



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL HOUSING ADMINISTRATION

SINGLE FAMILY HOUSING



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.



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- 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**.



Question and Answer

- The presentation team will answer questions submitted in advance.
- Questions will be addressed twice during the presentation and following the presentation.
- Not all submitted questions will be answered today due to time limitations.



Contact FHA Resource Center

- Online at: www.hud.gov/answers
- Via email at: 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.
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Helpful Links

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

- FHA Lenders page:
https://www.hud.gov/program_offices/housing/sfh/lender
- FHA FAQ page:
<https://www.hud.gov/FHAFAQ>
- Single Family Housing Archived Webinars (On Demand) page:
https://www.hud.gov/program_offices/housing/sfh/events/sfh_webinars





U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL HOUSING ADMINISTRATION

SINGLE FAMILY HOUSING



Atlanta Homeownership Center

FHA Appraisal Policies, Principles and Practices

Date: June 17, 2020

Presented by:

Atlanta Homeownership Center (AHOC)

Technical Branch

Processing and Underwriting Division

Last Updated: [June 4, 2020]



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Agenda

Single Family Housing Policy Handbook 4000.1

Appraisal Guidance Update 2019/2020

Appraisal Integrity

Components of Appraisal Guidance

Defective Property Conditions



Agenda

Fannie Mae Form 1004

Fannie Mae Form 1004c

Property Flipping and Transferring Appraisals

New Construction

Helpful Links and Resources



HUD.GOV Appraiser's Page

Contains links for:

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

https://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/appr



The screenshot shows the HUD.GOV website for the Appraiser's Page. The header includes the HUD.GOV logo, the U.S. Department of Housing and Urban Development, and Secretary Ben Carson's name. Navigation links include HOME, PRESS ROOM, AUDIENCES, STATE INFO, PROGRAM OFFICES, TOPIC AREAS, ABOUT HUD, RESOURCES, and CONTACT US. The main content area is titled "FHA Roster Appraisers" and is divided into several sections: "Getting started" (Eligibility Requirements, Applicant instructions, etc.), "Search Online" (Appraiser selection by lender, etc.), "Handbook References" (Appraisal Report and Data Delivery Guide, etc.), "Find answers" (Mortgagee Letters and Handbooks, etc.), "Events, training news" (FHA Events and Training, etc.), and "Sanctions and debarments" (Excluded Parties List System, etc.). On the right side, there are links for "Print Friendly Version", "SHRARE", "Online Answers 24/7" (with a keyboard icon and text about the FAQ site), "SF Handbook 4000.1" (with a handbook icon and text about the Online SF Handbook), and "Electronic Appraisal Delivery Portal" (with a globe icon and text about mandatory use dates).



Single Family Housing Policy Handbook 4000.1



Single Family Housing Policy Handbook 4000.1

Single Family Housing Policy Handbook 4000.1 (SF Handbook)

Last Revised: August 14, 2019

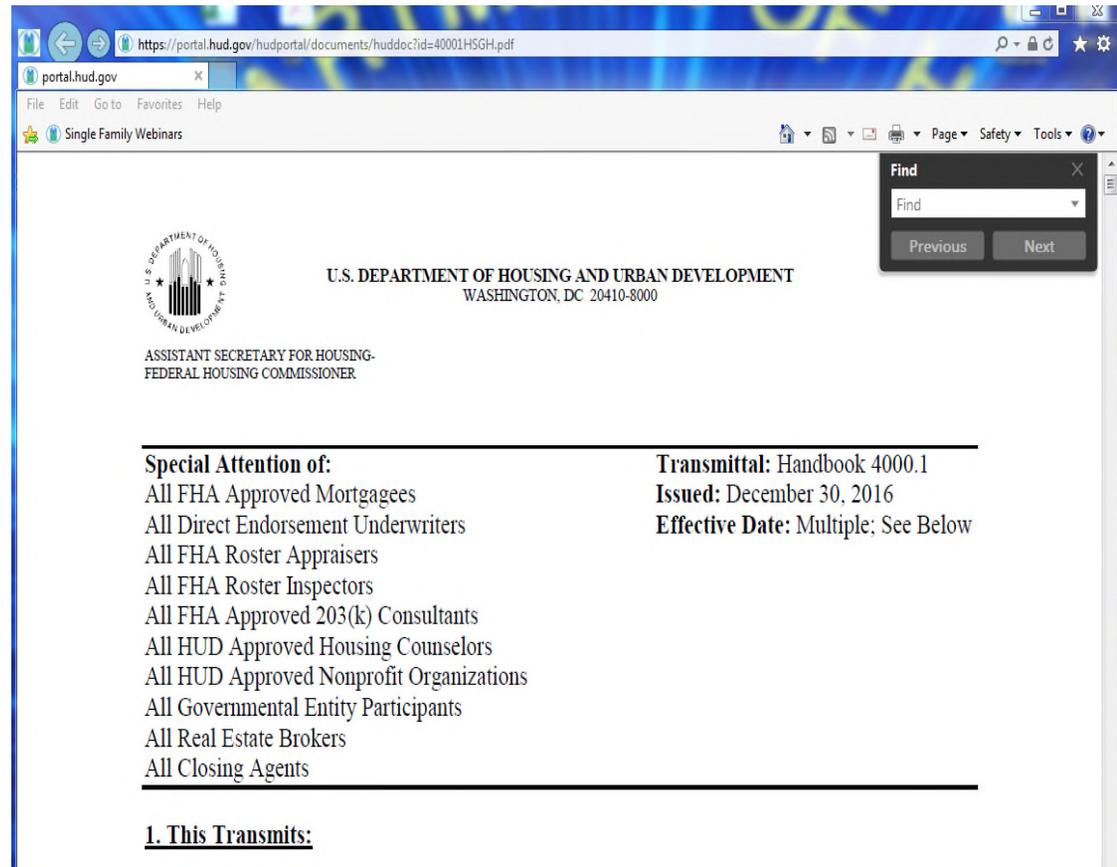
Effective: October 15, 2019



SF Handbook (cont.)

