

For Your Protection: Get a Home Inspection

Name of Buyer _____

Property Address _____

What the FHA Does for Buyers... and What We Don't Do

What we do: FHA helps people become homeowners by insuring mortgages for lenders. This allows lenders to offer mortgages to first-time buyers and others who may not qualify for conventional loans. Because the FHA insures the loan for the lender, the buyer pays only a very low down-payment.

What we don't do: FHA does not guarantee the value or condition of your potential new home. If you find problems with your new home after closing, we can not give or lend you money for repairs, and we can not buy the home back from you.

That's why it's so important for you, the buyer, to get an independent home inspection. Ask a qualified home inspector to inspect your potential new home and give you the information you need to make a wise decision.

Appraisals and Home Inspections are Different

As part of our job insuring the loan, we require that the lender conduct an FHA appraisal. An appraisal is different from a home inspection. Appraisals are for lenders; home inspections are for buyers. The lender does an appraisal for three reasons:

- to estimate the value of a house
- to make sure that the house meets FHA minimum property standards
- to make sure that the house is marketable

Appraisals are not home inspections.

Why a Buyer Needs a Home Inspection

A home inspection gives the buyer more detailed information than an appraisal--information you need to make a wise decision. In a home inspection, a qualified inspector takes an in-depth, unbiased look at your potential new home to:

- evaluate the physical condition: structure, construction, and mechanical systems
- identify items that need to be repaired or replaced
- estimate the remaining useful life of the major systems, equipment, structure, and finishes

What Goes into a Home Inspection

A home inspection gives the buyer an impartial, physical evaluation of the overall condition of the home and items that need to be repaired or replaced. The inspection gives a detailed report on the condition of the structural components, exterior, roofing, plumbing, electrical, heating, insulation and ventilation, air conditioning, and interiors.

Be an Informed Buyer

It is your responsibility to be an informed buyer. Be sure that what you buy is satisfactory in every respect. You have the right to carefully examine your potential new home with a qualified home inspector. You may arrange to do so before signing your contract, or may do so after signing the contract as long as your contract states that the sale of the home depends on the inspection.

I understand the importance of getting an independent home inspection. I have thought about this before I signed a contract with the seller for a home.

X _____
Signature & Date

X _____
Signature & Date

Case Number: _____

Property Address: _____

Important NOTICE TO THE HOMEBUYER Read Carefully

As part of our job insuring the mortgage for the lender, the FHA requires the lender to conduct an appraisal to:

- estimate the value of your potential new home
- make sure it meets *minimal* FHA standards
- ensure that it will be marketable

Appraisals are different from home inspections. Home inspections give more detailed information about your potential new home.

This report is a summary of the observations of an appraiser who visited the property. If there was a problem, the appraiser answered "YES" under "Problem".

If any condition is marked [yes], this means that the property you want to buy does not currently meet FHA's Minimum Property Standards. Until this condition is resolved, your lender may not provide you with an FHA insured loan consistent with FHA procedures.

You should speak to your lender about how this situation needs to be handled. You should also make sure that you are confident that the physical condition of this property meets all of your expectations.

For a copy of the full appraisal, contact your lender.

If you have any questions, call us at **1-800-569-4287**.

Physical Condition	Problem (Y)	Comments
Site Hazards		
Soil Contamination		
Grading and Drainage Problems		
Well, Individual Water Supply and Septic Problems		
Wood Destroying Insects		
Private Road Access and Maintenance Problems		
Structural Deficiencies		
Foundation Deficiencies		
Roofing Deficiencies		
Mechanical Systems Problems		
General Health and Safety Deficiencies		
Deteriorated Paint		

The conditions listed above are reflected on the Valuation Conditions Form (Part 2 of the Comprehensive Valuation Package) of this appraisal. **The lender is required to transmit this Notice to the Homebuyer form to the buyer at least five business days prior to loan closing.**

X _____
FHA Roster Appraiser Signature ID Number Valuation Date

Homebuyer acknowledges receipt of Part 3: Summary:

X _____

X _____
Homebuyer (s) Signature(s): Date Received

NOTICE TO THE LENDER

Case Number: _____

All required repairs must be completed in a professional manner, in compliance with HUD's guidelines and satisfied prior to closing. The lender is responsible for coordinating repairs. A professionally licensed, bonded, registered engineer, licensed home inspector or appropriately registered/licensed trades person, as applicable, must provide documentation that all deficiencies have been acceptably corrected upon completion of repairs.

SITE CONSIDERATIONS

VC-1 SITE HAZARDS AND NUISANCES

Check the appropriate response for *readily observable* evidence of hazards. Hazards, as defined below, are conditions that endanger the health and safety of the occupants and/or the marketability of the property. Use these criteria to determine the extent of the hazard. Please refer to HUD Handbook 4150.2 Section 2-2 for unacceptable locations and the protocol in Appendix D of the Handbook for further guidance. If the required component is not visible during the site visit, provide a detailed comment.

