



OFFICE OF SINGLE FAMILY HOUSING
FEDERAL HOUSING ADMINISTRATION



Denver Homeownership Center
Appraising for FHA

Last Updated: 2/15/2024

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Disclaimer

The purpose of this presentation is to provide an overview and summation of recent changes to the Federal Housing Administration's (FHA) policy. It introduces and explains official policy issued in Department of Housing and Urban Development (HUD) Handbooks and Mortgagee Letters. If you find a discrepancy between the presentation and Handbooks, Mortgagee Letters, etc., the official policies prevail. Please note the information provided in this training is subject to change.

The information in this document is current as of the October 31, 2023, publication of Handbook 4000.1, *FHA Single Family Housing Policy Handbook*.

Please consult *FHA Single Family Housing Policy Handbook* 4000.1 and Mortgagee Letters through HUD's Client Information Policy Systems (HUDCLIPS) for the most recent updates and current policy.



Welcome

On behalf of the Denver Homeownership Center Training Team, we welcome you today. We ask that you please be considerate of others and follow the requests below.

- Please silence your cell phones.
- If you must answer your phone or text, please step out.



Resources

- *Single Family Housing Policy Handbook 4000.1* (Handbook 4000.1)
 - II. Origination Through Post-Closing/Endorsement
- FHA Single Family Housing Appraisal Report and Data Delivery Guide



Agenda

Part 1: Handbook 4000.1 Policy Updates

Part 2: General Appraiser and Appraisal Reporting

Part 3: Minimum Property Requirements and Standards

Part 4: Preparing the Appraisal

Part 5: Special Appraisal Requirements



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Changes/Clarifications to the Appraisal Policy (cont.)

Multiple Living Units - Single Ownership

- A Property may contain multiple living units under a single Mortgage or ownership (two- to four-family Properties) that utilize common services, such as water, sewer, gas and electricity and is served by one meter in jurisdictions that allow single meter rental properties.
- In such cases, the Appraiser should note a deficiency of MPR or MPS if separate utility service shut-offs are not provided for each living unit.
- Exception: common services such as laundry, storage space or heating, in two- to four-living unit buildings under a single Mortgage.



Changes/Clarifications to the Appraisal Policy (cont.)

Special Airport Hazards

- The Appraiser must identify if the Property is located within a Runway Clear Zone (also known as a Runway Protection Zone) at a civil airport or Clear Zone military airfield and consider the effect of the airport hazards on the marketability when valuing the subject Property.
- For Properties located in an Accident Potential Zone 1 (APZ 1) at military airfields, including New Construction, the Appraiser must report the hazard and consider the effect on the marketability when valuing the subject Property and must require compliance with the Department of Defense (DoD) Guidelines.
- If the Property is New Construction and is located within a Runway Clear Zone (also known as a Runway Protection Zone) at a civil airport or Clear Zone military airfield, the Appraiser must note that the Property is ineligible for FHA insurance and notify the Mortgagee.



Changes/Clarifications to the Appraisal Policy (cont.)

Individual Water Supply System - Well

- Foundation Well: The Appraiser must note the deficiency of MPR or MPS if the subject Property contains a well located within the foundation walls of an existing dwelling, unless there is evidence that:
 - The local jurisdiction recognizes and permits such a location;
 - It is common for the market area; and
 - It does not adversely affect marketability.
- A well located within the foundation walls of a dwelling is not acceptable for New Construction except in arctic or subarctic regions.
- The Appraiser must report when water to a Property is supplied by dug wells, cisterns or holding tanks used in conjunction with water purchased and hauled to the site. The Appraiser must report whether such systems are readily accepted by local market participants.



Changes/Clarifications to the Appraisal Policy (cont.)

Minimum Requirements for a Living Unit

Clarification on Kitchen:

- Kitchen facilities adequate for the preparation and cooking of food. Every living unit must have at least one area with kitchen facilities, which must include, at a minimum, a sink with potable running water **and a stove utility hookup.**



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Appraiser Independence

- Appraiser **MUST** report attempts to influence:

answers@hud.gov, or

800-Call FHA, and

MUST report to HUD OIG Hotline **(800-347-3735)**

- Appraisal Management Companies and Third Parties are **PROHIBITED** from influencing the independence of the Appraiser and the Valuation Process!



Review Process

How does the FHA review process work?

- Targeted, Flagged, or Randomly selected appraisals
 - Algorithm (appraiser, appraisal, property type, program type, etc.)
- Desk Review
 - Risk Assessment (value and property condition)
 - Identify deviation from HUD/FHA requirements & Uniform Standards of Professional Appraisal Practice (USPAP)
- Sometimes referred for field review (significant Errors & Omissions cases)
- Rating Determination – No Action, Disciplinary Actions, and Sanctions



Rating Determination

Disciplinary Actions

- No Action
- Notice of Deficiency
- Education

Disciplinary Sanctions

- FHA Roster Removal
- Limited Denial of Participation (LDP)
- National Debarment
- Civil Money Penalties
- Civil & Criminal Actions
- Multiple sanctions may be pursued concurrently



Appraiser Communication

Discuss appraisal only with the underwriter and FHA

- Obtain a Point Of Contact and Contact Information for the Mortgagee.
- Do not discuss the appraised value, conclusions, or components of the appraisal with anyone other than the Direct Endorsement (DE) underwriter, FHA staff members or their representatives.
- The Appraiser may interact with real estate agents and others during the normal course of business to obtain access to the property, information, and other market data.



Requirements for Reporting: SF Housing Appraisal Report and Data Delivery Guide

SF Housing Appraisal Report and Data Delivery Requirements

Are posted online and supplements the Handbook 4000.1;

Describe line-by-line reporting requirements for the five FHA appraisal report forms;

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

Are used by appraisal software companies to ensure their products comply with FHA requirements.



Acceptable Appraisal Reporting Forms and Protocols – Handbook 4000.1, II.D.3

Appraisal Reporting Format

Property/Assignment Type	Acceptable Reporting Form
Single Family, Detached, Attached or Semi-Detached Residential Property	Fannie Mae Form 1004/Freddie Mac Form 70, Uniform Residential Appraisal Report (URAR); Mortgage Industry Standards Maintenance Organization (MISMO) 2.6 Government-Sponsored Enterprise (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