Search Function

Key Ctrl+F



portal.hud.gov

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

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Special Attention of:
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

Transmittal: Handbook 4000.1
Issued: December 30, 2016
Effective Date: Multiple; See Below

1. This Transmits:



SF Handbook (cont.)

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



Reporting Requirements

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 2019/2020



Exterior/Desktop Scope of Work Options

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/Desktop Scope of Work Options (cont.)

Mortgagee Letter 2020-05

Eligible Transactions:

- Accepted for most Forward and Home Equity Conversion Mortgage (HECM) purchase and refinance transactions.
- Not permitted on New Construction, Construction to Perm, Building on own Lands, cash-out refinances or 203(k).
- Also accepted for Forward and HECM servicing.



Exterior/Desktop Scope of Work Options (cont.)

Exterior-Only Option

The required protocols and exhibits under the Exterior-Only Option are:

- Appraiser will observe the Property and Improvements from the street.
- The Appraisal will be completed “AS IS” unless Minimum Property Requirements (MPR)-related deficiencies are observed from the street or otherwise known.
- The Appraiser may utilize extraordinary assumptions when necessary.
- No sketch, interior photos or rear exterior photographs are required.



Exterior/Desktop Scope of Work Options (cont.)

Desktop-Only Option

The required protocols and exhibits under the Desktop-Only Option are:

- Appraiser will not physically observe the Property and Improvements.
- The Appraisal will be completed “AS IS” unless MPR related deficiencies are known.
- The Appraiser may utilize extraordinary assumptions when necessary.
- No sketch, interior photos, exterior photographs are required.
- No comparable viewing nor photos are required.



Exterior/Desktop Scope of Work Options

Mortgagee Letter 2020-05

When performing an exterior-only or desktop-only scope of work, the appraiser may rely on third party data from the following sources:

- prior appraisals;
- tax assessor's property record; and
- the Multiple Listing Service (MLS).



Exterior/Desktop Scope of Work Options

Mortgagee Letter 2020-05

The Appraiser may rely on information from an interested party to the transaction (borrower, real estate agent, property contact, etc.) with clear appraisal report disclosure when additional verification is not feasible.

Extraordinary assumptions are permitted when necessary in the development of a credible appraisal and should be clearly stated.



Exterior/Desktop Scope of Work Options

- The Exterior-Only and Desktop-Only Appraisal options must continue to be reported on the current FHA-approved appraisal forms with amended certifications and scope of work disclosures.
- Exterior Appraisal forms Fannie Mae 2055 and Fannie Mae 1075 are not FHA approved forms and are not compatible with FHA's Electronic Appraisal Delivery (EAD) portal.
- The appraisal report must include a signed certification indicating whether the Appraiser did or did not personally inspect the subject property and the extent of the inspection.



Exterior/Desktop Scope of Work Options

- Appraisals will be completed “AS IS” unless MPR-related deficiencies are known to exist or observed from the exterior only inspection. The appraisal will not be subject to an inspection at a later date. Extraordinary assumptions may be used when necessary.
- To better identify a modified scope of work appraisal, the Map Reference text field within the subject section of the form should be used to state “desktop” or “exterior,” when applicable.
- Sketch and photograph requirements are also amended specific to the reduced scope of work.



Exterior/Desktop Scope of Work Options

Mortgagee Letter 2020-05

1004D:

When an Appraisal Update and/or Completion Report (Form 1004D) Part B is required to evidence the completion of required repairs, FHA will permit a letter signed by the borrower affirming that the work was completed, with further evidence of completion, which may include:

- photographs of the completed work,
- paid invoices indicating completion,
- occupancy permits, or
- other substantially similar documentation.



Exterior/Desktop Scope of Work Options

Mortgagee Letter 2020-05

1004D:

All completion documentation must be retained in the case binder.

These flexibilities are not permitted on:

- New Construction,
- Construction to Permanent,
- Building on Own Lands, and
- 203(k) transactions.



Case/Appraisal Transfer

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 Processing

- Case Number Assignment
- Appraisal Logging
- Insurance Application
- HECM Insurance Application

Processing a Mortgage for FHA Insurance

What I Need to Know

203k Calculator (with FHA Case Number)

- Borrower/Address Change
- CAIVRS Authorization
- Case/Appraisal Transfer 
- Case Query
- Conditional Commitment
- Counseling Certificate
- EEM Calculator
- Electronic Binder Additions Upload
- Electronic Case Binder Upload
- Escrow Closeout
- Firm Commitment

Binder Selection

- 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



Case Transfer Update in FHA Connection (cont.)

Case/Appraisal Transfer New Help Links ?

FHA Case Number:

New

New Sponsor/Agent ID:

Date of Assignment Letter: / / 

Appraisal Transfer ← new

- Select
- Select
- Yes
- No

Case Transfer Update in FHA Connection (cont.)

*** Appraisal Update ***

Appraiser (State Certificate or License No.): **Effective Date of Appraisal Update:**

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.)

ED CRA Estimate:

*** Appraisal Update ***

Appraiser (State Certificate or License No.):

ID: 

Effective Date of Appraisal Update:

/ / 

Name:

Certify subject property did not decline in value

*** Appraisal Transfer ***

Appraisal Transfer: Select Appraisal Transfer ▼  **new**

Second Appraisal **h to enter second appraisal**

Yes

No

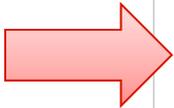
  



Case Transfer Update in FHA Connection (cont.)

