grinding, abrasive blasting, among others) when removing lead-based paint.

Impact on 203(k) Lenders

The EPA regulation has no direct impact on the lender's 203(k) loan administration responsibilities. However, by assuring that the borrower receives all required disclosures to

include the lead-based paint pamphlet, the lender can help make certain that the contractor has complied with the regulation. The Department has emphasized how important an active lender role can be in making certain contractors follow safe work practices, complete work in a timely manner, and provide quality workmanship (Mortgagee Letter 98-11).

The EPA regulation and pamphlet, **Protect Your Family from Lead in Your Home**, are available at the EPA and HUD websites: www.epa.gov/lead and www.hud.gov/lea. Additionally, at the same website, the EPA provides an interim edition of a handbook for contractors outlining their responsibilities. For further information and regulatory clarification, please contact the National Lead Information Center at 1-800-424-LEAD.

Sincerely,

William C. Apgar
Assistant Secretary for Housing-
Federal Housing Commissioner

Attachment