



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

August 2, 2004

MORTGAGEE LETTER 2004-29

**TO: ALL APPROVED MORTGAGEES
ALL FHA ROSTER INSPECTORS**

SUBJECT: Establishment of the Federal Housing Administration (FHA) Inspector Roster

This Mortgagee Letter provides additional guidance concerning the issuance of the Inspector Roster final rule at 24 CFR 200.170-200.172 by the Department of Housing and Urban Development, which was published on March 10, 2004. The rule became effective April 9, 2004. This rule established HUD's policies and procedures governing the FHA Inspector Roster and provides details on the following topics:

- 1) procedures for placement on and removal from the FHA Inspector Roster;
- 2) eligibility standards and application/recertification requirements for inspectors seeking placement on the FHA Inspector Roster;
- 3) implementation of a national inspector examination; and
- 4) clarification of when a mortgagee must use an inspector listed on the Roster.

Purpose of FHA Inspector Roster

The purpose of the FHA Inspector Roster is to establish a national roster that lists inspectors who meet minimum standards established by FHA. The listing of the inspector does not constitute approval or endorsement by the Department of Housing and Urban Development. Inspectors listed on the FHA Inspector Roster have been deemed eligible by HUD to determine whether the construction quality of a one-to-four unit property is acceptable security for an FHA-insured loan.

Required Use of an FHA Roster Inspector

FHA requires the lender to select an inspector listed on the FHA Inspector Roster under the following circumstances:

- 1) For new construction, if the Mortgagee elects not to have inspections performed by the local jurisdiction in accordance with Mortgagee Letter 01-27, FHA requires inspection(s) by a FHA Roster Inspector.

- 2) For existing construction, FHA requires that a FHA Roster Inspector conduct an inspection when structural repairs to the property are of an extent or nature that requires an inspection and this inspection was not performed by a licensed, bonded and registered engineer, a licensed home inspector, or other person specifically registered or licensed to conduct such inspections.

The use of an inspector listed on the FHA Inspector Roster does **not** create or imply any warranty or endorsement concerning the condition of the inspected property by HUD or FHA to a prospective homebuyer or any other party.

A lender is **not** required to use a FHA Roster Inspector for new construction of one-to four unit single family properties where 1) the local jurisdiction issues a building permit prior to construction, local inspections are completed during the construction period and a certificate of occupancy is issued upon completion of the unit; or 2) the new construction is 100 percent complete, a FHA Roster Inspector has performed the first two construction inspections (footing and framing), an appraiser listed on the FHA Appraiser Roster appraises the property and the completed Uniform Residential Appraisal Report (URAR, Fannie Mae Form 1004) serves as the final inspection.

Eligibility Requirements for Placement on FHA Inspector Roster:

All inspectors seeking placement on the FHA Inspector Roster, including those currently deemed eligible by HUD to perform FHA inspections, must meet the new eligibility criteria listed below and apply or reapply for placement. To be eligible for placement on the FHA Inspector Roster an applicant must:

- 1) Have a minimum of three years experience in one or more construction related fields. The applicant must be equipped with familiarity, experience and understanding of all aspects of residential construction techniques and methods, particularly as related to new construction and/or repairs of a structural nature;
- 2) Possess an inspector's state or local license or certification, if licensing or certification is required by the state or local jurisdiction where the inspector will operate;
- 3) Read and fully understand FHA's inspection requirements, and any updates to those requirements, including:
 - a) HUD Handbook 4905.1 REV-1 (Requirements for Existing Housing, One to Four Family Units)
 - b) HUD Handbook 4910.1 (Minimum Property Standards for Housing)
 - c) HUD Handbook 4145.1 REV-2 (Architectural Processing and Inspections for Home Mortgage Insurance)
 - d) HUD Handbooks 4150.1 REV-1 (Valuation Analysis for Home Mortgage Insurance)
 - e) HUD Handbook 4150.2 CHG-2 (Valuation Analysis for Home Mortgage Insurance for Single Family One- to Four- Unit Dwellings)
 - f) Permanent Foundations Guide for Manufactured Housing issued by Mortgagee Letter 97-36
 - g) Applicable local, state, or Council of American Building Officials (CABO) code(s)

- h) HUD requirements at 24 CFR 200.926
- 4) Pass HUD's examination for inspectors, after such an examination becomes available.