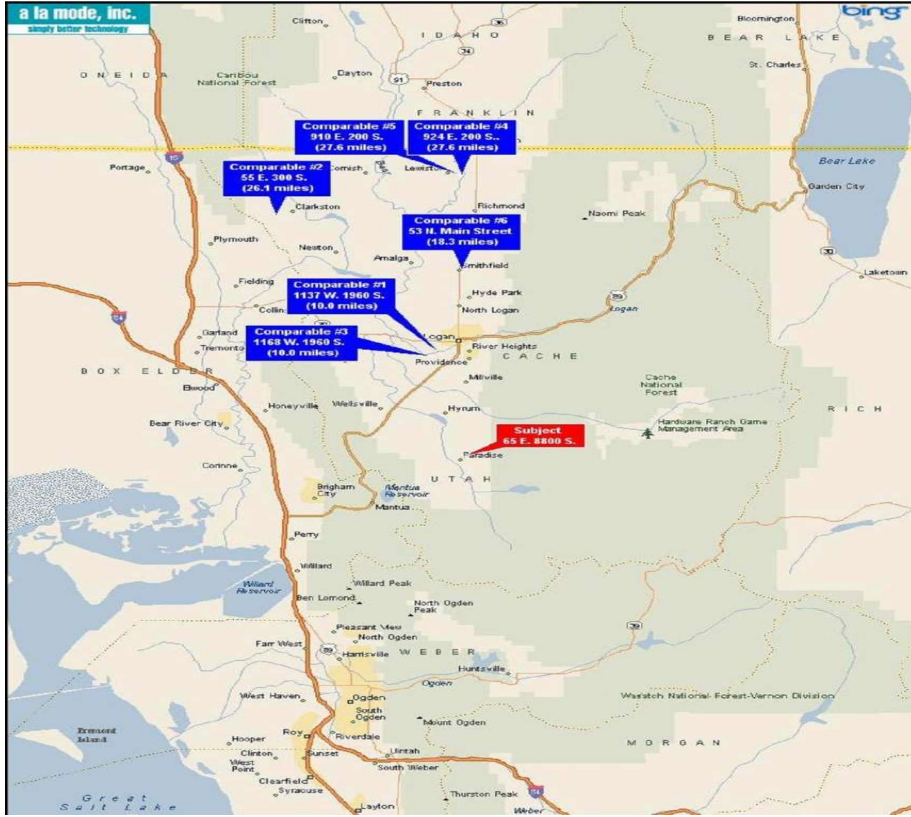
Acceptable Appraisal Reporting Forms and Protocols – Handbook 4000.1, II.D.3 (cont.)

Appraisal Reporting Format

Property/Assignment Type	Acceptable Reporting Form
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.



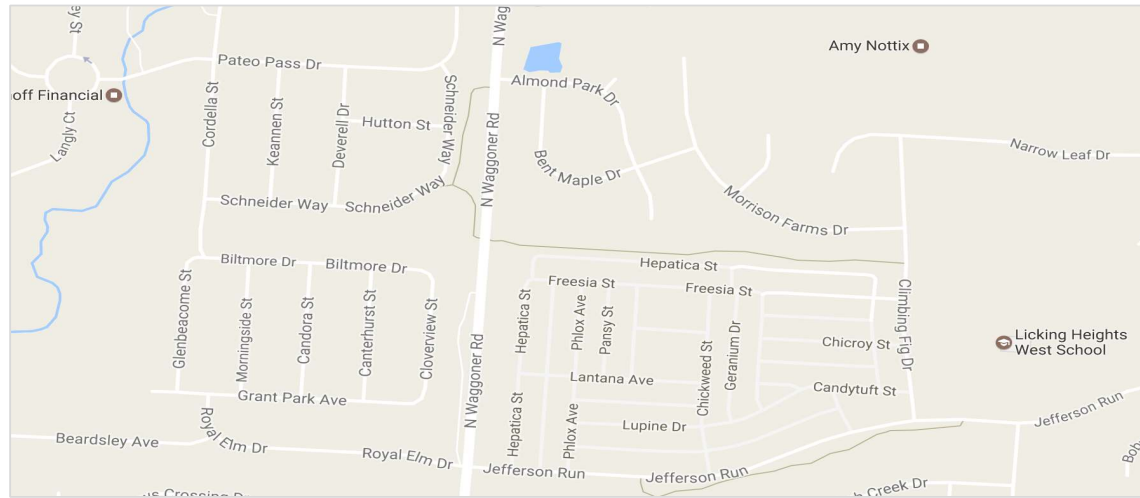
Required Exhibits



Additional maps may be necessary if substantial distance exists.

Map Requirements

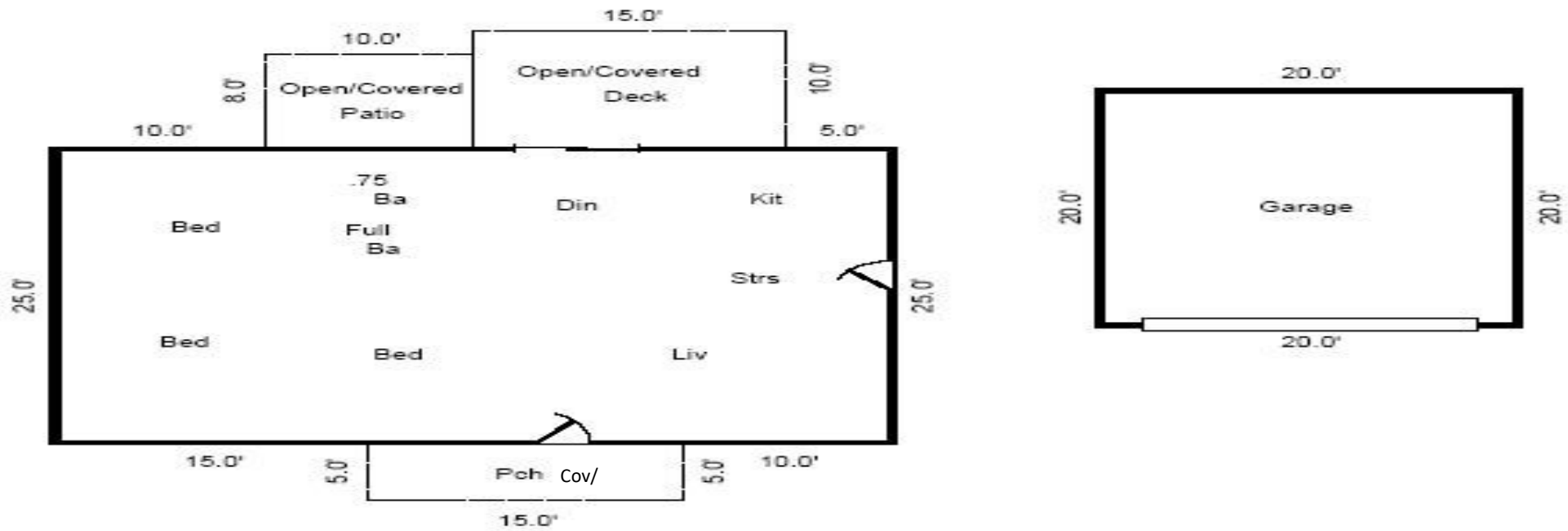
Use a local street map showing Location subject and comparable, proposed roadways, and street names.



Location Map

Required Exhibits - Sketch

Common Deficiency: Failure to include all attachments and outbuildings contributing value.



Photographs

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, include 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, and Pending Sales.	<ul style="list-style-type: none"> • Front view of each comparable utilized • Photographs must be taken at an angle to depict both the front and the side during the required exterior viewing of the comparable from the street 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
View	<ul style="list-style-type: none"> • Photographs of any negative or positive view influences that substantially affect value or marketability



Subject Photographs



Subject front



Subject rear

Comparable Photograph

Long, Private Driveway



Appraiser's comp photo to document compliance



MLS Photo to exhibit conditions at the time of sale

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MPR and MPS

- Minimum Property Requirements (MPR) refer to **general requirements** that all homes insured by FHA be safe, sound, and secure.
- Minimum Property Standards (MPS) refer to **regulatory requirements** relating to the safety, soundness and security of New Construction (Proposed, Under Construction, and Existing Less than One Year).



MPR and MPS Compliance

Existing and New Construction properties must comply with Application of Minimum Property Requirements (MPR) and Minimum Property Standards (MPS), when applicable, by Construction Status.