Provide a description of yes responses on Page 4:

- a. Surface evidence of subsidence/sink holes
() yes
- b. Operating oil or gas wells within 300 feet of existing construction
() yes
- c. Operating oil or gas wells within 75 feet of new construction
() yes
- d. Abandoned oil or gas well within 10 feet of new/existing
() yes
- e. Readily observable evidence of slush pits
() yes
- f. Excessive noise or hazard from heavy traffic area
() yes
- g. New/proposed construction in airport clear zone
() yes
- h. High-pressure gas or petroleum lines within 10 feet of property
() yes
- i. Overhead high voltage transmission lines within engineering (designed) fall distance
() yes
- j. Excessive hazard from smoke, fumes, offensive noises or odors
() yes
- k. New/proposed construction in Special Flood Hazard Areas without LOMA or LOMR
() yes
- l. Stationary storage tanks with more than 1000 gallons of flammable or explosive material.
() yes

PROPERTY CONSIDERATIONS

Mark "YES" for any *readily observable* deficiency noted below. Each "YES" constitutes a limiting condition on the appraisal. Each condition requires repair or further inspection. These conditions must be satisfied prior to closing for the mortgage to be eligible for FHA mortgage insurance. Please refer to HUD Handbook 4150.2, Section 3-6 for guidance on HUD's General Acceptability Criteria. Also, refer to the protocol in Appendix D of the Handbook for repair and inspection requirement parameters.

VC-2 SOIL CONTAMINATION

Check the appropriate response for evidence of environmental contamination

Provide a description of yes responses on Page 4:

- a. On-site septic shows observable evidence of system failure
() yes () no
- b. Surface evidence of an Underground Storage Tank (UST)
() yes () no
- c. Proximity to dumps, landfills, industrial sites or other locations that could contain hazardous materials
() yes () no
- d. Presence of pools of liquid, pits, ponds, lagoons, stressed vegetation, stained soils or pavement, drums or odors
() yes () no

VC-3 GRADING AND DRAINAGE

Check the appropriate response for evidence of topographical problems.

Provide a description of yes responses on Page 4:

- a. Grading does not provide positive drainage from structure
() yes () no
- b. Standing water proximate to structure
() yes () no

VC-4 WELL, INDIVIDUAL WATER SUPPLY AND SEPTIC

Check the appropriate response with regard to individual wells and septic system.

Provide a description of yes responses on Page 4:

- a. Property lacks connection to public water*
() yes () no
- b. Property lacks connection to a public/community sewer system
() yes () no

*Lender will require water testing for "yes" response.

NOTE: Connection should be made to public or community water/sewage disposal system. Estimate distance to sewer or water hook-up and whether hook-up is practical.

VC-5 WOOD DESTROYING INSECTS

Check the appropriate response for evidence of wood infestation

Provide a description of yes responses on Page 4:

- a. Structure and accessory buildings are ground level and/or wood is touching ground
() yes () no
- b. The house and/or other structures within the legal boundaries of the property show obvious evidence of active termite infestation
() yes () no

VC-6 Private Road Access And Maintenance

Check the appropriate response for evidence of Private Road Access and maintenance problems.

Provide a description of yes responses on Page 4:

- a. Property inaccessible by foot or vehicle
() yes () no
- b. Property accessible only by a private road or drive*
() yes () no
- c. Property is not provided with an all-weather surface (gravel is acceptable).
() yes () no

*In all cases where a private road exists, submit evidence that _____
(name of road)

is protected by a permanent recorded easement (non-exclusive, non-revocable roadway, driveway easement without trespass from the property to a public street/road) and that there is an acceptable maintenance agreement recorded on the property.

Provide a detailed description of the road's condition:

VC-7 STRUCTURAL CONDITIONS

Check the appropriate response for evidence of structural condition problems.

Provide a description of yes responses on Page 4:

Floor Support Systems

- a. Significant cracks
() yes () no
- b. Evidence of water/leakage or damage
() yes () no
- c. Rodent Infestation
() yes () no

Framing/Walls/Ceiling

- d. Significant cracks
() yes () no
- e. Visible holes in exposed areas that could effect structure
() yes () no
- f. Significant water damage
() yes () no

Attic

- g. Evidence of holes
() yes () no
- h. Support structure not intact or damaged
() yes () no
- i. Significant water damage visible from interior
() yes () no
- j. No ventilation by vent, fan or window
() yes () no

VC-8 FOUNDATION

(Appraiser must have full access to these areas)
Check the appropriate response for evidence of foundation/basement or crawl space problems.

Provide a description of yes responses on Page 4:

Foundation/Basement

- a. Inadequate access
() yes () no
- b. Evidence of significant water damage
() yes () no
- c. Significant cracks or erosion in exposed areas that could effect structural soundness

() yes () no

Crawl Space

- d. Inadequate Access
() yes () no
- e. Space inadequate for maintenance and repair (<18 inches)
() yes () no
- f. Support beams not intact
() yes () no
- g. Excessive dampness or ponding of water
() yes () no

VC-9 ROOFING

Check the appropriate response for evidence of all roofing problems

Provide a description of yes responses on Page 4:

- a. Does not cover entire house
() yes () no
- b. Evidence of deterioration of roofing materials
() yes () no
- c. Roof life less than two years*
() yes () no
- d. Holes
() yes () no
- e. Signs of leakage observable from ground (i.e., missing tiles)
() yes () no
- f. Flat Roof**
() yes () no

*HUD/FHA requires that the roof have at least 2 years remaining life. If the roof has less than 2 years remaining life, then the appraiser must call for re-roofing or repair. The condition must clearly state whether the subject is to be repaired or re-roofed. FHA will accept a maximum of 3 layers of existing roofing. If more than 2 layers exist and repair is necessary, then all old roofing must be removed as part of the re-roofing.

**All flat roofs require inspection.

VC-10 MECHANICAL SYSTEMS

(All utilities must be turned on at time of appraisal, if possible)

Check the appropriate response for evidence of mechanical system problems.