As stated above, inspectors currently recognized by HUD as eligible to conduct inspections may continue to conduct inspections until October 12, 2004. After October 12, 2004, the inspector must have applied for placement on the Inspector Roster and must pass the comprehensive examination upon its availability. Failure to meet these requirements by October 12, 2004 constitutes cause for removal under § 200.172. Inspectors who are included on the Roster on the date when the requirement for the examination becomes effective have until six months following that date to pass the comprehensive examination.

FHA Inspector Examination

FHA will announce the availability of the FHA Inspector exam by Mortgagee Letter. When the exam becomes available, inspectors already listed on the FHA Inspector Roster will have a six month grace period to pass the exam in order to remain on the Roster and will be reminded of such in the forthcoming Mortgagee Letter.

Procedure to Obtain Placement on the FHA Inspector Roster

The applicant must submit the following information:

- An original of the completed form HUD-92563, "Application for Fee or Roster Personnel Designation", which has been updated to reflect the procedures and certification requirements detailed in final rule at 24 CFR 200.170-172 and which may be used immediately;
- Proof of a valid state or local license or certification if licensing or certification is required by the state or local jurisdiction where the inspector will operate;
- A certification from the entity providing the test to evidence successful passing of the comprehensive FHA Inspector examination (upon its availability).

The information must be submitted to:

Department of Housing and Urban Development
 Office of Single Family Housing
 Attn: Valuation Branch
 451 7th Street, SW, Suite 9270,
 Washington, DC 20410
 Telephone Number: 202-708-2121

Removal From the Inspector Roster

HUD may remove an inspector from the Inspector Roster for any cause that HUD determines to be detrimental to the Department or its programs. Cause for removal includes, but is not limited to:

- 1) Poor performance identified through a HUD quality control field review;
- 2) Failure to comply with applicable regulations or other written instructions or standards issued by HUD;
- 3) Failure to comply with applicable civil rights requirements;
- 4) Being debarred or suspended, or subject to a limited denial of participation;
- 5) Misrepresentation or fraudulent statements;
- 6) Failure to maintain standing as a state or local government licensed or certified inspector, where such a license or certificate is required;
- 7) Failure to respond within a reasonable time to HUD inquiries or requests for information or documentation; or
- 8) Inclusion on HUD's Credit Alert Interactive Voice Response System (CAIVRS).

Procedure for removal

An inspector who is debarred or suspended, or subject to a limited denial of participation will be automatically removed from the Roster. The removal will be effective for the duration of the debarment, suspension, or limited denial of participation. In all other cases, the following procedure for removal from the FHA Inspector Roster will be followed:

- 1) HUD will give the inspector written notice of the proposed removal. The notice will state the reasons for and the duration of the proposed removal.
- 2) The inspector will have 20 calendar days from the date of the notice (or longer, if provided in the notice) to submit a written response appealing the proposed removal and to request a conference. A request for a conference must be in writing and must be submitted along with the written response.
- 3) A HUD official will review the appeal and send a response affirming, modifying, or canceling the removal. The HUD official will not be someone who was involved in HUD's initial removal decision. HUD will respond with a decision within 30 days of receipt of the appeal or, if the inspector has requested a conference, within 30 days after completion of the conference. HUD may extend the 30-day period by providing written notice to the inspector.
- 4) If the inspector does not submit a timely written response, the removal will be effective 20 days after the date of HUD's initial removal notice (or after longer period provided in the notice). If a written response is submitted, and the removal decision is affirmed or modified, the removal will be effective on the date of HUD's notice affirming or modifying the initial removal decision.

Placement on the Inspector Roster after removal

An inspector who has been removed from the Roster may apply for reinstatement on the Roster (in accordance with 24 CFR 200.171) after the period of the inspector's removal from the Roster has expired. An application will be rejected if the inspector's removal period has not been completed.

Other Administrative Actions

Depending on the severity of an inspector's non-compliance, HUD may take other actions available to HUD against the inspector, including, but not limited to, debarment, suspension or limited denial of participation.

Location of FHA Inspector Roster

The website for the FHA Inspector Roster can be found at the following URL:

https://entp.hud.gov/idapp/html/insplook.cfm?in_fha=No

Information Collection Requirements

The information collection requirements referred to in this Mortgagee Letter have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. chapter 35). The OMB number issued for this requirement is OMB 2502- 0548.

If you have any questions concerning this Mortgagee Letter, please contact your local Homeownership Centers in Atlanta (888) 696-4687, Denver (800) 543-9378, Philadelphia (800) 440-8647, or Santa Ana (888) 827-5605 (these are all toll free numbers).

Sincerely,

John C. Weicher
Assistant Secretary for Housing-
Federal Housing Commissioner

Attachment