Authorization for CHUMS Applications:

- CAIVRS Authorization
- Case Query
- Mortgage Insurance Certificate
- Case/Appraisal Transfer
- Refinance Authorization
- Underwriter Registry
- Underwriters
- Origination/Escrow Closeout Reports
- MIC/NOR List
- Mortgagee Performance Report
- MIP Calculator
- Electronic Case Binder Upload
- HOPE for Homeowners AUS
- HECM Referral
- Affordable Housing Providers
- Community Land Trusts
- Counseling Certificate



Appraisal Logging Changes

- **Appraised Value Protected:**

- Effective for all appraisals submitted through the Electronic Appraisal Delivery (EAD) portal on or after February 25, 2019, the **Appraised Value** field can no longer be updated except by HUD personnel with FHA Connection *Administrative Override* authorization for **Appraisal Processing (Figure 6)**.
- Changes to the **Appraised Value** field are no longer accepted from lenders through the FHA Connection or B2G.
- Since the **Appraised Value** field of an appraisal uploaded through EAD cannot be updated by the lender through **Appraisal Logging**, if a correction needs to be made, the lender must upload a new appraisal with the corrected **Appraised Value** amount.



Removal of FHA Ten Year Protection Plan Requirements

ML 2019-05:

- This Mortgagee Letter eliminates the 10-year protection plan requirements, allowing borrowers to qualify for FHA mortgage insurance on high loan-to-value mortgages where the dwelling was not approved for guaranty, insurance; or
- A direct loan before the beginning of construction and where the dwelling is less than one year old.

SF Handbook, Section II.A.8.I



Removal of FHA Ten Year Protection Plan Requirements (cont.)

ML 2019-05:

- These changes took effect for all case numbers assigned on or after March 14, 2019.
- This guidance applies to the origination of all FHA Title II forward mortgage programs.

SF Handbook, Section II.A.8.i



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35



Removal of FHA Ten Year Protection Plan Requirements (cont.)

ML 2019-05 (cont.):

- This Mortgagee Letter streamlines home warranty requirements for FHA single-family mortgage insurance by removing the policy guidance that require borrowers to purchase 10-year protection plans in order to qualify for certain mortgages on newly constructed single-family homes.
- The buyer **will still retain a one-year warranty.**

SF Handbook, Section II.A.8.i



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.**

SF Handbook, Section II.A.3.a



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).

SF Handbook, Section II.A.3.a.ii



Appraisal Integrity

Mortgagee Responsibilities: (cont.)

- The Mortgagee **must** evaluate the appraisal in accordance with 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.**

SF Handbook, Section II.A.3



Components of Appraisal Guidance



Components of Appraisal Guidance

Component	Guidance
Property Requirements	FHA requires underwriting of Property condition, as well as valuation.
Appraiser Requirements to Observe, Analyze, and Report	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.
Report and Data Format Requirements	FHA Single Family Appraisal Report and Data Delivery Guide.
FHA Appraiser Roster Relations	FHA Appraiser Roster relationship is discussed in the Doing Business with FHA section of the SF Handbook.
FHA Appraiser Quality Control and Oversight	FHA monitors FHA Appraisers and employs enforcement actions if its requirements are violated.



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.

SF Handbook, Section II.D.1.a



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43



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.

SF Handbook, Section II.D.1.a



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44



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

SF Handbook, Section II.D.1.a



Update of Appraisal

- 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.

SF Handbook, 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.



Update of Appraisal (cont.)

- 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.

SF Handbook, Section II.A.1.a.iii.(B)



General Appraiser Requirements

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

- 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.

SF Handbook, 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 identify any Encroachments of a neighboring dwelling, garage, other physical Structure or improvements onto the subject Property.
- Encroachment by the subject or adjacent Property fences is acceptable provided such Encroachment does not affect the marketability of the subject Property.

SF Handbook, Section II.D.3.c.ii.(D)



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*.

SF Handbook, 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.

SF Handbook, Section II.D.3.c.iii



Externalities (cont.)

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.

SF Handbook, Section II.D.3.c.iii



Externalities (cont.)

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.

SF Handbook, Section II.D.3.c.iii



Externalities (cont.)

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.
 - The appraiser must contact the mortgagee about the MPR or MPS.

SF Handbook, 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.

SF Handbook, 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.



SF Handbook, Section II.D.7



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57



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.



SF Handbook, Section II.D.7



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58



Planned Unit Development

- 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.

SF Handbook, Section II.D.3.c.i.(C)



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.

SF Handbook, Section II.D.3.d.iv



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.

SF Handbook, 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.

SF Handbook, Section II.D.3.e



Mechanical Components and Utilities

- 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.

SF Handbook, Section II.D.3.g



Heating and Cooling

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;

SF Handbook, Section II.D.3.i



Heating and Cooling (cont.)

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.

SF Handbook, Section II.D.3.i



Plumbing Systems

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.

SF Handbook, Section II.D.3.g.iii



Additions and Converted Space

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.

SF Handbook, 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.

SF Handbook, 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.

SF Handbook, Section II.D.3.c.vi



Excess vs. Surplus Land (cont.)

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.

SF Handbook, Section II.D.3.c.vi



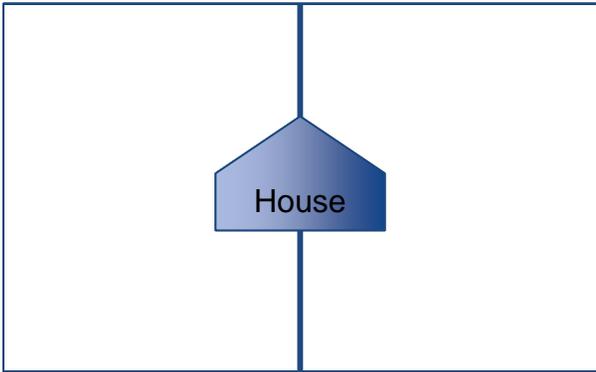
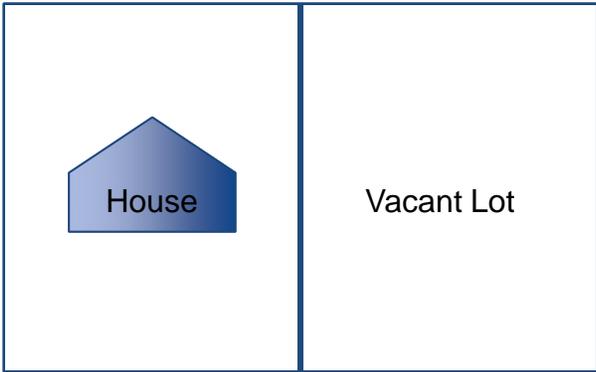
Excess vs. Surplus Land (cont.)