Provide a description of yes responses on Page 4:

Furnace/Heating System

- a. Unit does not turn 'On'
() yes () no
- b. Warm air is not emitted
() yes () no
- c. Unusual or irregular noises are heard
() yes () no
- d. Smoke or irregular smell is emitted
() yes () no
- e. Unit shuts down prior to reaching desired temperature
() yes () no
- f. Significant holes or deterioration on the unit(s)
() yes () no

Air Conditioning (central)

- g. Unit does not turn 'On'
() yes () no
- h. Cold air is not emitted
() yes () no
- i. Irregular noises are heard
() yes () no
- j. Smoke or irregular smell is emitted
() yes () no

- k. Unit shuts down prior to reaching desired temperature
() yes () no
- l. Significant holes or deterioration on the unit(s)
() yes () no

Electrical System

- m. Electrical switches do not turn 'on' or 'off' (check representative sample)
() yes () no
- n. Outlets do not function (check representative sample)
() yes () no
- o. Presence of sparks or smoke from outlet(s)
() yes () no
- p. Exposed wiring visible in living areas
() yes () no
- q. Frayed wiring
() yes () no

Plumbing System

Toilet

- r. Toilets do not function
() yes () no
- s. Presence of leak(s)
() yes () no

Leaks

- t. Structural damage under fixtures
() yes () no
- u. Puddles present
() yes () no

Sewer System

- v. Observable surface evidence of malfunction
() yes () no

Sinks

- w. Basin or pipes leak
() yes () no
- x. Water does not run
() yes () no

Water

- y. Significant drop or limitation in pressure
() yes () no
- z. No hot water
() yes () no

VC-11 OTHER HEALTH AND SAFETY DEFICIENCIES

Check the appropriate response for evidence of health and safety deficiencies.

Provide a description of yes responses on Page 4:

- a. Multiple Broken windows
() yes () no
- b. Broken or missing exterior stairs
() yes () no
- c. Broken or missing exterior doors
() yes () no
- d. Inadequate/blocked entrances or exits
() yes () no
- e. Steps without handrails
() yes () no
- f. The mechanical garage door does not reverse or stop when meeting reasonable resistance during closing
() yes () no
- g. Please identify location of all health and/or safety deficiencies, and note others not included in this or any other VC on the comment page

VC-12 LEAD BASED PAINT HAZARD

For any home built prior to 1978, check for evidence of defective paint surfaces, including: peeling, scaling or chipping paint.

Provide a description of yes responses on Page 4:

- a. Evidence on interior
() yes () no
- b. Evidence on exterior
() yes () no
Year built _____

If the home was built before 1978, this may indicate a lead paint hazard. For all FHA insured properties, the seller is required to correct all defective paint in or on dwelling units built before January 1, 1978 in accordance with 24 CFR Part 35.

VC-13 CONDOMINIUMS AND PLANNED UNIT DEVELOPMENTS (PUD)

Provide a description of yes responses on Page 4:

- a. This project is not on FHA's approval list
() yes () no
The property does not meet owner-occupancy standards
() yes () no
This property does not meet completion standards
() yes () no

ADDENDA

A. Provide the current full/market assessed value:

\$ _____

B. Provide a summary of estimated repair costs:

\$ _____

Please attach any additional information/reports and give number of attached pages.

Public reporting burden for the collection of information is estimated to average 30 minutes to complete the Comprehensive Valuation Package. This includes the time for reviewing the associated Handbook and reporting the data. This does not include the requisite market research or the appraisal process. This agency may not collect this information, and you are not required to complete this form unless it displays a currently valid OMB control number.

Privacy Act Notice: This information is required for the U.S. Department of Housing and Urban Development to endorse a single family mortgage and is used for underwriting purposes. The collection of this information is necessary to comply with HUD's Home Buyer Protection Plan. The information may be made available to a federal agency for review. This information is not confidential and will be made available to the public.

Homebuyer Protection Plan - Frequently Asked Questions

FAQ Section: For Your Protection: Get a Home Inspection Form

1. When is the use of the form "For Your Protection: Get a Home Inspection" mandatory?
The form is mandatory for loans with case numbers ordered on or after August 1, 1999, excluding refinance transactions and HECM's.
2. If "For Your Protection: Get a Home Inspection" is required to be signed before or on the date the borrower signs a contract, why are lenders required to provide this disclosure?
The lender is ultimately responsible to ensure compliance with this requirement on cases to be submitted for HUD mortgage insurance.
3. Both the Homebuyer Summary form and the For Your Protection: Get a Home Inspection form refer to homebuyers. Will either of these forms be required documentation for a HECM Reverse Mortgage Loan (Sec 255) since this loan type is a refinance of owner occupied property?
The Homebuyer Summary form is required for HECM loans, while the "For Your Protection:" form is not.
4. Which Disclosure is the new "For your Protection:" replacing?
Please refer to Mortgagee Letter 99-18. It has replaced "Importance of Home Inspections" found in Mortgagee Letter 96-67.
5. As the "For Your Protection: Get a Home Inspection" notice is to be signed at or before the contract date, what is the required date of notification when an offer to purchase was originally subject to conventional financing and then the requested financing type changes from Conventional to FHA?
Your responsibility is no different than it has been in the past. The new form is part of the FHA financing package and must be signed on or before the contract date. The sales contract must be re-executed if necessary (per Mortgagee Letter 99-18).
6. Must the purchase contract be "re-executed" when the "For Your Protection:" disclosure is not executed prior to or at the signing of the contract, or can the buyers and sellers sign an Amendment to the contract acknowledging that this was not provided to them prior to signing the contract but they have chosen to continue the transaction anyway?
Amendments are not acceptable, but a properly completed modified contract will be acceptable. This includes the same contract re-dated and initialed.
7. We, the lender, are not a part of the Purchase agreement, so how do we enforce the "For your Protection:" form being executed when it should be?
If the Realtor does not complete this, the lender must have the borrowers sign the form upon application and re-execute the sales contract. It becomes part of the FHA Case Binder.
8. Why is there a space on the "For Your Protection:" form for the seller's name and property address, when many buyers will be signing this form at a pre-approval application and the form clearly indicates with the last statement that the form is to be signed prior to signing a contract on a house?
Although the pre-approval process is an excellent idea for a buyer/borrower to know how much "house" they can afford, it is not part of the typical purchasing process. This new required process assists the buyer in making an informed decision.
9. Will you accept a facsimile signature on the "For Your Protection: Get a Home Inspection" form?
Yes, but obtain the original for your file, when possible.
10. Can the lender accept a certified copy of the "For Your Protection: Get a Home Inspection" form (in cases where Realtors have already made the disclosure)?
Yes, but it does not need to be a certified copy.

