



FHA Office of Single Family Housing




**ATLANTA
HOMEOWNERSHIP
CENTER
2016 Appraisal Training**

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**On Behalf of The AHOC and Training Team,
We Welcome you Today.
PLEASE BE CONSIDERATE OF
OTHERS**

1. *Please silence your cell phones and pagers.*
2. *If you must answer your phone, please step out.*
3. *If you must text, please respect your instructor and neighbors.*



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Presenters

Frank J. Coleman, Senior Review Appraiser
Carla Burnett, Senior Underwriter
William Carden, Senior Review Appraiser
Technical Branch I


*Processing and Underwriting Division
Atlanta Homeownership Center
Federal Housing Administration (FHA)*

Atlanta Home Ownership Center (AHOC)
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Discussion Topics

- **Components of Appraisal Guidance**
 - Handbook 4000.1 Enhancements
 - Reporting Requirements (Data Delivery Guide)
 - Defective Conditions
 - Minimum Property Requirements
 - Appraisal Updates, Property Flipping, Appraisal Transfers, and Reconsideration of Value
- **Property Types and Special Programs**
 - REO
 - Manufactured Homes
 - Condominiums
 - Energy Efficient Mortgage
- **203K Rehab Program**
 - Standard
 - Limited




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Handbook 4000.1

- Issued: August 26, 2015
- Effective: September 14, 2015
- Available at:
<http://portal.hud.gov/hudportal/documents/huddoc?id=40001HSGH.pdf>




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Components of Appraisal Guidance

- **Property Requirements**
 - FHA requires underwriting of property condition as well as valuation.
- **Appraiser Requirements to Observe, Analyze, Report**
 - Appraisers' requirements spelled out in one place, **clearly**.





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Components of Appraisal Guidance (cont.)


- Report and Data Format Requirements
 - A separate section dealing with forms, data and formats required, and “how to” instructions posted to HUD.gov.
- FHA Appraiser Roster
 - *Doing Business with FHA* section of the Handbook.
- FHA Appraiser Quality Control and Oversight
 - Legal and disciplinary issues.


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Enhancements to Note


- Zoning and Legal Non-Conforming Use
 - **Now requires appraiser to comment if improvements can be rebuilt.**
- Stationary Storage Tanks
 - No distinction for above- or below-ground.
- Accessory Dwelling Units
 - *Emphasizes Highest and Best Use to determine property type of classification.*

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Enhancements to Note (cont.)

- Attic and Crawl Space Inspection Requirements
 - Clarifies that FHA requires an **inspection**—more than just “head and shoulders” if possible.
- General Acceptance Criteria, Property Eligibility, Nonresidential Use of Property
 - Making sure that mixed use properties comply with zoning.


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Enhancements to Note (cont.)

- Cost and Income Approach for Value
 - Clarifies that **ALL** appropriate approaches must be utilized when applicable.
- Photograph Requirements
 - Interior photos are required, as are photos of the attic and crawl space.
 - Spells out all requirements in one place.
- Sales history of Comps
 - **3 years+ instead of 1 year initially (Changed back to 1 year).**
 - Due diligence by the appraiser for analyzing prior sales of comparable properties.




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Enhancements to Note (cont.)

- Measurement and Reporting of Contributory Value of energy efficiency components or alternate systems (solar, etc.):
 - Valuation of Solar Components is not limited to paired sales only.
 - Appraiser must follow proper appraisal practice including:
 - Contribution (Principle of Contribution);
 - Contributory Value;
 - Direct Sales Comparison Approach;
 - Cost Approach;
 - Income Approach; and
 - Reconciliation of the Approaches.




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Enhancements to Note (cont.)

- High Voltage Transmission Lines
 - The Appraiser must notify the Mortgagee of the deficiency of MPR or MPS if:
 - The Overhead Electric Power Transmission Lines or the Local Distribution Lines pass directly over any dwelling, Structure or related property improvement, including pools, spas, or water features; or
 - The dwelling or related property improvements are located within an Easement or if they appear to be located within an unsafe distance of any power line or tower.





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Enhancements to Note (cont.)


- A separate legal description for the surplus land is not required.
 - Highest and Best Use (HABU) test of additional parcels or larger than typical sites determines whether excess or surplus applies (reminder-all FOUR tests of HABU).
- Leasehold Valuation
 - Reminder that appraiser to analyze terms of ground lease and Mortgagee must ensure that appraiser has a copy.


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Enhancements to Note (cont.)