- 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.

SF Handbook, Section II.D.3.c.vi



Excess vs Surplus Land (cont.)



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Defective Property Conditions



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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.

SF Handbook, 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:
 - 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)

SF Handbook, 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.

SF Handbook, Section II.D.3.c



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.

SF Handbook, 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.

SF Handbook, Section II.D.3.c



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.

SF Handbook, 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.

SF Handbook, Section II.D.3.c



Acceptable Appraisal Forms

Documentation Requirements:

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

AR&DDG, Section A



Fannie Mae Form 1004: Single Family, Detached, Attached or Semi-Detached Residential Property



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Site Section

Dimensions		Area		Shape		View			
Specific Zoning Classification				Zoning Description					
Zoning Compliance <input type="checkbox"/> Legal <input type="checkbox"/> Legal Nonconforming (Grandfathered Use) <input type="checkbox"/> No Zoning <input type="checkbox"/> Illegal (describe)									
Is the highest and best use of the subject property as improved (or as proposed per plans and specifications) the present use? <input type="checkbox"/> Yes <input type="checkbox"/> No If No, describe									
SITE	Utilities	Public	Other (describe)	Public	Other (describe)	Off-site Improvements—Type	Public	Private	
	Electricity	<input type="checkbox"/>	<input type="checkbox"/>	Water	<input type="checkbox"/>	<input type="checkbox"/>	Street	<input type="checkbox"/>	<input type="checkbox"/>
	Gas	<input type="checkbox"/>	<input type="checkbox"/>	Sanitary Sewer	<input type="checkbox"/>	<input type="checkbox"/>	Alley	<input type="checkbox"/>	<input type="checkbox"/>
	FEMA Special Flood Hazard Area	<input type="checkbox"/> Yes <input type="checkbox"/> No	FEMA Flood Zone	FEMA Map #	FEMA Map Date				
Are the utilities and off-site improvements typical for the market area? <input type="checkbox"/> Yes <input type="checkbox"/> No If No, describe									
Are there any adverse site conditions or external factors (easements, encroachments, environmental conditions, land uses, etc.)? <input type="checkbox"/> Yes <input type="checkbox"/> No If Yes, describe									



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.

SF Handbook, Section II.D.3.c.iv



Observing the Site



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.

SF Handbook, Section II.D.3.c.iv



Water Supply Systems

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.

SF Handbook, Section II.A.3.a



Water Supply Systems (cont.)

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.

SF Handbook, Section II.A.3.a



Improvements Section

- Number of Units
- Stories
- Property Type
- Design
- Year Built
- Effective Age

General Description	
Units	<input type="checkbox"/> One <input type="checkbox"/> One with Accessory Unit
# of Stories	
Type	<input type="checkbox"/> Det. <input type="checkbox"/> Att. <input type="checkbox"/> S-Det./End Unit
	<input type="checkbox"/> Existing <input type="checkbox"/> Proposed <input type="checkbox"/> Under Const.
Design (Style)	
Year Built	
Effective Age (Yrs)	



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?

INTERIOR	materials/condition
Floors	
Walls	
Trim/Finish	
Bath Floor	
Bath Wainscot	



The Attic

Attic	<input type="checkbox"/>	None
<input type="checkbox"/> Drop Stair	<input type="checkbox"/>	Stairs
<input type="checkbox"/> Floor	<input type="checkbox"/>	Scuttle
<input type="checkbox"/> Finished	<input type="checkbox"/>	Heated

- 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

Appliances <input type="checkbox"/> Refrigerator <input type="checkbox"/> Range/Oven <input type="checkbox"/> Dishwasher <input type="checkbox"/> Disposal <input type="checkbox"/> Microwave <input type="checkbox"/> Washer/Dryer <input type="checkbox"/> Other (describe)				
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? <input type="checkbox"/> Yes <input type="checkbox"/> No If Yes, describe				
Does the property generally conform to the neighborhood (functional utility, style, condition, use, construction, etc.)? <input type="checkbox"/> Yes <input type="checkbox"/> 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.)



Property Condition Requirements (cont.)



Reconciliation

RECONCILIATION	Indicated Value by: Sales Comparison Approach \$	Cost Approach (if developed) \$ 0	Income Approach (if developed) \$
	This appraisal is made <input type="checkbox"/> "as is," <input type="checkbox"/> subject to completion per plans and specifications on the basis of a hypothetical condition that the improvements have been completed, <input type="checkbox"/> subject to the following repairs or alterations on the basis of a hypothetical condition that the repairs or alterations have been completed, or <input type="checkbox"/> subject to the following required inspection based on the extraordinary assumption that the condition or deficiency does not require alteration or repair: _____		
Based on a complete visual inspection of the interior and exterior areas of the subject property, defined scope of work, statement of assumptions and limiting conditions, and appraiser's certification, my (our) opinion of the market value, as defined, of the real property that is the subject of this report is \$ _____ as of _____, which is the date of inspection and the effective date of this appraisal.			

- 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.

Identifying the Appraisal Report

Clarity	
As Is	No repairs, alterations or required inspections; Establish the “as is” value for 203(k); or Appraiser is recommending the property for rejection
Subject To Completion per Plans & Specs	Subject is less than 90% complete
Subject To Repairs or Alterations	The subject property is 90% or more complete
Subject To Required Inspection (s)	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.)