Homebuyer Protection Plan - Frequently Asked Questions

11. What is the order in which the new forms should be placed in the FHA case binder?

The order is as follows, top to bottom: For Your Protection, URAR, VC Form, Homebuyer Summary.

12. When HUD is the seller (HUD REO), will the "For Your Protection:" disclosure be required?

Yes.

13. On REO sales, will HUD agree to re-execute purchase agreements when the "For Your Protection:" form was not signed by the borrower prior to or on the date that the original purchase agreement was signed?

Yes.

FAQ Section: Homebuyer Summary

1. When is the use of the Homebuyer Summary form mandatory?

The Homebuyer Summary is mandatory for loans with case numbers ordered on or after September 10, 1999.

2. What is the purpose of delaying closing 5 days from the date that the borrowers signature is obtained on the Homebuyer Summary? There will be circumstances in which this 5 day requirement will create a hardship for the borrower (e.g., lock expirations, multiple closings scheduled that are contingent on the closing of the subject property, etc.)

The purpose of the notice is to provide timely information to the buyer for repairs to be completed. If the repairs have been completed, the buyer may waive the five-day requirement, in writing.

3. Does the 5 business days prior to closing restriction, on transactions with applicable repairs, apply to actual day of closing or date of disbursement for those states that are escrow closing states?

The date of closing will be considered to be the date on the HUD-1.

4. In calculating the 5-day requirement for the Homebuyer Summary, can Saturday can be considered a business day if your office is typically open on a Saturday? Will there be any written clarification of this?

If a Saturday is a normal business day for your local office, then it can be included in the five days. This will be addressed in writing via an errata to the Handbook or a Mortgage Letter.

5. If a loan is approved subject to an appraisal and the appraisal is not completed until a couple of days prior to closing, does the settlement need to be rescheduled because it is less than five days before closing?

Yes, unless the repairs are completed and the buyer agrees, in writing, to waive the five-day requirement. To ensure that late arriving appraisals do not delay settlement dates, HUD recommends ordering the appraisal earlier.

6. Define borrowers' receipt of the Homebuyer Summary at least 5 business days prior to closing. If the lender mails the Homebuyer Summary 8 business prior closing, is the requirement met?

The borrower must RECEIVE and sign the form 5 days prior to closing. Saturday can be included in the 5-day calculation if it is considered a normal business day for the lender. Sunday may not be included in the calculation.

7. Do all borrowers need to sign the Homebuyer Summary? If the homebuyers sign on different dates, which date is to be used to meet the 5-business day requirement?

Yes, all borrowers are required to sign the form. The date of the last signature controls and is the date on which the 5-business day requirement is calculated.

Homebuyer Protection Plan - Frequently Asked Questions

8. If there are no repairs per the Homebuyer Summary sheet, can the loan close in less than the five days?
The homebuyer is required to sign the Homebuyer Summary at least 5 days before closing, regardless of the number of repairs. The borrower can choose to waive this requirement in writing.

9. Does the 5-day requirement relating to the Homebuyer Summary apply to refinances?
Yes, on refinances from conventional financing to FHA and on cash-out FHA to FHA refinances. The lender must ensure that the appraiser is fully informed on the type of appraisal that is being ordered. Appraisers may routinely wish to complete both the VC Form and the Homebuyer Summary.

10. Does the 5-day requirement for the Homebuyer Summary apply to streamline refinances with appraisals?
No. On streamline refinances with appraisals, all that is required is the VC form, not the Homebuyer Summary. Although FHA does not require repairs (except for lead based paint repairs) on streamline refinances with appraisals, the lender may require completion of repairs as a condition of the appraisal.

11. Instead of creating more paperwork with a new disclosure, wouldn't it be more practical for lenders to provide homebuyers with a copy of the URAR and the VC sheet?
No. The Homebuyer Summary was created to summarize and simplify the conclusions of those forms for the buyer.

12. Is there any discussion with the National Association of Realtors to incorporate the new Homebuyer Summary form into the standard purchase agreement form?
No. It is important that this form be a separate document, so that the homebuyer is fully aware of the information.

13. Is the sponsoring lender responsible for sending the Homebuyer Summary to the borrower or is the correspondent who originated the loan responsible?
The sponsoring lender has the responsibility to assure that the case binder is complete and the homebuyer has received the form on the correct date.

14. We received two different Homebuyer Summary forms. The forms are identical, except that one requires the underwriter's name and signature and the other does not. Which is correct?
The correct form is the one without the underwriter's name that contains the five day notice section. The other form (with the underwriter's signature) was a draft released for comments on the Internet. Based upon the comments that were received, the form was modified. The correct version is now provided on the HUD Web site at HUDClips.org.