- Methamphetamine Contaminated Properties
 - Contaminated properties have potentially significant environmental risks due to use and/or storage of dangerous chemicals on the property.
 - If the Mortgagee notifies the Appraiser or the Appraiser has evidence that a Property is contaminated by the presence of methamphetamine (meth), either by its manufacture or by consumption, the Appraiser must render the appraisal subject to the Property being certified safe for habitation.
 - The Appraiser must analyze and report any long-term stigma caused by the Property's contamination by meth and the impact on value or marketability.


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Enhancements to Note (cont.)


- Valuation Approaches
 - Reminder to follow Uniform Standards of Professional Appraisal Practice (USPAP) – *apply all APPROPRIATE methods.*
- Roofs Covered with Snow
 - Reminder to report what can be seen inside the property.
- Manufactured Home Additions
 - **Appraiser to require inspection by State Agency if any Additions or Structural changes are observed.**


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High 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 pairs analysis.


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


- Posted to the HUD website.
- Describes line by line reporting requirements for the five appraisal report forms utilized by FHA.
- Includes Fannie Mae/Freddie Mac Uniform Appraisal Dataset (UAD) formats and requirements where applicable.
- Appraisal software companies will use this document to ensure that their products will comply with FHA requirements.


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Mortgagee Responsibility for Appraisal Integrity


- The Mortgagee is responsible for identifying any problems or potential problems with the integrity, accuracy, and thoroughness of an appraisal submitted to FHA for mortgage insurance purposes.


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Property Acceptability Criteria


- The Mortgagee must evaluate the appraisal and any supporting documentation to determine if the property complies with HUD's Property Acceptability Criteria.
- Existing and New Construction properties must comply with **Application of Minimum Property Requirements (MPR) and Minimum Property Standards (MPS) by Construction Status.**


4001.1 B 3 a Chg. 2 FY 15  19

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Defective Conditions


- The Mortgagee must evaluate the appraisal in accordance with the **Appraiser and Property Requirements of the 4000.1, Section 3. Acceptable Appraisal Reporting Tools and Protocols, Defective Conditions** to determine if the property is eligible for an FHA-insured mortgage.
- If **defective conditions** exist and correction is not feasible, the Mortgagee must reject the property.

4001.1 B 3 a Chg. 2 FY 15  20


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Defective Conditions (cont.)

- Defective construction evidence of continuing settlement, excessive dampness, leakage, decay, termites, environmental hazards, or other conditions affecting the health and safety of occupants, collateral security or structural soundness of the dwelling.
- The Mortgagee must render the property **ineligible** until the defects or conditions have been remedied and the probability of further damage eliminated.

4001.1 B 3 a Chg. 2 FY 15  21


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Defective Conditions: Inspection Requirements


- Examples of conditions that require an inspection by qualified individuals or Entities include, but are not limited to:
 - Standing water against the foundation and/or excessively damp basements;
 - Hazardous materials on the site or within the improvements;
 - Faulty or defective mechanical systems (electrical, plumbing or heating);
 - Evidence of possible structural failure (e.g., settlement or bulging foundation wall, unsupported floor joists, cracked masonry walls or foundation);
 - Evidence of possible pest infestation; or
 - Leaking or worn-out roofs.
 - Chipped, Peeling, Loose Lead-Based Paint (on homes built 1978 or prior)
- The reason for or indication of a particular problem must be given when requiring an inspection of any mechanical system, structural system, etc.

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Minimum Repair Requirements


- The appraisal report or inspection from a Qualified Entity indicates that repairs are required to make the property meet HUD's MPR or MPS, the Mortgagee must comply with **Repair Requirements**.

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Minimum Repair Requirements (cont.)

- The **underwriter will determine which repairs for existing properties** must be made for the property to be eligible for FHA-insured financing.

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Minimum Repair Requirements (cont.)


- Required repairs are limited to those repairs necessary to maintain safety, security and soundness.
- Required repairs are those **necessary to preserve** the continued marketability of the property and protect the health and safety of the occupants.
- If an element is **functioning well** but has not reached the end of its useful life, the appraiser **should not recommend replacement** because of age.


4001.1 B C Ch. 2 FY 15  25

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Required Documentation for Underwriting the Property


- If additional inspections, repairs or certifications are noted by the appraisal or are required to demonstrate compliance with **Property Acceptability Criteria**, the Mortgagee must obtain evidence of completion of such inspections, repairs or certifications.

4001.1 B C Ch. 2 FY 15  26


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Appraisal Update

- Appraisal update must be performed before the initial appraisal has expired.
- An appraisal cannot be updated if an appraisal extension has been issued.
- The valid period for an updated appraisal is 240 days after the Effective Date of the initial appraisal report.