Addressing Unique Properties



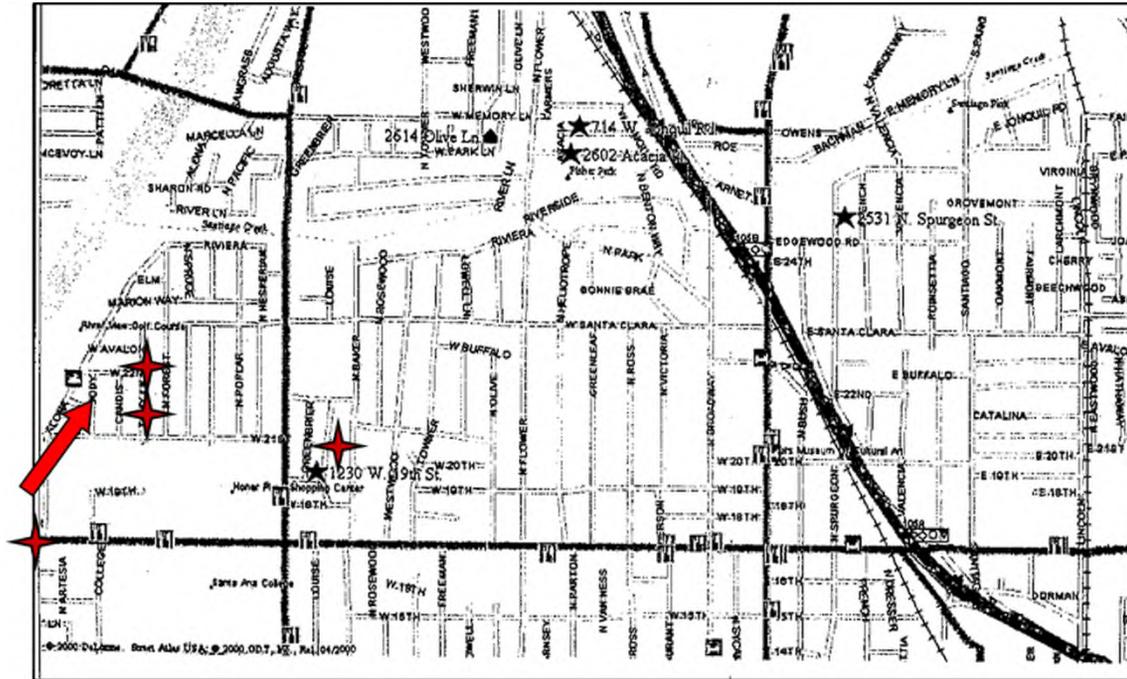
- Must be:
 - Legally zoned;
 - Structurally sound;
 - Marketable; and
 - Highest & Best Use.
- If zoning is Legal Non-Conforming- evidence property can be rebuilt.
- Mixed Use Properties require that a minimum of 51 percent of the entire building area be for Residential use.

Photograph Requirements

FHA Minimum Photograph Requirements	
Photograph Exhibit	Minimum Photograph Requirement
Subject Property Exterior	<ul style="list-style-type: none"> • Front and rear at opposite angles to show all sides of the dwelling • Improvements with Contributory Value not captured in the front or rear photograph • Street scene photograph to include a portion of the subject site • For New Construction, include photographs that depict the subject's grade and drainage • For Proposed Construction, a photograph that shows the grade of the vacant lot
Subject Property Interior	<ul style="list-style-type: none"> • Kitchen, main living area, bathroom, bedrooms • Any other room representing overall condition • Basement, attic, and/or crawl space • Recent updates, such as restoration, remodeling and renovation • For two- to four-unit properties, also include photographs of common areas, hallways, etc.
Comparable Sales, Listings, Pending Sales, Rentals, etc.	<ul style="list-style-type: none"> • Front view of each comparable utilized • Photographs taken at an angle to depict both the front and the side when possible • 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.
Subject Property Deficiencies	<ul style="list-style-type: none"> • Photographs of the deficiency or condition requiring inspection or repair
Condominium Projects	<ul style="list-style-type: none"> • Additional photographs of the common areas and shared amenities of the Condominium Project