Determination of Defective Conditions

- The Appraiser must identify defective conditions that require repair to make the Property comply with HUD's MPR/MPS, along with the estimated cost to cure and photographic documentation in the appraisal report.
- If the Appraiser cannot determine that a Property meets HUD's MPR or MPS, an inspection by a qualified individual or entity is required.



Inspections by a Qualified Individual or Entity

The reason for or indication of a particular problem must be given when requiring an inspection of any mechanical system, structural system, etc.

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/cooling);
- Evidence of possible structural failure (e.g., settlement or bulging foundation wall, unsupported floor joists, cracked masonry walls, or foundation);
- Evidence of possible pest infestation;
- Leaking or worn-out roofs;
- Chipped, Peeling, Loose Lead-Based Paint (on homes built prior to 1978); and
- Any other condition that in the professional judgment of the Appraiser warrants inspection.



Site – Overhead Power Lines

- Notify Mortgagee of deficiency of MPR or MPS if:
 - Overhead Electric Power Transmission Lines, or Local Distribution Lines passes directly over any dwelling, structure or related improvement, including pools, spas, or water features.
 - Residential drop lines pass directly over any pool, spa or water feature.
 - Dwelling, or related improvements, are located within an Easement or appear to be located within an unsafe distance of any power line or tower.
- Comment on the effect on marketability resulting from the proximity to such site hazards and nuisances.
- Determine if the guidelines for Encroachments apply.



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.



Property line cannot be within 300 feet of above-ground flammable storage tanks.

Operating/Proposed Oil or Gas Well



- If dwelling is within 75 feet of the site boundary of a proposed or operating well, the appraiser must notify the mortgagee the property is ineligible for FHA insuring.
- The distance is measured from the dwelling to the site boundary.

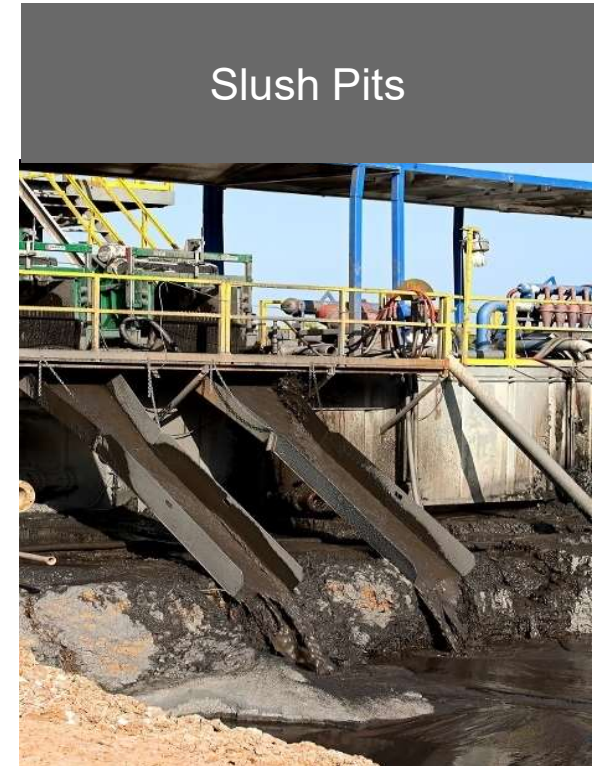
Operating Well



Slush Pits

If a Property is Proposed Construction near an active or abandoned Slush Pit:

- The Appraiser must require a survey to locate the pit; and
- The Mortgagee is to assess any impact on the subject Property.



Abandoned Oil Well



Abandoned Oil Well



Abandoned Oil Well – Not Properly Capped



Site - Notice Anything?



Site - How About Now?



Site - Poor Drainage



Site - Negative Drainage



Site - Site Hazards & Nuisances (cont.)

Excessive noise or hazard from heavy traffic area:

- The Appraiser must analyze and report if close proximity to heavily traveled roadways or railways has an effect on the marketability and value of a site because of excess noise and safety issues.
 - Market acceptance is important; and
 - Quantify effect on marketability and value.



Site - Hazards & Nuisances (cont.)

- The appraiser must identify when the subject dwelling or related improvements are located near a high-pressure gas line.
- Appraiser must determine and report the marketability.
- The appraiser must notify the mortgagee of the deficiency of MPR/MPS if the property boundary is located within 10 feet of the pipeline easement boundary.



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Observing the Site

FHA requires the appraiser to note and comment on all Onsite Hazards and Nuisances affecting the Property and must also provide photographs. Onsite Hazards & Nuisances refer to conditions that endanger:

- The health & safety of the occupants;
- Structural integrity of the Property; and/or
- Marketability of the Property;
- Ants.



NOTE: The underwriter is responsible for reviewing the Appraiser's comments and to determine if additional conditions or inspections are indicated that the Appraiser failed to identify. All required inspections are listed on the Conditional Commitment, 92800.5B and are evidenced as being satisfied on the Compliance Inspection Form.



Subject Section

Confirm Owner of Public Record is the same as the seller on the sales contract.

Uniform Residential 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										
SUBJECT	Assessor's Parcel #				Tax Year		R.E. Taxes \$			
	Neighborhood Name				Map Reference		Census Tract			
	Occupant <input type="checkbox"/> Owner <input type="checkbox"/> Tenant <input type="checkbox"/> Vacant			Special Assessments \$		<input type="checkbox"/> PUD		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)									
	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).									



Subject Section (cont.)

Uniform Residential 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	
Occupant <input type="checkbox"/> Owner <input type="checkbox"/> Tenant <input type="checkbox"/> Vacant	Special Assessments \$	<input type="checkbox"/> PUD	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)			
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).			

The Appraiser should report all listing data for the previous 12 months and provide an analysis of the listing history.



Contract Section

Date of Contract is the date ALL parties have signed.

C O N T R A C T	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.		

Seller concessions:

- Explain the potential influence on the purchase price of buyer incentives and/or discounts.
- Identify the third party providing the concessions.



Site - Excess Land

- Site is larger than typical; and
- A portion is capable of separate use, may be sold separately.
- Appraiser is to:
 - Include highest & best use analysis supporting determination of excess land.
 - Describe the excess land.
 - Exclude value of excess land from total valuation.
 - Value only the principal site and improvements under a HYPOTHETICAL CONDITION.



Site: Unique Property - Excess Land



Legal Description:
Lots 49 & 50, Oak
Valley



Site - Surplus Land

- Site is larger than typical.
- DOES NOT have an independent highest & best use.
- Is not necessary to support existing improvements.
- May contribute minimal value.
- Appraiser is to:
 - Include value of surplus land (if any) in total valuation.
 - Explain contribution (if any) to total value.



Site (cont.)

Well and Pollution Source Distances

Individual Water Supply System for Minimum Property Requirements for Existing Construction*	
1	Property line/10 feet
2	Septic tank/50 feet
3	Drain field/100 feet
4	Septic tank drain field reduced to 75 feet if allowed by local authority
5	If the subject Property line is adjacent to residential Property then local well distance requirements prevail. If the subject Property is adjacent to non-residential Property or roadway, there needs to be a separation distance of at least 10 feet from the property line.
* distance requirements of local authority prevail if greater than stated above	



Site - Failed Septic System?



Site Section (cont.)

S I T E	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											
	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											

The Appraiser must review the Federal Emergency Management Agency (FEMA) map and make appropriate notations on the applicable appraisal reporting form.



Swimming Pools

The requirement for pool fences, access alarms and other security features are guided by the local jurisdiction.