15. Is the Homebuyer Summary form required for existing properties (over one year old)?
Yes. The form is also required for existing properties less than one year old. The form is not required for proposed construction and properties under construction.

16. Should the Homebuyer Summary reflect only items needing repair, or should it also reflect certifications that may be required (termite inspections, well tests, septic certifications, etc.)?
The Homebuyer Summary should reflect ALL conditions noted on the VC sheet; if none, the appraiser should so state.

17. If there are no repairs or conditions, is the Homebuyer Summary sheet still required?
Yes.

18. Can a Direct Endorsement Underwriter modify the Homebuyer Summary if the appraiser leaves something out?
No. The DE underwriter should go back to the appraiser and have him/her correct the missing item.

Homebuyer Protection Plan - Frequently Asked Questions

FAQ Section: Appraisal Exam

1. Will there be a test required for appraisers to perform FHA appraisals?

Yes, the examination is a competency-based exam and began July 1, 1999.

2. How will lenders be able to recognize that appraisers are approved under the new program when ordering case numbers?

HUD has a list of existing appraisers found on the lender's FHA connection. New appraisers must go through an application process (complete Form HUD-92563, "Fee or Roster Designation - Application for Fee Personnel Designation") and pass a national FHA exam in order to be placed on the Roster. Existing FHA Roster appraisers must also, re-submit a completed Form HUD-92563 and pass the exam by 2/1/00 in order to stay on the FHA Roster.

3. To be a registered appraiser, where do appraisers go to complete the new testing, and will they then be issued CHUMS Identification Numbers as in the past?

There are multiple testing centers (Sylvan Testing) in each state. All of the information for testing is available on the REAC web site at www.hud.gov/reac/reasfappr.html Appraisers will not receive CHUMS Identification Numbers, and HUD will not issue letters to individual appraisers notifying them that they have been placed on the Lender Selection Roster or that CHUMS has updated their license information (Mortgagee Letter 99-28).

4. How do underwriters know if an appraiser has passed the exam?

HUD will continue to maintain the FHA Roster and will approve only those appraisers who have passed the exam. Current Roster appraisers who have not successfully completed the exam by February 1, 2000 will be deleted from the roster. Lenders can ascertain an appraiser's Roster status through the FHA Connection.

FAQ Section: Valuation Conditions

1. When is the new VC sheet effective?

Use of the new VC sheet is mandatory for loans with case numbers ordered on or after September 10, 1999. Please read the Mortgagee Letters 99-18 and 99-22.

2. Can a Homeownership Center or one of the HUD field offices waive the use of the new VC sheet and allow a lender to use the current version of the National VC sheet after September 10?

No. Use of all forms will be mandatory for case numbers ordered on or after September 10, 1999.

3. The underwriters are no longer able to waive conditions noted on the valuation condition sheet. What specific items can be addressed or altered by the underwriter, or can any?

Underwriters are permitted to waive cosmetic repairs; however, the VC should contain only those repairs required to satisfy HUD's Minimum Property Requirements. Repair items can be satisfied by inspection only. Complete information is provided in Mortgage Letter 99-18.

4. We're concerned that a completed VC form will be interpreted by some in the home purchase process as being equivalent to a Home Inspection. What measures are in place to ensure this will not happen? What role can the Lender play here?

The VC Form is for use by lenders and will not typically be issued to the borrower(s). Purchasers are provided with the Homebuyer Summary form which specifically provides them with a summary of the observations of an appraiser who visited the property, plus reminds them that an appraisal is different from a home inspection. The Lender's role is to ensure that the borrower(s) understand the Homebuyer Summary form and acknowledges receipt of the form. Also, Form HUD-92564-CN "For Your Protection: Get a Home Inspection is presented to the borrower(s) and signed on or before the contract is executed.

Homebuyer Protection Plan - Frequently Asked Questions

5. Please explain how the expanded VC sheet is not a home inspection by the appraiser. Many of the areas have typically been inspected by the appropriate licensed agencies and require specific expertise. Will appraisers be held responsible for incorrect conclusions, as a home inspection is not an integral part of the valuation process?

FHA requires “as repaired” appraisals. The VC form simply outlines readily observable conditions of necessary repairs to preserve the continued marketability of the property, protect the health and safety of the occupants and protect the security of the property. This is not a change from past practices, so there has been no change in the liability of the appraiser.

6. Prior to this change, HUD had backed away from detailed minimum property standards in favor of a "safety and soundness" view toward financed properties. We are particularly concerned with the change in direction of HUD for a number of reasons, primarily "What is our liability as a lender under the new guidelines?" The VC sheet is somewhat vague, and places too much responsibility upon our DE Underwriters, or so it seems, to interpret what the appraiser is seeing and determine appropriate remedies. This would seem to be beyond the scope of what a DE Underwriter should be expected to know, and there is too much liability on the lender from the risk of not understanding how to address VC items.

Liability is no different now than it was with the previous VC sheet. Lenders always have had the responsibility to determine compliance with Minimum Property Requirements/Standards. The VC form provides the underwriter with the information necessary to determine if any additional repair requirements are necessary.

7. Does the appraiser or underwriter determine what type of certification or work needs to be completed on items marked yes by an appraiser?

Potential repair and condition items are noted by the appraiser, but the lender must make the final determination as to how the potential repairs and conditions are satisfied.

8. The VC Form states that, upon completion of repairs, documentation must be provided showing that all deficiencies have been acceptably corrected. Does this mean that, along with the compliance inspection stating repairs have been done, we also need to get some type of evidence from the individual who completed the work (i.e. home inspector, licensed trades person, etc.)?