Required Exhibits

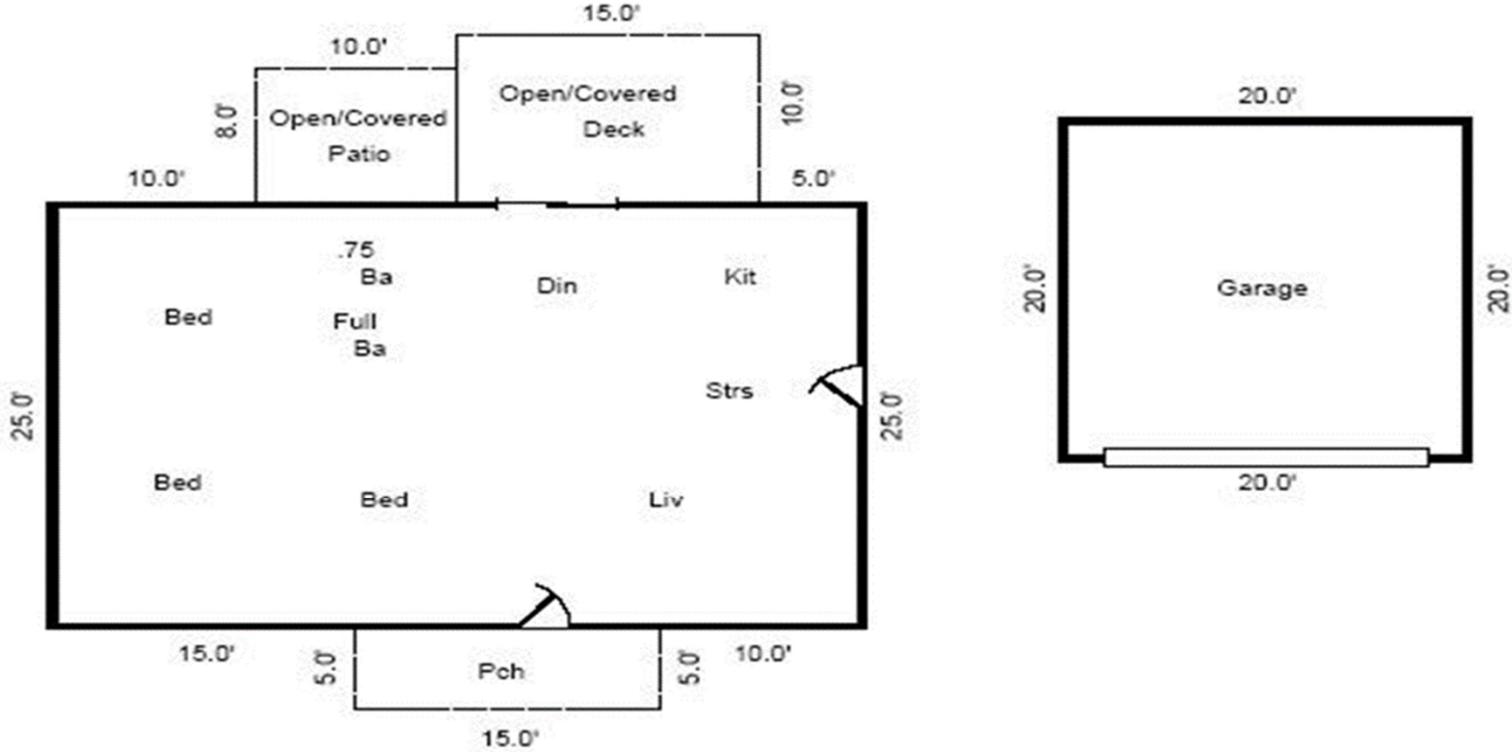


Location
Map

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

SF Handbook Section II A. 1(5)



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111



Manufactured Homes



Modular? Manufactured? Site Built?



You can no longer tell when sitting at the curb.



Manufactured Home Appraisal

Manufactured Home Appraisal Report				File #
The purpose of this summary appraisal report is to provide the lender/client with an accurate, and adequately supported, opinion of the market value of the subject property.				
Property Address		City	State	Zip Code
Borrower		Owner of Public Record	County	
Legal Description				
Assessor's Parcel #		Tax Year	R.E. Taxes \$	
Neighborhood Name		Map Reference	Census Tract	
SUBJECT	Occupant <input type="checkbox"/> Owner <input type="checkbox"/> Tenant <input type="checkbox"/> Vacant		Project Type (if applicable) <input type="checkbox"/> PUD <input type="checkbox"/> Condominium <input type="checkbox"/> Cooperative <input type="checkbox"/> Other (describe)	
	Special Assessments \$		HOA \$	<input type="checkbox"/> per year <input type="checkbox"/> per month
	Property Rights Appraised <input type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold <input type="checkbox"/> Other (describe)			
	Assignment Type <input type="checkbox"/> Purchase Transaction <input type="checkbox"/> Refinance Transaction <input type="checkbox"/> Other (describe)			
CONTRACT	Lender/Client		Address	
	Is the subject property currently offered for sale or has it been offered for sale in the twelve months prior to the effective date of this appraisal? <input type="checkbox"/> Yes <input type="checkbox"/> No			
	Report data source(s) used, offering price(s), and date(s).			
	Manufactured homes located in either a condominium or cooperative project require the appraiser to inspect the project and complete the Project Information section of the Individual Condominium Unit Appraisal Report or the Individual Cooperative Interest Appraisal Report and attach it as an addendum to this report.			
CONTRACT	I <input type="checkbox"/> did <input type="checkbox"/> did not analyze the contract for sale for the subject purchase transaction. Explain the results of the analysis of the contract for sale or why the analysis was not performed.			
	Contract Price \$	Date of Contract	Is the property seller the owner of public record? <input type="checkbox"/> Yes <input type="checkbox"/> No Data Source(s)	
	Is there any financial assistance (loan charges, sale concessions, gift or downpayment assistance, etc.) to be paid by any party on behalf of the borrower? <input type="checkbox"/> Yes <input type="checkbox"/> No			
	If Yes, report the total dollar amount and describe the items to be paid.			
CONTRACT	I <input type="checkbox"/> did <input type="checkbox"/> did not analyze the manufacturer's invoice. Explain the results of the analysis of the manufacturer's invoice or why the analysis was not performed.			
	Retailer's Name (New Construction)			



HUD Certification Label: “Red Tag”



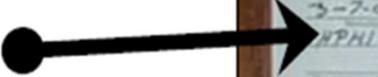
A HUD Certification Label must be affixed to the tail-light end of each transportable section.

HUD Certification Label: “Red Tag” (cont.)

HUD Certification Label Number



Serial Number



The HUD Data Plate/Compliance Certificate is located on the interior of the subject and manufactured and serial number. The HUD Certification Label is located on the exterior of the subject and contains the same information.