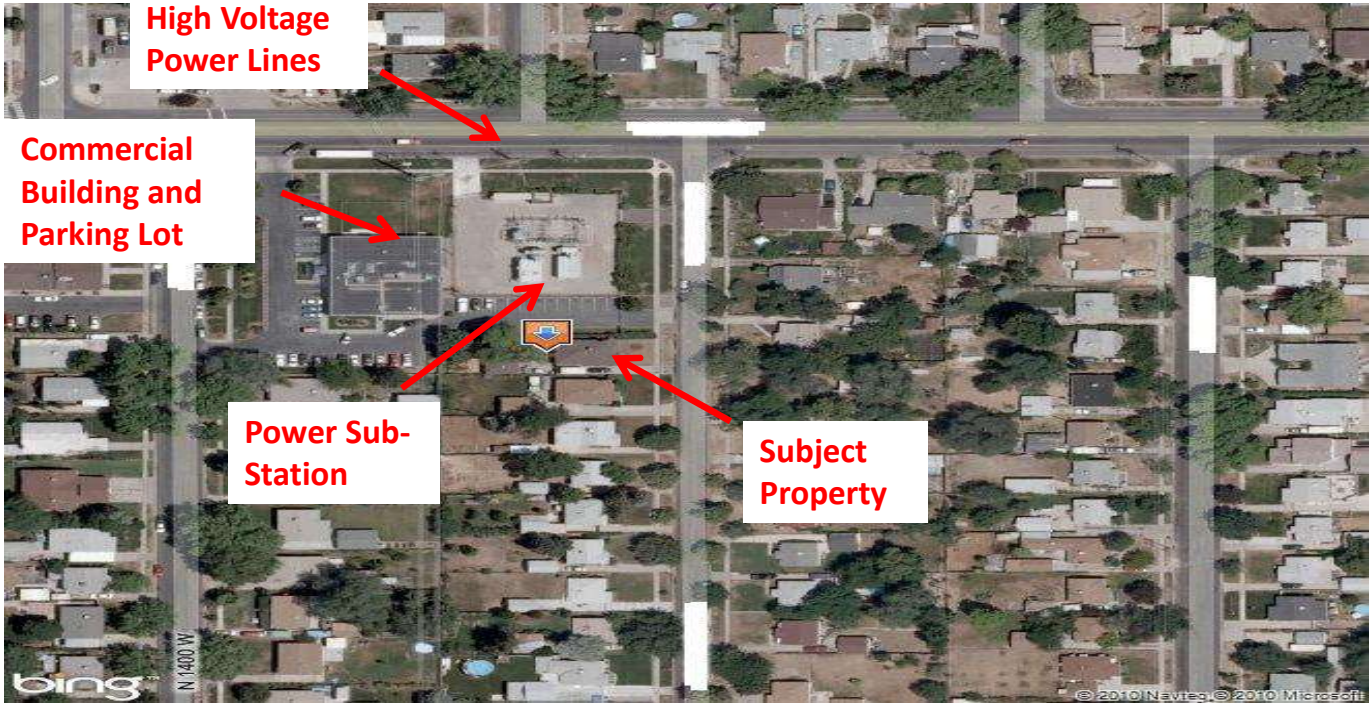
- Appraiser must be knowledgeable of local ordinances.
- Mortgagee must confirm that the swimming pool complies with all local ordinances.



Site - Influences



Site – Influences (cont.)



Site - Private Road Access & Maintenance

- Private streets, including shared driveways, must be protected by permanent recorded Easements, ownership interest, or be owned and maintained by an HOA.
- Shared driveways do not require a joint maintenance agreement.
- Maintenance agreement not required: however, the appraiser must ask if an agreement exists.
- Additional clarifying comments may be necessary and marketability must be addressed.



Properties Less Than One Year Old

New Construction – Definitions

- New Construction refers to **Proposed Construction, Properties Under Construction, and Properties Existing Less than One or were completed within one year** as defined below:
 - Proposed Construction refers to a Property where no concrete or permanent material has been placed. Digging of footing is not considered permanent.
 - Under Construction refers to the period from the first placement of permanent material to 100 percent completion with no Certificate of Occupancy (CO) or equivalent.
 - Existing Less than One Year refers to a Property that is 100 percent complete and has been completed less than one year from the date of the issuance of the CO or equivalent. The Property must have never been occupied.
- **FHA treats the sale of an occupied Property that has been completed less than one year from the issuance of the CO or equivalent as an existing Property.**



Improvements – Builder’s Certification

Form HUD-92541

Builder's Certification of Plans, Specifications, & Site

U.S. Department of Housing
and Urban Development
Office of Housing
Federal Housing Commissioner

OMB Approval No. 2502-0496
Exp 02/28/2019

Property Address (street, city, State, & zip code)	Subdivision Name
Mortgagee's (Lender's) Name & Address (this is the lender who closed the loan)	FHA Case Number
	Phone Number

NOTE: If any of 2,3 or 4 is not checked, the property is **ineligible** for FHA insured financing

1 Site Analysis Information: To be completed on all proposed and newly constructed properties.

a. Flood Hazards. Are the property improvements in a Special Flood Hazard Area (SFHA)?

1) Provide the community number and date of the Flood Insurance Rate Map (FIRM) used to document your answer.
Community Number _____ Map Date _____

2) Is the community participating in the National Flood Insurance Program and in good standing?

3) If "Yes" to 1a. above, attach:

(i) a Letter of Map Amendment (LOMA) or;

(ii) a Letter of Map Revision (LOMR) or;

(iii) a signed Elevation Certificate documenting that the lowest floor (including basement) is built in compliance with

24 CFR 200.926d(c)(4).

4) Is the property located within a Coast Barrier Resource System (CBRS)? (if yes, the property is ineligible for FHA insured financing)
Items b-f see additional instructions on page 3

b. Noise. Is the property located within 1000 feet of a highway, freeway, or heavily traveled road?

Within 3000 feet of a railroad?

Within one mile of a civil airfield or 5 miles of a military airfield?

c. Runway Clear Zones / Clear Zones. Is the property within 3000 feet of a civil or military airfield?

If "Yes," is the property in a Runway Clear Zone / Clear Zone?

d. Explosive /Flammable Materials Storage Hazard. Does the property have an unobstructed view, or is it located within 2000 feet of any facility handling or storing explosive or fire prone materials?

e. Toxic Waste Hazards. Is property within 3000 feet of a dump or landfill, or a site on an EPA Superfund (NPL) list or equivalent State list?

YES	NO
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>



Improvements - Construction Exhibits

Under Construction 90 percent or more complete:

- For Properties 90 percent or greater but less than 100 percent completed, the Mortgagee must provide the Appraiser with a list of components to be installed or completed after the date of inspection.
- Appraisal completed “subject to the following repairs or alterations”.
- Appraiser lists the components to be installed or completed after the date of appraisal.
- Cost-to-cure must be provided.
- Final inspection is required, unless Building Permits and Certificate of Occupancy (CO) are issued, a final inspection issued by the local authority with jurisdiction over the Property or an ICC RCI or CI.



Improvements

General Description	
Units	<input type="checkbox"/> One <input checked="" 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 checked="" type="checkbox"/> Existing <input type="checkbox"/> Proposed <input type="checkbox"/> Under Const.
Design (Style)	
Year Built	
Effective Age (Yrs)	

Common Deficiencies:

- Not properly identifying accessory units
- Not properly identifying construction status

Improvements



Accessory Units

- An Accessory Dwelling Unit (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.