This is not in addition to the compliance inspection. The lender may choose the appraiser, a fee inspector, a trades person or any other individual to determine that repairs have been completed, as long as the person making the inspection is qualified to clear the item.

9. Can an appraiser do a compliance inspection?

Yes, if it is within the appraiser’s scope.

10. May the lender ever do the repair inspection?

The lender may do the Compliance Inspection, as long as the person making the inspection is qualified to clear the item.

11. If the lender does the repair inspection, is the lender required to complete the Compliance Inspection Report (92051)? If so, does the DE Underwriter complete the form alone? If the 92051 is not required, is the lender inspection required to be signed by the DE Underwriter?

The Compliance Inspection Report must be completed by the individual that performed the inspection. In addition to the signature of the inspector, the DE Underwriter would sign the form in Section III when and where appropriate.

12. Please describe some repair items that would qualify for an escrow holdback.

Two examples: exterior paint (in cold weather) and landscaping (when weather does not permit).

13. Since the appraisal consists of the URAR, VC sheet and the Homebuyer Summary, do the borrowers receive a copy of the URAR and the VC sheets as well as the Homebuyer Summary?

The lender must give the borrowers a copy of the Homebuyer Summary. The other forms must be provided to the borrowers upon request.

Homebuyer Protection Plan - Frequently Asked Questions

14. Is the VC form required for existing properties (over one year old)?

Yes. The form is also required for existing properties less than one year old. The form is not required for proposed construction and properties under construction.

15. Is a VC sheet required on a 203(k) case?

A VC form is not required on a 203(k) case. However, if the appraiser identifies repair conditions that were not noted in the Plan review for the 203(k) loan, the appraiser should notify the lender.

16. Why is there a "no" response available in sections VC-2 through VC-13, but not in VC-1?

"Yes" to any VC-1 item may make the property ineligible for FHA financing as the condition cannot be remedied. "Yes" to VC-2 through VC-13 can usually be remedied.

17. Please define "Readily Observable".

Observations made by the appraiser of conditions that are immediately discernible and noticeable during the typical site visit. The appraiser is not required to move furniture, equipment, or cause damage to the property.

18. What is a representative sample?

For multiple identical components such as windows and electrical outlets, one such component per room. For multiple identical exterior components, one such component on each side of the building.

19. Is the full assessed value required by Section A of the Addenda on Page D-34 of the Handbook to be "as repaired"?

No. This is the state's or local jurisdiction's full assessed value before applying any ratio or factor to arrive at property taxes. For most areas of the country this is an "as is" value.

20. Please explain the requirement for a termite inspection.

If the structure is ground level, or if the structure is wood and touches the ground, a termite inspection is required. In those geographic areas which are not susceptible to termite infestation, a termite inspection is not required. However, an appraiser must note any infestation, any damage resulting from previous infestation, repairs due to infestation, or repairs necessary due to infestation.

21. Are termite inspections always required for condos?

For first floor units only. If the unit is on the second floor or above, then a termite inspection is not required.

22. Regarding VC-9, does the flat roof inspection include porches?

Yes, the requirement includes all roofs over all structures on the property. However, flat roofs on condominium projects are covered by the condo's HOA. Nevertheless, the appraiser should always make comments on a project's overall condition.

23. If the a roof cannot be observed because it is snow-covered, what can the lender to do satisfy the condition?

If it is unreasonable to expect the snow to clear within a reasonable amount of time, the appraiser may assess the condition of the roof by observing the roof from the interior. The borrower must be informed that the roof was snow covered at the time of the appraisal and it is acceptable to the purchaser. The lender may also require additional requirements to satisfy this condition.

24. VC-1 indicates that properties located within 300 feet of a stationary storage tank containing more than 100 gallons of flammable or explosive material property are ineligible. It is common to have oil, gas or propane tanks for residential heating purposes that are typically in excess of 100 gallons within 300 feet of property (especially with smaller lots). Is there a waiver procedure, or are these homes just ineligible?

HUD has recently changed the storage tank size (increased to 1000 gallons).

Homebuyer Protection Plan - Frequently Asked Questions

25. Please address the eligibility of properties located within 300 feet of a gas station.

This would not necessarily render the property unacceptable. The DE Underwriter is required to provide a written disclosure to the borrower that the property is located within 300 feet of a gas station.

26. Please clarify VC6 Private Road - "show evidence access is protected by a permanent recorded easement". Will the ALTA policy suffice?

The title search should reveal recorded easements. However, it is the DE Underwriter's responsibility to determine if the title policy shows sufficient evidence of a permanent recorded easement.

27. Is there a requirement for smoke detectors?

Although FHA strongly recommends them, smoke detectors are not a nationwide HUD requirement at this time. The 203(k) rehabilitation program requires that smoke detectors be installed adjacent to sleeping areas.

28. Page 2-1-C of the Handbook states that, if a dwelling is less than 2 years old, the appraiser must indicate the year and month the home was completed. Please define the term "completed" and explain why this information is necessary.

The purpose of this provision is for the application of the Cost Approach. The Handbook requirement will be reduced from two years to "less than one (1) year old." "Complete" is defined as 100 percent complete and nothing needs to be done.

29. Many properties will be ineligible for FHA financing under the guideline for overhead high-voltage transmission lines because they are located within the fall distance of a radio or TV cable tower or satellite dish. Is there anything the lender can do to render these properties eligible for insurance?

The DE Underwriter may obtain a certification from the appropriate utility company or local regulatory agency that the property conforms to local standards and is safe.

30. Page 2-10 of the Handbook states that low voltage power lines may not pass over any structure on the property. Please define the term "structure."