Is the HUD Data Plate/Compliance Certificate attached to the dwelling? Yes No

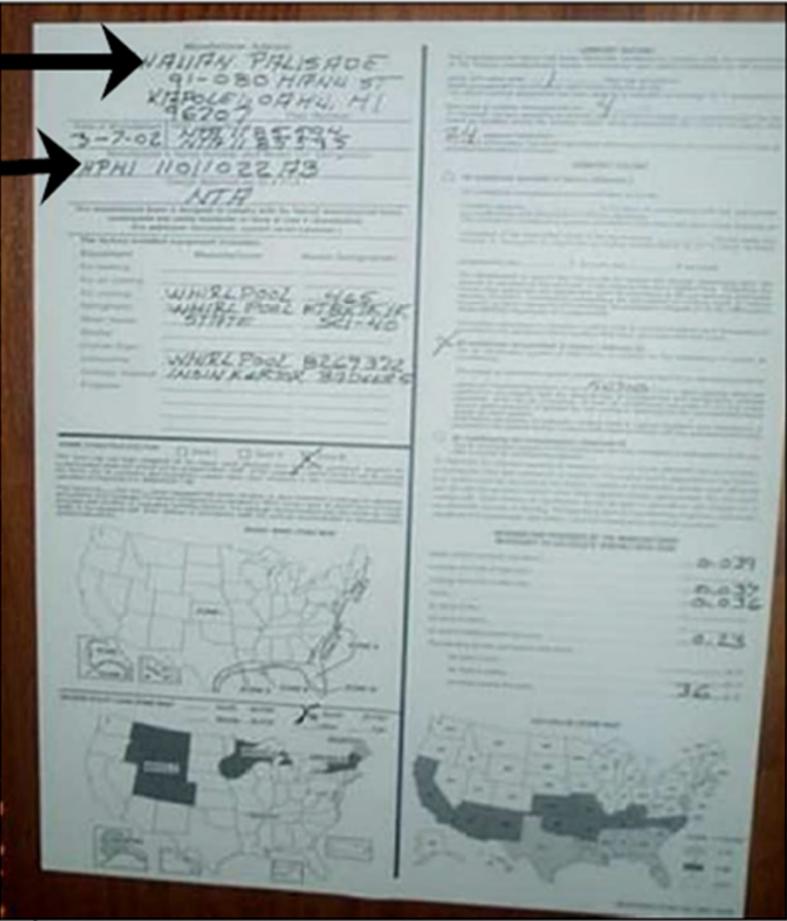
Is a HUD Certification Label attached to the exterior of each section of the dwelling?

Manufacturer's Serial #(s)/VIN #(s)

HUD Certification Label #(s)

Manufacturer's Name Trade/Model

Do the Wind, Roof Load, and Thermal Zones meet the minimum HUD requirements for this climate zone?



Missing HUD Labels/Data Plates?

- Obtain the label and/or serial number from data plate or chassis.
- Website for Institute for Building Technology and Safety (IBTS): www.ibts.org
 - The processing time is expected to be 9-10 business days for Regular and 2-3 business days if Urgent
 - Online requests are available
 - Electronic and paper copies are available
 - Cost range \$50 to \$125
 - Address: 45207 Research Place Ashburn, VA 20147
 - Phone No.: Corporate: 703-481-2000
 - Labels Department: 703-481-2010



Foundations



Foundations (cont.)

- 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).



Foundations (cont.)



Foundations (cont.)



Foundations (cont.)



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.



Property Flipping and Transferring Appraisals



Restrictions on Property Flipping

For case numbers assigned on or after January 1, 2015:

- If a property is resold within 90 days or fewer following the date of acquisition by the seller, the property is not eligible for an FHA-insured mortgage.
- Seller's Date of Acquisition:
 - FHA defines the seller's date of acquisition as the date of settlement of the seller's purchase of that property.
- Resale Date:
 - FHA defines the resale date as the date of execution of the sales contract by all parties intending to finance the property with an FHA-insured mortgage.

SF Handbook, Section II.A.1.b.iv.(A)(3)



FHA Connection Portal

The screenshot displays the FHA Connection Portal interface. At the top, there is a navigation menu with links for Home, Main Menu, ID Maintenance, E-mail Us, and Contact Us. Below this is a red breadcrumb trail: Single Family FHA > Single Family Origination > Case Processing > Appraisal Logging. The main content area features a blue button labeled 'Appraisal Logging Update', a red 'Help Links' button with a question mark, and another red 'Other Functions' button. The form itself is titled 'FHA Case Number:' and includes a section for '* Property Information *'. This section contains an 'Address:' field, a 'PUD:' field with radio buttons for 'Yes' (selected) and 'No', a 'Construction Code:' dropdown menu set to 'Existing Construction', a 'Year Built:' field with '01' and '2005', and an 'Effective Age:' field with '2'. Below this is a section for '* Neighborhood Fields *' with a 'Location:' dropdown set to 'Suburban' and a 'Predominant Neighborhood Price:' field set to '250000'. Other fields include 'Appraisal Received Date:' (03/08/10), 'Date of Contract:' (02/19/10), and 'Contract Price:' (195000).



FHA Connection Portal (cont.)

*** Reconciliation Fields ***

Appraisal Type: Appraised Value:

Actual Appraiser (State Certificate or License No.): Effective Date of Appraisal:

ID: Effective Date: / /

Name: LAMB, JOHN J

*** Property Flipping ***

Property Subject to Greater Than 90-Day Flipping Rule

Flipping Exemption Reason:

Use First Appraisal for Case Processing

Use Second Appraisal for Case Processing

*** Appraisal Update ***

Appraiser (State Certificate or License No.): Effective Date of Appraisal Update:

ID: Effective Date: / /

Name:

Certify subject property did not decline in value



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 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.

SF Handbook, Section II.A.1.a.iii.(B)(8)



Transferring Existing Appraisal – New Borrower

- 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.

SF Handbook, Section II.A.1.a.iii.(B)(8)



Second Appraisal Warning Screen

The screenshot shows a web form for a second appraisal. The form is divided into several sections:

- Property Title Information:** Estate Will be Held in: ; Leasehold Expiration Date: /
- Prior Sale Information:** Was prior sale/transfer of this property within the past 3 years? ; Date of Prior Sale/Transfer: /
- Reconciliation Items:** Appraised Value: ; Actual Appraiser (State Certificate ID): ; Name: ; Appraiser (State Certificate or License ID): ; Name:

A warning dialog box titled "Windows Internet Explorer" is overlaid on the form. It contains the following text:

A second appraisal is required ONLY if a property is subject to the Property Flopping Rule and is a resale that occurred between 90 and 180 days after acquisition. If the property is eligible for insurance due to the Flopping Rule Waiver and is a resale that occurred within 90 days of acquisition, a second appraisal is optional.