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.
- 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 Comparison Approach (SCA) Grid, not in the GLA. The Appraiser must address the impact of inferior quality garage conversions and room additions on marketability as well as Contributory Value, if any.



Improvements - Crawl Space

- The Appraiser must visually observe areas of the crawl space to the extent these areas are safely accessible.
- If the observation reveals evidence of a deficient condition (such as excessive dampness, insufficient ventilation, or smell of mold, etc.), the Appraiser must render the appraisal subject to inspection or subject to repairs.
- The Appraiser must report when the crawl space is not safely accessible. The Appraiser must complete the appraisal subject to inspection by a qualified third party only if further observation of inaccessible crawl space area is necessary to determine compliance with MPR and MPS.



Improvements - Crawl Space



Sample of Photo required

Foundation (cont.)

Dampness and Settlement

Foundation	
<input type="checkbox"/> Concrete Slab	<input type="checkbox"/> Crawl Space
<input type="checkbox"/> Full Basement	<input type="checkbox"/> Partial Basement
Basement Area	sq. ft.
Basement Finish	%
<input type="checkbox"/> Outside Entry/Exit	<input type="checkbox"/> Sump Pump
Evidence of <input type="checkbox"/> Infestation	
<input type="checkbox"/> Dampness	<input type="checkbox"/> Settlement
Heating <input type="checkbox"/> FWA	<input type="checkbox"/> HWBB
<input type="checkbox"/> Other	Fuel
Cooling <input type="checkbox"/> Central Air Conditioning	
<input type="checkbox"/> Individual	<input type="checkbox"/> Other



Improvements - Foundation/Basement (cont.)



Improvements - Basement



Improvements - Foundation Problem (cont.)



Improvements - Foundation Problem (cont.)



Improvements - Structural Conditions



Improvements - Peeling Paint – Issues?



Improvements - Roofing Issues



Improvements – Repairs/Inspections

- The nature and degree of a deficiency determines if it requires repair or should be regarded as deferred maintenance.
- Appraiser must provide a cost to cure and descriptive photograph(s) for required repairs.
- The lender is responsible to clear the condition.
- The lender decides whether to accept the property.



Improvements (cont.)

Common Deficiency: Failure to report functional obsolescence, utility or conformity

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				



Improvements – Issues – Required or Cosmetic?



Improvements - Blocked Access



Attics Observation Requirements

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

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



Improvements Attic

Inspect for:

- Inadequate access;
- Evidence of holes;
- Missing insulation;
- Wood-rot;
- Support structure not intact/damaged;
- Signs of water damage;
- No ventilation by vent, fan, or window;
- Fallen/disconnected heating/cooling vent pipes;
- Infestations (droppings);
- Frayed/gnawed wiring; and
- Evidence of prior fire damage.



Mechanical Components and Utilities

- The Appraiser must observe the physical condition of the plumbing, heating and electrical systems.
- The Appraiser must operate the applicable systems and observe their performance.



Improvements Plumbing System

- Water
 - Drop or limitation of pressure
 - No hot water
- Toilet
 - Toilets do not function
 - Presence of leaks
- Sinks/Bathtubs/showers
 - Basin or pipes leak
 - Water does not run



Improvements – Heating System

Permanently installed, conventional system:

- Automatically heats all GLA to a minimum of 50 degrees;
- Must maintain a minimum of 50 degrees in all non-GLA areas containing building or system components subject to failure by freezing;
- Heat source relies upon a fuel that is readily obtainable within the subject's geographical area;
- Has market acceptance; and
- Must operate without human intervention.



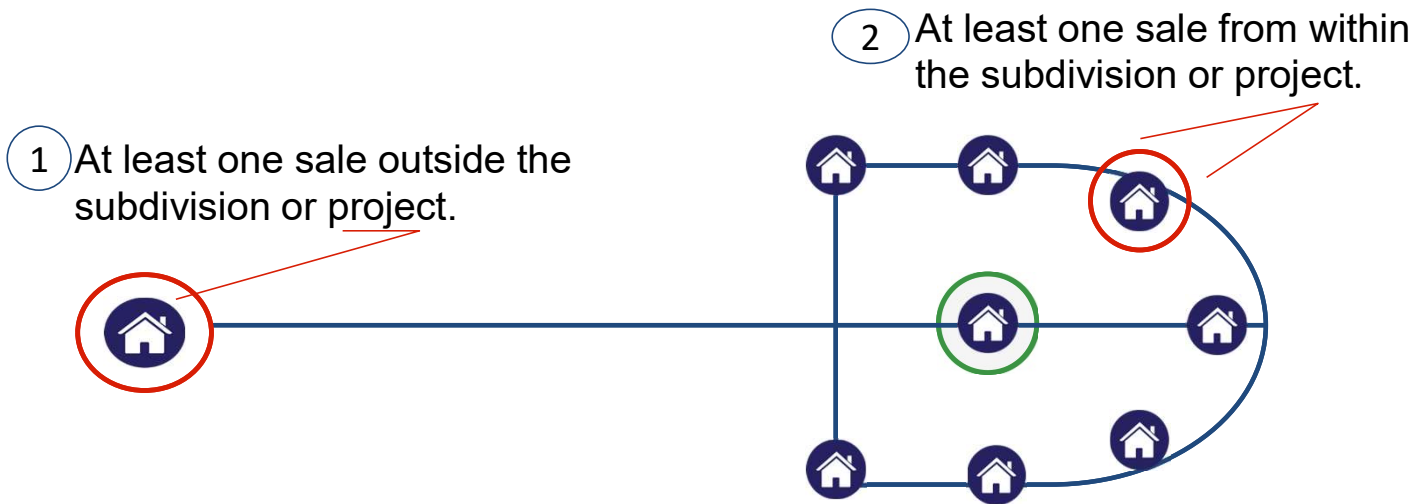
Sales Comparison Approach

- Selection of Comparable Properties:
 - Identify relevant market area;
 - Comparable sales should be selected based on similar locational and physical characteristics;
 - Must include 3 sales no more than 12 months old;
 - Do not select comparable sales by sale price;
 - Select comparables using bracketing methods;
 - HUD strongly discourages the use of distressed sales; and
 - Listings and pending sales may be used as supplemental data only.



New Construction Comparable Sales

For Properties in new subdivisions, the selected comparable sales must include:



Sales Comparison Approach

Proximity to Subject – Are the distances of comparables from the Subject reasonable for the location?

FEATURE	SUBJECT	COMPARABLE SALE # 1		COMPARABLE SALE # 2		COMPARABLE SALE # 3	
Address							
Proximity to Subject							
Sale Price	\$	\$	\$	\$	\$	\$	\$
Sale Price/Gross Liv. Area	\$ sq. ft.	\$ sq. ft.	\$ sq. ft.	\$ sq. ft.	\$ sq. ft.	\$ sq. ft.	\$ sq. ft.
Data Source(s)							
Verification Source(s)							
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-) \$ Adjustment	DESCRIPTION	+(-) \$ Adjustment	DESCRIPTION	+(-) \$ Adjustment
Sale or Financing Concessions							
Date of Sale/Time							

Comparable Sales must be selected based on the principle of substitution, and be arm's length transactions.



Sales Comparison Approach (cont.)

