

## FHA CHECKLIST for REALTORS

The following is a list of common problems that need attention when financing a property with an FHA loan. This list does not represent official HUD policy and is not intended to be all inclusive. It is only one individual's interpretation of HUD requirements and is subject to frequent revision. Different lenders and appraisers will have their own interpretations. Its intended use is for real estate agents who need a basic understanding of HUD property requirements.

### SUMMARY

Since its inception The Department of Housing and Urban Development (HUD) has established minimum property standards. While these standards have varied over time the recent changes have been some of the most dramatic in decades. By eliminating many of the "nuisance" repairs and mandatory inspections HUD hopes to make it easier to buy or sell a home with FHA financing. The most recent changes are highlighted **bold** on this checklist.

### POOR CONDITION

**A lack of maintenance that gives a "run down" look to a property is acceptable, however it must have at least an "Average" overall condition rating. Cosmetic repairs are not required; however, they are to be considered in the overall condition rating and valuation of the property.**

**Examples of cosmetic repairs would include surface treatments, beautification or adornment not required for the preservation of the property.**

**For example, generally, worn floor finishes or carpeting, holes in window screens, or a small crack in a windowpane are examples of deferred maintenance that do not rise to the level of a required repair but must be reported by the appraiser.**

**Other cosmetic items that do not otherwise jeopardize the safety or structural integrity of the property are acceptable and will not require repair, however it must be disclosed in the appraisal and must be considered in the final value estimate.**

A property with defective conditions is unacceptable until the defects or conditions have been remedied and the probability of further damage eliminated. Defective conditions include:

- defective construction
- other readily observable conditions that impair the safety, sanitation or structural soundness of the dwelling

Typical conditions that would require further inspection or testing by qualified individuals or entities:

- infestation – evidence of termites
- inoperative or inadequate plumbing, heating or electrical systems
- structural failure in framing members
- leaking or worn-out roofs
- cracked masonry or foundation damage
- drainage problems

### FLIPPING

Flipping is a practice whereby a recently acquired property is resold for a considerable profit with an artificially inflated value. Any re-sale cannot occur within 90 days of a previous sale. The seller must be the owner of record. Any re-sale within six months that is more than double the original price will require two appraisals.

### CONDOMINIUMS

Projects must be at least 51% owner occupied and may not have a "right of first refusal" clause in the association documents. Condominium projects must be on the HUD approval list unless spot loan approval is given.

### PRIVATE ROADS

**Private roads are acceptable. HUD no longer requires a maintenance agreement for private roads.**

## SITE HAZARDS

**Low voltage power lines are distribution lines that commonly supply power to housing developments and similar facilities. These lines are usually 12 kV or less and are considered to be a minimum hazard. These lines may not pass directly over any structure, including pools, on the property being insured by HUD.** Proximity to highways and railroads is acceptable with acceptable noise levels. Proximity to high voltage power transmission lines is acceptable if the property is outside of the easement. If the property is within 300 feet of a stationary storage tank containing more than 1000 gallons of flammable or explosive material, the site is ineligible.

## ENVIRONMENTAL HAZARDS

HUD does not have a minimum setback for EPA super-fund sites but if contamination of the property is suspected an environmental assessment inspection may be required.

## STRUCTURAL DEFECTS

Large settlement cracks, sagging floors or roofs, and significant deteriorated wood are conditions that require professional repair. Grading must be adequate to drain away from house.

## TERMITES

**HUD will no longer automatically require a termite inspection. Minor (non-structural) termite damage will not require repair. Evidence of active pest infestation will require an inspection. Wood/soil contact that is not due to a structural problem will no longer require repair.**

## SINKHOLES

A satisfactory inspection by a licensed civil engineer is required. All structural defects must be corrected.