"Structure" is limited to the primary living unit. Should the appraiser indicate that the lines pass the structures, the lender can mitigate the adverse condition. If this situation arises, the power lines can be removed or repositioned if there is a safety issue.

31. Are appraisers competent to assess whether offensive noises and odors threaten the health and safety of the occupants of a property?

Section 2-2K will be modified to reflect that the appraiser should review any nuisance and take it into consideration in the market analysis, making adjustments if appropriate. The appraiser should document the appraisal report, as necessary.

32. Regarding Section 3-1 of the Handbook, are black and white photographs acceptable?

Yes, black and white laser printed copies of photographs as well as photographs produced by digitized cameras which are of adequate size and clarity are acceptable.

33. If the appraiser is unable to take the required photographs to show the front, rear and sides of the property because of shrubbery, topography, etc., what should he do?

The appraiser should make every attempt to take the required photographs. If not possible, the appraiser should so state on the appraisal report.

34. Please explain Section 3-3B, Basement Bedrooms/Basement Apartments.

The information reflected in this section has been provided to assist the appraiser in determining whether or not the lower level of a dwelling should be considered as "above grade" or "below grade." If the lower level does not substantially meet the standards set forth in this paragraph, the lower level

Homebuyer Protection Plan - Frequently Asked Questions

is considered below grade and cannot be counted as habitable space. However, it may be considered as finished space of a lesser contributory value due to diminished utility.

35. Is it the appraiser's responsibility to determine the feasibility of connecting to public or community water and/or sewage systems?

If the property has private water and/or sewage systems, the appraiser will annotate the VC form (VC-4 as appropriate). It is the lender's responsibility to determine the feasibility/reasonableness of the connection cost. The appraiser should provide the lender with information about the location of public or community systems (e.g., the public water line is available directly in front of the subject property; or the public system is located approximately 100 feet from the property, but there are protected wetlands between the subject and the public system) .

36. If the appraiser does not know the location of the private well or septic tank drainfield, how can the distance between them be documented?

If the appraiser is unable to make the determination, a condition requirement will be made on the VC form. The DE Underwriter can clear the condition by obtaining satisfactory evidence from a qualified party that the distance requirements (between the two systems, and between the systems and the property line) have been met.

37. Section 3-6A-5 indicates that cisterns are not acceptable. Are there any exceptions to this?

Yes, the HOCs have the authority to consider case-by-case waivers in areas where cisterns are typical. The lender contacts the HOC (that has jurisdiction over the property) for waiver procedures.

38. Section 3-6A-11 indicates that the crawl space must be 18" - is this the distance from the bottom of the joists or from the sub-floor? Please clarify "Enter"?

The Handbook will be clarified, as follows: "The minimum distance is 18 inches from the bottom of the joists." This distance is highly recommended but not mandated. The appraiser will enter the crawl space (at a minimum entry of the head and shoulders) to observe conditions except when access is obstructed, or when entry could damage the property or when dangerous and adverse situations are suspected. In any event, the crawl space size and accessibility dictates the level of entry. However, the appraiser will visually examine the crawl space for inadequacies (see HUD HB 4150.2 Chapter 3-6 A. 11 and Protocol for VC-8).

ATTIC: The attic must be examined whether access is by pull-down stairway or scuttle. At a minimum head and shoulders entry. However, size and accessibility dictates the level of entry. The requirement to examine the crawl space and attic is not a new requirement nor has the requirement changed.

39. Are vapor barriers required in crawl spaces?

Typically no; however, if moisture problems are evident, a vapor barrier should be required.

40. Section 3-6A-14 of the Handbook requires that the heating system must be able to maintain 50 degrees in all areas containing plumbing systems and that the system must be installed in accordance with the manufacturer's recommendations. How will the appraiser know that this?

This requirement pertains only to dwellings that use wood-burning stoves or solar systems. If the appraiser is unable to make the necessary determinations, he/she should so state on the VC form by making a condition requirement. The lender may obtain a certification from a qualified firm that the system is properly installed to clear the condition requirement.

41. Regarding Section 3-6A-16, when is a handrail necessary?

Usually three or more risers. However, if a situation poses a safety issue for the occupants, a condition requirement should be made regardless of the number of risers.

Homebuyer Protection Plan - Frequently Asked Questions

42. Please clarify the requirements for lead-based paint repairs on condominium units.

The lead-based paint requirements relate only to the unit being appraised, not to the entire project. Section 3-6A-17 of the Handbook will be revised to reflect this correction. However, the appraiser should always comment on the overall condition of the condominium project.

43. Regarding Section 3-6B-6, Bedroom Egress, what does the term “adequate” mean?

The paragraph will be revised as follows:

Occupants of a bedroom must be able to get outside the home if there is a fire. If an enclosed patio (solid walls) covers the bedroom window, it is possible that the bedroom won't qualify as a habitable bedroom.

44. In Section 4-5E, the construction ratings do not coincide with other agencies, such as FNMA and FHLMC, or Marshall and Swift. Will this be changed in the future?

The reference to “fair” construction quality will be removed from the handbook in order to bring HUD's construction ratings in line with those of FNMA, FHLMC and Marshall and Swift.

45. Why can't appraisers use comparables over 12 months old, especially in rural areas where it is difficult to obtain comparables that are more recent?

For FHA purposes, a sale over 12 months old is not acceptable as a comparable. The appraiser should go to a competing neighborhood; however, an older sale may be used as a fourth or fifth comparable sale to supplement the three comparables to demonstrate market trends or marketability. For the three comparables, however, the search must be sufficient to capture comparables from the past 12 months.