URAR 1004

Common Deficiency: Failure to verify comparable properties with additional source

FEATURE	SUBJECT	COMPARABLE SALE NO. 1		COMPARABLE SALE NO. 2		COMPARABLE SALE NO. 3	
Address							
Proximity to Subject							
Sale Price	\$		\$		\$		\$
Sale Price/Gross Liv. Area	\$ sq. ft.	\$ sq. ft.		\$ sq. ft.		\$ sq. ft.	
Data Source(s)							
Verification Source(s)							
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-) \$ Adjustment	DESCRIPTION	+(-) \$ Adjustment	DESCRIPTION	+(-) \$ Adjustment
Sale or Financing							
Concessions							
Date of Sale/Time							



Changing Markets

Increasing or Decreasing

- Include at least two comparable sales that closed within 90 days of effective date and a minimum of two active listings or pending sales.
- If the Appraiser cannot comply with these requirements due to the lack of market data:
 - A detailed explanation is required to support the market trend conclusion.
 - Include all data and analysis used to identify the current and forecasted market.



Sales Comparison Approach

Sales or Financing Concessions – The Appraiser *is required to report and make* market-based adjustments to the comparable sales for any sales or financing concessions that may have affected the sales price.

FEATURE	SUBJECT	COMPARABLE SALE # 1		COMPARABLE SALE # 2		COMPARABLE SALE # 3	
Address							
Proximity to Subject							
Sale Price	\$		\$		\$		\$
Sale Price/Gross Liv. Area	\$ sq. ft.	\$ sq. ft.		\$ sq. ft.		\$ sq. ft.	
Data Source(s)							
Verification Source(s)							
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-) \$ Adjustment	DESCRIPTION	+(-) \$ Adjustment	DESCRIPTION	+(-) \$ Adjustment
Sale or Financing Concessions							
Date of Sale/Time							

Comparable sales must be from current or most recent market periods to better reflect market conditions for the subject. At least three sales must be settled within the past twelve months.



Sales Comparison Approach (cont.)

If the Appraiser has provided comparables with both less and more gross square footage than the subject Property, the reader is better able to see how the subject fits into the marketplace.

Location															
Leasehold/Fee Simple															
Site															
View															
Design (Style)															
Quality of Construction															
Actual Age															
Condition															
Above Grade	Total	Bdrms.	Baths	Total	Bdrms.	Baths		Total	Bdrms.	Baths		Total	Bdrms.	Baths	
Room Count															
Gross Living Area	sq. ft.			sq. ft.				sq. ft.				sq. ft.			
Basement & Finished Rooms Below Grade															



Sales Comparison Approach (cont.)

FEATURE	SUBJECT	COMPARABLE SALE # 1		COMPARABLE SALE # 2		COMPARABLE SALE # 3	
Functional Utility							
Heating/Cooling							
Energy Efficient Items							
Garage/Carport							
Porch/Patio/Deck							
Net Adjustment (Total)		<input type="checkbox"/> + <input type="checkbox"/> -	\$	<input type="checkbox"/> + <input type="checkbox"/> -	\$	<input type="checkbox"/> + <input type="checkbox"/> -	\$
Adjusted Sale Price of Comparables		Net Adj. %		Net Adj. %		Net Adj. %	
		Gross Adj. %	\$	Gross Adj. %	\$	Gross Adj. %	\$



How to Complete the Appraisal Report - Report Conclusion

Clarity

As Is	<ul style="list-style-type: none">• There is/are no repair(s), alteration(s) or inspection condition(s) noted by the Appraiser.• Establishing the As-Is Value for a 203(k).• The Property is being recommended for rejection.• Intended use is for Pre-Foreclosure Sale (PFS) in accordance with 24 CFR § 203.370 or Claims Without Conveyance of Title (CWCOT) in accordance with 24 CFR § 203.368.• Intended use is for Real Estate Owned (REO) in accordance with 24 CFR § 291.100.
Subject to Completion per Plans & Specs	<ul style="list-style-type: none">• Proposed Construction where construction has not started.• Under Construction but not yet complete (less than 90%).• Certain Section 203(k) Rehabilitation Mortgages depending on scope of work.



How to Complete the Appraisal Report - Report Conclusion (cont.)

Clarity

Subject to the following repairs or alterations

- Repair or Alteration Condition(s) noted by the Appraiser to:
 - protect the health and safety of the occupants;
 - protect the security of the Property;
 - correct physical deficiencies or conditions affecting structural integrity.
- Certain Section 203(k) Rehabilitation Mortgages depending on scope of work.
- Under Construction, more than 90% complete with only minor finish work remaining (buyer preference items e.g., floor coverings, appliances, fixtures, landscaping, etc.). This eliminates the need for plans and specifications.

Subject to the following required inspection

- Required inspection(s) to meet HUD's Minimum Property Requirements and Minimum Property Standards, as noted by the Appraiser.



Cost Approach

Required for the following:

- New construction of manufactured housing
- When necessary for credible assignment results
- At the Lender's Request
- Must ALWAYS be considered (to comply with USPAP and Handbook 4000.1)



Addressing Unique Properties

- Must be:
 - Legal zoning;
 - Structurally sound;
 - Marketable; and
 - Highest and best use.
- If zoning is Legal Non-Conforming, the Appraiser must analyze and report any adverse effect that the non-conforming use has on the Property's value and marketability, and state whether the property may be legally rebuilt if destroyed.
- Mixed Use Properties require that at least 51 percent of the entire building square footage be for residential use.



Agenda

Part 1: Handbook 4000.1 Policy Updates

Part 2: General Appraiser and Appraisal Reporting

Part 3: Minimum Property Requirements and Standards

Part 4: Preparing the Appraisal

Part 5: Special Appraisal Requirements



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Manufactured Home Appraisal Report

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.				
SUBJECT	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	
	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)	HOA \$ <input type="checkbox"/> per year <input type="checkbox"/> per month	
	Special Assessments \$	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)	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).			
C	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.			
	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.			
C O N T R A C T	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)	
	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.			
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.				
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)				

Form 1004C



Manufactured Housing (cont.)

Factory Built Homes

Manufactured Homes

- Are constructed to comply with the Federal Manufactured Home Construction & Safety Standards.

Modular

- A.K.A. Factory-built, constructed to comply with state and local codes.
- Might have a steel undercarriage or a wooden floor structure.
- Will not have a HUD label.



Manufactured Housing (cont.)

Regulation Compliance

- Must be built after June 15, 1976;
- Never occupied at any other location;
- At least 400 GLA;
- Classified as real estate;
- Certification by licensed, local engineer that the foundation is in compliance with the “Permanent Foundations Guide for Manufactured Housing”; and
- Must be moved from the factory or dealer directly to the site.



Perimeter Enclosure and Skirting

- Perimeter Enclosure refers to a continuous wall that is adequately secured to the perimeter of the unit and allows for proper ventilation of the crawl space.
- Skirting refers to a non-structural enclosure of a foundation crawl space intended to ensure the crawl space is free from exposure to the elements and free from vermin, trash, and debris. Typically, but not always, it is a lightweight material such as vinyl or metal attached to the side of the Structure, extending to the ground (generally, not installed below frost depth).



Is vinyl skirting attached to framework acceptable for a Manufactured Home?

Manufactured Housing (cont.)

Skirting



Missing Certification Label

If the Certification is missing, the Mortgagee must obtain the serial number and request a certificate directly from the Institute for Building Technology and Safety.