## LEAD PAINT

For homes built before 1978, any peeling, chipping, bubbling or chalking paint on the house, detached garage, shed, fence, or anywhere on the property must be scraped, primed, and painted. Use tarps to collect paint chips to avoid contaminating the soil. **If the home is built after 1978 HUD will no longer require painting of defective paint surfaces, in most cases.**

## HEATING

The property must have a permanent conventional heat source. A wood stove as the primary heat source is not allowed. The heating and air conditioning system (if present) must be operating properly. Space heating systems are acceptable if installed in accordance with local building codes. Combustible (oil/gas) heat requires exhaust ventilation. Propane tanks must be a safe distance from the dwelling. Leased tanks are acceptable when not offered for sale.

## ROOFS

Leaking and worn out roofs require repair or replacement. A maximum of two layers is allowed. While a remaining life of at least two years is no longer specified a roof with a life of less than two years should be considered "worn out". **HUD will no longer require automatic inspection of a flat roof system.**

## WINDOWS/DOORS

**HUD will no longer require cracked glass to be repaired. Exterior doors that are in poor condition but are otherwise functional are acceptable. Windows that stick, are loose, or are otherwise in poor but serviceable condition should be acceptable with the following exception:** Inadequate access/egress from bedrooms to the exterior of the home is unacceptable. At least one window in each bedroom must open and close freely in order to allow escape in case of fire. Burglar bars on bedroom windows must have a release mechanism (at least one per bedroom).

## ELECTRIC

Fuses are acceptable. 60amp electric service may be acceptable (a small house with oil or gas for heating, cooking, and hot water). Loose wiring, exposed wiring, open splices, and other hazardous conditions will require repair. An exception is low voltage (telephone or cable TV) wiring that would not present a hazard.

## WELL/SEPTIC

HUD will no longer require an automatic water quality test unless the property is within ¼ mile of a factory, gas station, landfill, junkyard, dry cleaning, or intense agricultural area. A septic test will only be required if a malfunction is suspected. Well must be a minimum of 50' from septic tank, 100' from septic drain field (if local code allows) and 10' from property line. Connection to public water/sewer is required if the cost to connect is less than 3% of the value of the property. A well located within the foundation walls of a dwelling is not acceptable.

Shared wells may serve existing properties that cannot feasibly be connected to an acceptable public or community water supply system. A shared well shall have a valve on each dwelling service line as it leaves the well. A shared well shall service no more than four living units or properties.

A shared well must have a shared well agreement and shall be binding upon signatory parties and their successors in title.

## CRAWL SPACE & ATTIC

Access to both the attic and the crawl space is required. Both must have adequate ventilation. Crawl spaces must have sufficient clearance (18") for inspection and maintenance. Basement or crawl space area must not have excessive dampness or ponding of water.

## VACANT HOMES

All utilities should be on in vacant homes in order to avoid re-inspection. All mechanical systems must be operating.

## PLUMBING

**Minor plumbing leaks and defects are acceptable.** Major plumbing problems will require inspection and repair. Water heaters must have a non-adjustable pressure relief valve and plumbed to the outside or within 12" of a concrete floor. All water heaters must be installed per local building code regardless of location. Rental water heaters are not acceptable.

## MANUFACTURED HOMES

Manufactured homes must be built after June 14, 1976, and have the HUD seal (a small metal tag approximately the size of a credit card) visible on the exterior of each section. If the seal is missing HUD can issue a "Letter of Label Verification" e-mail or fax request to Manufactured Housing Standards Division. The living area must be at least 400 square feet. The property may not be within a FEMA rated flood zone (A or V). The manufactured home may not be within a condominium project. Skirting is required. A licensed civil engineer must certify the foundation meets the standards described in the Permanent Foundation Guide for Manufactured housing. Some alterations to a manufactured home require L&I inspection. The home can only be moved one time (from the factory to its current site).

## SAFETY CONCERNS

Smoke detectors are not required but if they are present they must work properly. **HUD no longer requires repair of the safety device that automatically stops an obstructed electric garage door opener. Trip hazards such as uneven walkways or sidewalks will not require repair. Missing handrails on stairways are acceptable.**

## NEW CONSTRUCTION

**New construction homes that are less than 95% complete at the time of inspection by the appraiser will require plans and specifications.**