46. Can you explain how the appraiser is to handle financing concessions?

HUD requires a cash-equivalency analysis for each sale, and the appraiser must adjust for all sales concessions. There should be a downward adjustment, but not necessarily a dollar-for-dollar adjustment. The appraiser should take into consideration the market and what is typical, and address those issues on the URAR. The appraiser must have positive verification of concessions before making any adjustments.

47. Section 8-1 on Manufacturing Homes requires that an inspection by a State Administrative agency be required when the appraiser observes changes to the original home. If the Manufactured Home has an addition, and there is no local agency to inspect such homes, are there alternatives to rejecting the property?

The lender can obtain an engineer's report indicating that the structural changes or additions to the property were made in accordance with the HUD Manufactured Home Construction and Safety Standards, instead of rejecting the property.

48. On Page D-9, Room Grid, appraisers are instructed to enter the appropriate square footage for each designated room area. Is this correct?

No. The Handbook will be revised to reflect “enter the appropriate number for each designated room area.”

49. On Page D-29, VC-7, as you referring to FRT sheathing?

Yes, this is a typographic error and will be corrected.

50. Regarding VC-11, if an older garage door opener does not have the automatic reverse feature and/or does not stop when met with resistance, must the appraiser require that a new opener be installed?

Yes. For safety reasons, all garage door openers must have one of these features in working condition, or the opener must be replaced.

51. VC-11 references multiple broken windows. What if there is only one window broken?

All broken windows should be repaired or replaced, as necessary.

Homebuyer Protection Plan - Frequently Asked Questions

52. Page D-33, VC-13 indicates that the property does not meet completion standards if the completion rate is less than 2/3. What does this mean?

This item will be removed from the Handbook and VC form.

53. In the Glossary of Terms, does the term “Dangerous or Adverse Situations” refer to the property being appraised or the performance of the appraiser?

This definition is intended to refer to the property only. It is not intended to refer to the appraiser.

The definition will be revised in the Handbook as follows:

Situations that pose a threat of injury to the homeowner or occupant(s) and/or require the use of special protective clothing or safety equipment on the part of the homeowner or occupant(s).

54. Who performs the final inspection on properties “under construction” or “existing less than one year old”?

If the property is under construction and not 100% complete, the appraiser will perform the appraisal, complete the URAR and all necessary exhibits, and require a final inspection. The final may be completed by a fee panel inspector or the HUD approved local jurisdiction or equivalent and Form HUD-92051, Compliance Inspection Report is required. If the property is 100% complete, the appraiser performs the appraisal and completes the URAR and all necessary exhibits. In this instance, the appraisal serves as the final inspection and Form HUD-92051, Compliance Inspection Report, is not required. For detail guidance see HUD HB 4145.1 REV-2 Change 1, Paragraph 6-3, pages. 6-16 and 6-17. However, in all cases, if the appraiser does not have the plans, specifications and construction documents as well as a completed builder’s certification at the time the appraisal is to be performed, the appraiser may not complete the appraisal until this documentation is made available.

FAQ Section: Lender Issues

1. Section 1-2 Section C. Communication with appraisers: The Handbook says that HUD advises the appraiser to only talk to the DE Underwriter about an appraisal before it is completed. Also, no other person should talk to the appraiser. This seems to be a bit impractical. A lot of times the appraiser has small problems that wouldn't even have anything to do with the DE Underwriter. Does this mean that after a sponsored mortgage broker i.e. lender, orders an appraisal, we are not supposed to talk to the appraiser until it is received? A lot of times, an appraiser will call just to let us know a property isn't going to work, can't find comparable, etc. Are we not to have that kind of relationship with the appraisers anymore?

No one but the underwriter is to discuss the VALUE with the appraiser until the appraisal is completed. The appraiser can discuss the physical characteristics or schedule an appointment with the seller or their representative. Consistent with FIRREA, the appraiser may not discuss the value with anyone else but the client. The client is the lender.

2. Will there be revisions to Handbook 4150-2 coming out with changes already made?

FHA will update the handbook as necessary.

3. Will appraisers be able to charge a higher fee for the increased reporting requirements?

It is the Department’s position that appraisal fees should not increase as a result of the recent changes. The appraisal process for HUD has remained largely unchanged. The new forms only require confirmation of pre-existing requirements already contained in MPR.

4. Our appraisers are stating at least 1-2 hours more work and the requirement that they inspect under the house and crawl in the attic for visual inspections is going to substantially increase the cost to the consumer of FHA appraisals. How do I address?

The reporting requirements have not changed. The appraiser has always been required to enter both the attic and crawl spaces to observe conditions.

Homebuyer Protection Plan - Frequently Asked Questions

5. Is the one year warranty going to replace the 10-year Warranty?

No.

6. Why, at a time when the mortgage industry is moving in the opposite direction, relying more on credit scores and less on property valuation, did HUD choose to head in the direction of tighter controls?

HUD has always had Minimum Property Requirements and requires a complete and thorough appraisal.

7. Who will be training the appraisers?

HUD believes the industry groups, professional societies and trade organizations are better prepared to roll-out nationwide training.

8. How will, who will and when will appraisers be removed from the FHA Connection approved appraiser list?

Upon expiration of their appraisal license or certification, failure to pass the FHA appraisal exam by 2/1/00, or through disciplinary action.

9. What are the eight new questions required for CHUMS/case number assignment?

The eight new questions deal with data fields from a completed appraisal. Training materials are scheduled to be posted on the web on October 1, 1999.

10. When will the new CHUMS input be required from all lenders?

On or about November 1, 1999.