Processing time	The processing time is expected to be 9-10 business days for Regular and 2-3 business days if Urgent.
Current Costs	\$50 (or \$100 if Urgent)
Phone number	(703) 481-2000
Address	45207 Research Place Ashburn, VA 20147
Web address	https://www.ibts.org/what-we-do/manufactured-homes/verification-letter-certificate/



Manufactured Housing: Flood Zone

- The Appraiser must stop work and contact the Mortgagee if the Appraiser determines that a Manufactured Home is located in FEMA Flood Zones A or V.
- The Appraiser may continue to work on the assignment if the Mortgagee provides a Letter of Map Amendment (LOMA) or Letter of Map Revision (LOMR) or flood elevation certification.
- If the Appraiser is provided with a LOMA or LOMR that removes the Property from the flood zone, the Appraiser does not need to indicate that the Property is in a flood zone.
- If provided with an elevation certificate, the Appraiser must indicate the Property is in a flood hazard area on the appraisal report.



Manufactured Housing (cont.)

Acceptable Piers?



Manufactured Housing (cont.)

Additions



Manufactured Housing (cont.)

Multiple Units



Manufactured Home Q&A

If there is an additional manufactured home on the property, does it have to meet FHA standards?

- A. Yes
- B. No
- C. It depends



Manufactured Housing Q&A

What do you have?

- If you have a pre-June 15, 1976, mobile home, or an FHA manufactured home inside a really great stick built house, what do you have?



Selection of Comparable Sales

Manufactured Home Appraisal Report

File #

There are		comparable properties currently offered for sale in the subject neighborhood ranging in price from \$				to \$		-		
There are		comparable sales in the subject neighborhood within the past twelve months ranging in sale price from \$				to \$		-		
FEATURE	SUBJECT	COMPARABLE SALE # 1			COMPARABLE SALE # 2			COMPARABLE SALE # 3		
Address										
Proximity to Subject										
Sale Price	\$	\$			\$			\$		
Sale Price/Gross Liv. Area	\$ sq. ft.	\$ sq. ft.	\$	\$ sq. ft.	\$	\$ sq. ft.	\$	\$ sq. ft.	\$	
Manufactured Home		<input type="checkbox"/> Yes <input type="checkbox"/> No		<input type="checkbox"/> Yes <input type="checkbox"/> No		<input type="checkbox"/> Yes <input type="checkbox"/> No		<input type="checkbox"/> Yes <input type="checkbox"/> No		
Data Source(s)										
Verification Source(s)										
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-) \$ Adjustment	DESCRIPTION	+(-) \$ Adjustment	DESCRIPTION	+(-) \$ Adjustment	DESCRIPTION	+(-) \$ Adjustment	
Sale or Financing Concessions										
Date of Sale/Time										
Location										
Leasehold/Fee Simple										
Site										
View										
Design (Style)										
Quality of Construction										
Concessions										
Date of Sale/Time										
Location										
Leasehold/Fee Simple										
Site										
View										
Design (Style)										
Quality of Construction										
Actual Age										
Condition										
Above Grade	Total	Bdrms.	Baths	Total	Bdrms.	Baths	Total	Bdms.	Baths	
Room Count										
Gross Living Area	sq. ft.		sq. ft.		sq. ft.		sq. ft.		sq. ft.	
Basement & Finished Rooms Below Grade										

At least two of the comparable sales *must* be closed Manufactured Homes.



Manufactured Housing (cont.)

Eligible for Insuring?



Modular Housing



Individual Condominium Unit Appraisal Report: Fannie Mae Form 1073

Individual Condominium Unit 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		Unit #	City	State Zip Code
Borrower		Owner of Public Record		County
Legal Description				
Assessor's Parcel #			Tax Year	R.E. Taxes \$
Project Name		Phase #	Map Reference	Census Tract
Occupant <input type="checkbox"/> Owner <input type="checkbox"/> Tenant <input type="checkbox"/> Vacant		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)				
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).				
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.				

Form 1073



Condominium

Any Mortgage covering a condominium:



Includes a one-family unit in a project, coupled with an undivided interest in the common areas and facilities which serve the project.



May include dwelling units in attached, detached, semi-detached, row garden-type, low, or high rise structures or manufactured housing.



FHA Condominium Project Approval (cont.)



Condominium or Attached Single Family Residence?



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Condominium Project Policy



Condominium Project Approval Requirements

The Condominium Project Approval section was integrated into the Federal Housing Administration's (FHA) Single Family Housing Policy Handbook (Handbook 4000.1) and can be found under Section II.C



Condominium

Reporting Requirements

Common Deficiency

- Remaining Economic Life - enter in the Reconciliation section of the Form 1073. Appraiser must comment on properties with less than 30 years remaining.
- Report and discuss if there is commercial space in the project. Approved condominiums are limited to 25 percent commercial area; however, exception requests up to 50 percent may be considered on a case by case basis with the HOC.



Condominium (cont.)

Reporting Requirements

- Site Condos
 - A condominium project that consists entirely of single family detached dwellings that have no shared garages, or any other attached buildings; or
 - A condominium project that:
 - Consists of single family detached or horizontally attached (townhouse) dwellings where the unit consists of the dwelling and land;
 - Does not contain any Manufactured Housing units; and
 - Is encumbered by a declaration of condominium covenants or a condominium form of ownership.
 - The Appraiser must report the appraisal on [Fannie Mae Form 1073](#)/[Freddie Mac Form 465](#), Individual Condominium Unit Appraisal Report.
- Manufactured Housing Condominium Projects
 - Reported on a 1004C
 - Complete the Project Information section of the 1073 and append to the appraisal as an addendum



Condominium Manufactured Housing

Not Acceptable



Small Residential Income: FNMA 1025

Small Residential Income Property 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 _____
 Occupant Owner Tenant Vacant _____ Special Assessments \$ _____ PUD HOA \$ _____ per year per month
 Property Rights Appraised Fee Simple Leasehold Other (describe) _____
 Assignment Type Purchase Transaction Refinance Transaction Other (describe) _____
 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? Yes No
 Report data source(s) used, offering price(s), and date(s). _____

I did 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? Yes 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? Yes No
 Report data source(s) used, offering price(s), and date(s). _____

I did 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? Yes 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? Yes No
 If Yes, report the total dollar amount and describe the items to be paid. _____

Note: Race and the racial composition of the neighborhood are not appraisal factors.

Neighborhood Characteristics		2-4 Unit Housing Trends			2-4 Unit Housing		Present Land Use %	
Location <input type="checkbox"/> Urban <input type="checkbox"/> Suburban <input type="checkbox"/> Rural	Property Values <input type="checkbox"/> Increasing <input type="checkbox"/> Stable <input type="checkbox"/> Declining	PRICE	AGE	One-Unit	%			
Built-Up <input type="checkbox"/> Over 75% <input type="checkbox"/> 25-75% <input type="checkbox"/> Under 25%	Demand/Supply <input type="checkbox"/> Shortage <input type="checkbox"/> In Balance <input type="checkbox"/> Over Supply	\$ (000)	(yrs)	2-4 Unit	%			

Form 1025



Appraisal Form 1025

Small Residential Income Property Appraisal

- A four-unit dwelling with an accessory unit is ineligible for FHA financing.
- If one or more of the units is a manufactured home, the appraiser completes the HUD Data Plate and Improvements sections from the Form 1004C and appends into the appraisal report.



