

## Coleen Morrison

---

**To:** Coleen Morrison  
**Subject:** RE: fha changes 2015

I have made a quick checklist of changes or additions from the 4000.1 HUD manual; some of these come from what others have said based on their classes, and I have double checked them to be sure it is in the manual as well. It is still suggested you read up on the 77 pages of the 4000.1 that refers to the appraiser. I have listed them in no significant order. Keep in mind that common sense is always involved in our observations, and don't forget the HUD Mantra "SAFE, SOUND, SECURE" and 4<sup>th</sup> S=Saleability (or marketability) [maintain the safety, security and soundness of the Property; preserve the continued marketability of the Property; and protect the health and safety of the occupants.]

- 1- We must analyze the comps 3 year history, not just one year.
- 2- If the manufactured home has any stick built additions, it must be inspected by a state/local official for mfh compliance. Includes any structure that ties into the existing roof or structure (could include screened porches, covered porches, attached decks). Floating decks (not attached) are a non-issue.
- 3- If cost approach is Not applicable, FHA does not require a site value.
- 4- Comp photos: try to get an angled photo so a side and front can be seen; this does **not** mean 2 photos.
- 5- Properties with a legal non-conforming use requires the appraiser to comment as to whether the improvements can be rebuilt.
- 6- Accessory Dwelling Units: offered more clarification as to what they consider to be an ADU; and emphasizes Highest and Best Use for determining property type.
- 7- Attic and Crawl Space Inspection Requirements: clarifying that FHA requires an inspection (NOT NEW);

Photos of crawl and attic have been added to the required minimum photographs.

- 8- General Acceptance Criteria, Property Eligibility, and Non-residential Use of Property: confirm zoning complies with use (NOT NEW)
- 9- Energy Efficient Building Components, Solar Systems, etc.: requires contributory value; and provides some further explanations.
- 10- Further clarification on pools; mechanical systems; electrical; plumbing; and roof covering.
- 11- FHA still considering the 10% 15% and 25% guideline that you must comment on.

- 12- 203k appraisals MAY be ordered as 2 separate appraisals/assignments if they want both as is and as repaired values. If the Mortgagee wants both as is value and after improved value, then it has to now be done on 2 reports; no longer can you simply add a one line statement of the as is value.
- 13- Use the term "observe" rather than "inspect". Remember, your observation is limited to the circumstances, i.e., scuttle would probably just be head and shoulders; don't know too many appraisers who would put there whole body into the scuttle and crawl around up there.
- 14- Must take photos of all common areas for condos (pool, clubhouse, etc.). The appraiser also needs to check if the condo project is on the FHA approved list. Site condos (single family detached homes under condo regime) must be done on the condo form.
- 15- Listings used must note the original list price, revisions and DOM at time of contract.
- 16- manufactured skirting must not just be light-weight aluminum or vinyl; it needs to be backed with wood, concrete or another hard surface.
- 17- REO FHA costs for repairs come from the property condition report, not the appraiser, and it must be given to the appraiser prior to inspection.
- 18- Keep in mind new construction means any property less than a year old (and never occupied), under construction or proposed construction. You still need to get all documents necessary if the property is proposed or less than 90% complete (plans, specs, plot plan, floor plan, etc.) plus the signed and completed builder's certification (HUD-92541 must be dated no more than 30 days prior to the appraisal order date).
- 19- Use the correct terminology in your reports: MPR is Minimum Property Requirements (for resales); MPS is Minimum Property Standards (for new construction based on HUD's definition of new construction). (I always remember it best by keeping in mind the R = repairs or resale).
- 20- Remember the terms: Surplus land (not needed to support existing improvement, but can't be sold off separately and may not contribute a lot to value); Excess land (not needed to support the existing improvement but it may be able to be sold off, and may impact the Highest and Best Use analysis).
- 21- Requirements for Living Unit The Mortgagee must confirm that each living unit contains:
- a. • a continuing and sufficient supply of safe and potable water under adequate pressure and of appropriate quality for all household uses;
  - b. • sanitary facilities and a safe method of sewage disposal. Every living unit must have at least one bathroom, which must include, at a minimum, a water closet, lavatory, and a bathtub or shower;
  - c. • adequate space for healthful and comfortable living conditions;
  - d. • heating adequate for healthful and comfortable living conditions;
  - e. • domestic hot water; and
  - f. • electricity adequate for lighting, cooking and for mechanical equipment used in the living unit.

The Mortgagee must ensure cabinets and built-in appliances that are considered part of the Real Estate are present and operational. The Appraiser must note appliances present in the house at the time of observation and indicate whether that appliance is considered Personal Property or Real Property. The Appraiser must operate all conveyed appliances and observe their

performance. The Appraiser must notify the Mortgagee of the deficiency of MPR or MPS if any conveyed appliances are inoperable.

NOTE: you still have to test any appliances that are considered part of the real estate. This is always been the case. HUD does not require them to be in place, but if they are there, they must work. If you require a repair of a dishwasher, for example, and they just want to remove it instead, they can do that as long as there is no damage to the structure by that removal and water lines are closed off. This is where we have to apply common sense -- like sheds, too. Always keep in mind, that the lack of appliances, or some appliances, may be a measureable value factor and you would still have to adjust if that is the case.

#### SUGGESTED COMMENTS TO ADD TO YOUR REPORTS:

The FHA Appraiser does not guarantee that the Property is free from defects. The appraisal establishes the value of the Property for mortgage insurance purposes only;

Make a reference to refer to FNMA's Limiting Condition #5; AND

An Appraiser's observation is limited to readily observable conditions and is not as comprehensive an inspection as one performed by a licensed home inspector; this report is not intended to take the place of a home inspection ordered by a borrower.

Some more stuff from others:

FHA appraisals are not a guarantee that the property is free from defects. The appraisal establishes the value of the property for mortgage insurance purposes only. Buyers need to secure their own home inspections through the services of a qualified inspector and satisfy themselves about the condition of the property.

The Appraiser observes, analyzes and reports.

OBSERVE the property and note property condition. There is no requirement to "inspect", "test", or "certify" anything related to property condition.

ANALYZE the effect on value and marketability of the observed condition.

REPORT the observed conditions and appraiser's analysis of the condition's effect on value and marketability.