Even when not required by the system, a second appraisal may be needed due to portability issues such as Material Deficiencies, Exclusionary List or Delayed Transfer (refer to Mortgage Letter 2009-05) or expiration of appraisal validity period (refer to Mortgage Letters 09-01 and 2010-12).

NOTE: If an appraisal is ordered for documentation purposes, such as to meet the requirements of the Property Flopping Waiver as described above, the second appraisal should be retained in the case binder but SHOULD NOT BE LOADED into FHA Connection and may not be used for case processing.

The dialog box has "OK" and "Cancel" buttons.

At the bottom of the form, there is a "Second Appraisal" button and a link "Select link if you wish to enter second appraisal". There are also "Send", "Reset", and "New Request" buttons. A message board notification at the bottom reads "Message Board Friday August 03, 2012".



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.
- 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.

SF Handbook, Section II.A.1.a.iii.(B)(9)



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.

SF Handbook, Section II.A.3.a.viii



Reconsideration of Value (cont.)

- 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.

SF Handbook, Section II.A.3.a.viii



New Construction



Construction Type

- “Proposed Construction” refers to a property where no concrete or permanent material has been placed. Digging of footing and placement of rebar is not considered permanent.
- “Under Construction” refers to the period from:
 - The first placement of permanent material to 100 percent completion; and
 - With no Certificate of Occupancy (CO) or equivalent.
- “Existing for 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.



Inspections for Maximum Financing

Inspections for Maximum Financing (Site Built Housing or Condominium)

- Proposed – The Mortgagee must obtain:
 - Copies of the building permit and CO; or three inspections (footing, framing, and final) performed by an ICC RCI or CI on form HUD-92051; or three inspections by the local authority with jurisdiction over the property.
- Under Construction – The Mortgagee must obtain:
 - 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.

SF Handbook, Section II.A.8.i.iii-iv.



Inspections for Maximum Financing

Inspections for Maximum Financing (Site Built Housing or Condominium) (cont.)

- Existing Less than one year (100 Percent Complete) - The mortgagee must obtain:
 - Copy of the CO (or equivalent); or
 - A final inspection issued by the local authority with jurisdiction over the property or an ICC RCI or CI.

SF Handbook, Section II.A.8.i.iii-iv.



Required Documentation for Maximum Financing

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.
- Evidence that the property was pre-approved: Evidence of pre-approval is the Early Start Letter or copy of building permit issued by local authority prior to start of construction;

SF Handbook, Section II.A.8.i.iii-iv.



Required Documentation for Maximum Financing

- 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; and
- Form HUD-NPMA-99-A, Subterranean Termite Protection Builder's Guarantee.
 - 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.

SF Handbook, Section II.A.8.i.iii-iv.



Required Documentation for Maximum Financing

New Construction

- Form HUD-NPMA-99-B, New Construction Subterranean Termite Service Record, is required when the proposed Property is treated with a soil chemical termiticide.
- The Mortgagee must reject the use of post construction soil treatment when the termiticide is applied only around the perimeter of the foundation.
- A well water analysis and/or septic report is required where mandated by the local authority.

SF Handbook, Section II.A.8.i.iii-iv.



New Construction: Financing LTV Limit

- Properties that are Under Construction or Existing for Less than One Year are limited to a 90 percent LTV unless they:
 - Meet the Pre-Approval requirements; or
 - Meet the Required Documentation for Maximum Financing.

SF Handbook, Section II.A.8.i.iii-iv.



New Construction: Financing LTV Limit (cont.)

- For a Mortgage with an LTV of **90 percent or less**, the Mortgagee must obtain:
 - Form HUD-92541, Builder’s Certification of Plans, Specifications, and Site;
 - Final inspection or appraisal, if the Property is 100 percent complete; and
 - 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.

SF Handbook, Section II.A.8.i.iii-iv.



New Construction: Financing 90% or Less

- 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.

SF Handbook, Section II.A.8.i.iii-iv.



New Construction: Financing 90% or Less (cont.)

- Form HUD-NPMA-99-B, New Construction Subterranean Termite Service Record, is required when the proposed Property is treated with a soil chemical termiticide.
- The Mortgagee must reject the use of post construction soil treatment when the termiticide is applied only around the perimeter of the foundation.
- A well water analysis and/or septic report is required where mandated by the local authority.

SF Handbook, Section II.A.8.i.iii-iv.



Documents to be Provided to 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.
- **Properties 90 percent complete or less:**
 - Provide floor plans, plot plan, and any other exhibits necessary to determine size and level of finish.
- **Properties greater than 90 percent complete but less than 100 percent complete:**
 - Provide a list of components to be installed or completed after inspection.

SF Handbook, Section II.A.8.i.iii-iv.



Helpful Links and Resources



Helpful Links

- SF Handbook Information:
 - https://portal.hud.gov/hudportal/HUD?src=/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://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/FHA_INFO_subscribe
- 203(k) Resource Documents:
 - http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/203k/sample_documents



FHA Resource Center

Option	Point of Contact	Hours Available	Comments
1 FHA Knowledge Base – FAQs	www.hud.gov/answers	24/7/365	Knowledge Base web page includes option to email questions.
2 Email	answers@hud.gov	24/7/365	
3 Telephone	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.	8:00 AM to 8:00 PM Eastern M-F	Voicemail is available after hours or during extended wait periods.

FHA INFO emails: Frequent email notifications of new policies and training opportunities for anyone who signs up. Subscribe at:

https://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/FHA_INFO_subscribe



Q & A





U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL HOUSING ADMINISTRATION

SINGLE FAMILY HOUSING



Atlanta Homeownership Center

THANK YOU FOR ATTENDING.

Date: June 17, 2020



OFFICE OF SINGLE FAMILY HOUSING