Energy Efficient Mortgage (EEM) Program

For cost-effective, energy efficient improvements to:

- An existing Property at the time of purchase or refinancing; or
- For upgrades above the established residential building code for New Construction.



Cost-Effective refers to the costs of the energy efficiency improvements that are less than the present value of the energy saved over the estimated useful life of those improvements.

EEM: Eligible Property Types

EEM may be used with:



New Construction
Properties
(one- to four-
units)



Existing
Construction
Properties
(one- to four-
units)



Condominiums
(one unit)



Manufactured
Housing

Energy Efficiency Components

New Building Components:

- Contributory value of building components that enhance efficiency or energy savings must be analyzed and reported.
- FHA requires that the Appraiser utilize all appropriate methods of valuation and does not restrict this to only a matched pair analysis.



Energy Efficient Components

Measurement and Reporting:

- FHA requires that the appraiser utilize all appropriate methods of valuation.
- Valuation of Solar Components is not limited to paired sales only.
- Appraiser must follow proper appraisal practice including:
 - Direct Sales Comparison Approach
 - Cost Approach
 - Income Approach
 - Reconciliation of the Approaches



Energy Efficient Components

- Contributory value of building components that enhance efficiency or energy savings must be analyzed and reported.
- Any leases must not violate 24 CFR 203.41
 - No lease can be superior to the FHA mortgage. Leased systems should not be included in the market value of the subject.

Ensure Appraiser Competency for complex assignments!



Energy Efficient Mortgage (EEM)

Want More Information?

- See *Single Family Housing Policy Handbook* 4000.1
- Department of Energy's website: http://www.energystar.gov/index.cfm?c=home_improvement.hm_improvement_contractors#1



HUD Real Estate Owned (REO) Property



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HUD REO Q&A

Appraisals for HUD REO properties, where the Intended Use is to establish list price, the appraisal must be prepared:

1. “As-Is”
2. “As Repaired”
3. “Subject to Inspection”
4. Any of the above



HUD REO (cont.)

URAR 1004

SUBJECT	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		
	Occupant <input type="checkbox"/> Owner <input type="checkbox"/> Tenant <input type="checkbox"/> Vacant	Special Assessments \$	<input type="checkbox"/> PUD	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 checked="" type="checkbox"/> Other (describe)	HUD REO Property			
	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). _____				



HUD REO (cont.)

Preparing the Report

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				
The following utilities were not on at the time the appraisal was conducted: Electric, Gas, and Water – Unable to verify their functionality. See attached PCR...				
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				



HUD REO (cont.)

Statement of Insurability

- A Statement of Insurability must be included in the Comment Section of the appraisal report.

- REO properties are classified in three categories:
 1. Insurable;
 2. Insurable With Repair Escrow; and
 3. Uninsurable.



HUD REO (cont.)

Insurable



HUD REO (cont.)

Insurable with Repair Escrow



Obvious roof damage



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HUD REO (cont.)

Uninsurable - Combined Repairs > \$10,000



Chipped and peeling lead-based paint throughout



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HUD REO (cont.)

Determination of Insurability



HUD REO (cont.)

Determination of Insurability



HUD REO (cont.)

Extraordinary Conditions

- Value impacted by extraordinary condition or illegal use.
- Appraiser estimates the cost to bring the Property into compliance with zoning or typical marketability.
- The Appraiser must report whether any grandfathered use is allowed.
- The Appraiser may contact the Asset Management contractor for guidance.



HUD REO (cont.)

REO Appraisal For Purchase:

- Lender and HUD/FHA as Intended Users
- Appraisals must verify that properties meet:
 - MPR/MPS
- Prepared in accordance with HUD REO protocol, except:
 - Completed “as-is” only if meets MPR/MPS
 - If does not meet MPR/MPS, complete “subject to repairs” and provide a cost to cure.



HUD 203(k) - Rehabilitation Mortgage

Eligible Properties:

- 1-to-4 family dwellings, completed for 1+ years
- Purchases or Refinances
- Move-ons
- Condemned properties
- REO properties
- Condominiums in projects that have been approved by FHA
 - Individual units only, interior of the unit only
 - No more than lesser of 25 percent of units or 5 units per HOA can be under rehabilitation
- Mixed Use (business = no more than 49 percent total floor area)
 - Must remain residential in nature
- Nonresidential conversions to single family (1-4 units)



HUD 203(k) Standard

- One loan can finance the purchase or refinance and renovation.
- Requires a minimum of \$5,000 in eligible repairs.
- A 203(k) consultant is required.
- The property must comply with MPR when completed.



HUD 203(k) Standard (cont.)

Examples of eligible improvements and repairs:

- New foundations;
- Making structural alterations, repairs or additions;
- Eliminating health and safety hazards;
- Installing wells and/or septic systems;
- Making changes for improved functionality;
- Repairing roofing;
- Necessary Landscaping (grading/repairing patios/fences);
- New house on old foundation;
- Energy efficient items; and
- Repairing or removing an in-ground swimming pool.



HUD 203(k) Standard (cont.)

Appraiser Responsibilities:

- Must visit the property and review the architectural exhibits.
- Note any health and safety, physical deficiencies or adverse conditions in the appraisal report.
- Prepare the appraisal report subject to completion per plans & specifications (market value).
- A description of the proposed repairs and/or improvements must be included in the appraisal report as well as any estimates, plans, specifications, and architectural exhibits, as provided by contractor from lender/client.



HUD 203(k) Limited

- Only for minor remodeling and non-structural repairs.
- Does not require the use of a 203(k) Consultant, but a Consultant may be used.
- Total rehabilitation cost must not exceed \$35,000. There is no minimum rehabilitation cost.
- The property must comply with MPR when completed.



HUD 203(k) Limited (cont.)

Uses may include:

- Repair/Replacement of roofing, mechanical, electrical, or plumbing systems;
- Minor remodeling not involving structural repairs;
- Weatherization and energy efficient items;
- Appliances;
- Lead-based paint stabilization;
- Repair/Replacement of decks, patios, porches;
- Basement finish or remodeling; and
- Septic system and/or well replacement.



HUD 203(k) Limited (cont.)

Appraiser Responsibilities:

- Visit property and review architectural exhibits & cost estimates (if any);
- Note any MPRs;
- Appraisal must include a description of proposed repairs and/or improvements and any estimates, plans, specifications, and architectural exhibits;
- Prepare the appraisal report “subject to . . .”;
- Lender may request an “as-is” value on a separate appraisal report; and
- Requires a third-party final inspection if repairs exceed \$15,000.



HUD 203(k) (cont.)

Before



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HUD 203(k) (cont.)

After



Helpful Links

- *Single Family Housing Policy Handbook 4000.1* Information:
https://www.hud.gov/program_offices/administration/hudclips/handbooks/hsgb
- Upcoming Single Family Housing Events and Training:
https://www.hud.gov/program_offices/housing/sfh/events
- FHA Single Family Housing Appraisal Report and Data Delivery Guide:
https://www.hud.gov/sites/documents/SFH_POLI_APPR_RPT_FIN.PDF
- Subscribe to FHA INFO:
https://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/FHA_INFO_subscribe



FHA Resource Center

	Option	Point of Contact	Hours Available	Comments
1	Website	www.hud.gov/answers	24/7/365	Website 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 (including all non-Federal holidays)	Voicemail is available after hours or during extended wait periods. FHA FAQs are available after hours.
<p><i>FHA INFO</i> 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</p>				



**Thank you
for viewing this
presentation!**