4001.1 B C Ch. 2 FY 15  27


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Restrictions on Property Flipping

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

- If a property is resold within 90 days or fewer following the date of acquisition by the seller, the property is not eligible for an FHA-insured mortgage.




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Restrictions on Property Flipping

- Seller's Date of Acquisition:**
 - FHA defines the **seller's date of acquisition** as the date of settlement on the seller's purchase of that property.
- Resale Date:**
 - FHA defines the **resale date** as the date of execution of the sales contract by all parties intending to finance the property with an FHA-insured mortgage.



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The screenshot shows the 'Appraisal Logging Update' form in the FHA Connection system. It includes fields for:

- FHA Case Number
- Address
- Construction Code: Existing Construction
- Year Built: 2005
- Effective Age: 2
- Appraisal Expiration Date: 03/08/2016
- Date of Contract: 02/05/2015
- Contract Price: 250000
- Location: Suburban
- Predominant Neighborhood Price: 200000



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* Reconciliation Fields *

Appraisal Type: Appraised Value:

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

Name: LAMB, JOHN J

* Property Flipping *

Property Subject to Greater Than 90-Day Flipping Rule

Flipping Exemption Reason:

Use First Appraisal for Case Processing
 Use Second Appraisal for Case Processing

* Appraisal Update *

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


ID: Name:

Certify subject property did not decline in value





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Transferring Existing Appraisals

- The Mortgagee, at the borrower's request, **must transfer** the appraisal to the second Mortgagee **within 5 business days**.
- The original Mortgagee **may not** charge the borrower a fee for the transfer of any documents.
- A fee **may** be negotiated between the original Mortgagee and the new Mortgagee. However, a fee for the transfer of documents for Streamline Refinance transactions is not permitted.




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Transferring Existing Appraisal-New Borrower

- When an existing appraisal is being used for a different borrower, the Mortgagee must:
 - Enter the new borrower's information in FHAC;
 - Collect the *appraisal fee from the new borrower and refund the fee to the original borrower*; and
 - Have the appraiser review the purchase contract and revise the appraisal report for value adjustments accordingly.




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Second Appraisal Warning Screen



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Material Deficiencies

- Material deficiencies on appraisals are those deficiencies that have a direct impact on value and marketability.
- Material deficiencies are evident on the effective date of the appraisal.

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Material Deficiencies (cont.)


Material deficiencies include, but are not limited to:

- Failure to report readily observable defects that impact the health and safety of the occupants and/or structural soundness of the house;
- Reliance upon outdated or dissimilar comparable sales when more recent and/or comparable sales were available as of the effective date of the appraisal; and
- Fraudulent statements or conclusions when the appraiser had reason to know or should have known that such statements or conclusions compromise the integrity, accuracy and/or thoroughness of the appraisal submitted to the client.

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Reconsideration of Value

- The underwriter may request a reconsideration of value **when the appraiser did not consider information that was relevant on the effective date of the appraisal.**
- The underwriter must provide the appraiser with all relevant data that is necessary for a reconsideration of value.




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Material Deficiencies vs. Reconsideration of Value

Material Deficiencies	Reconsideration of Value
<ul style="list-style-type: none"> • May order second appraisal but, not for value • Typically, appraiser performance negligence 	<ul style="list-style-type: none"> • Second appraisal prohibited • Typically, new comparables become available after the effective date.




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The Direct Endorsement Underwriter/HUD Reviewer Analysis of Appraisal Report




(HUD-54114)

- *The Direct Endorsement Underwriter/HUD Reviewer Analysis of Appraisal Report* should not be used to modify value or for comments.




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Form HUD-92800.5B, Conditional Commitment Direct Endorsement Statement of Appraised Value

- The underwriter must complete form HUD-92800.5B as directed in the form instructions.
- Form HUD 92800.5B serves as the Mortgagee's conditional commitment/direct endorsement statement of value of FHA mortgage insurance on the property. The form provides a section for a statement of the property's appraised value and other required FHA disclosures to the homebuyer, including specific conditions that must be met before HUD can endorse a firm commitment for mortgage insurance. HUD uses the information only to determine the eligibility of a property for mortgage insurance.



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Conditional Commitment (Form HUD-92800.5b) Direct Endorsement Statement of Appraised Value

The Conditional Commitment (Form HUD-92800.5b) Direct Endorsement Statement of Appraised Value are not required in connection with:


- HUD REO sales;
- FHA's 203(k) mortgage program;
- Sales in which the seller is:
 - Fannie Mae;
 - Freddie Mac;
 - VA;
 - USDA Rural Housing Services;
 - Other Federal, State, and Local Government Agencies;
 - A Mortgagee disposing of REO assets; or
 - A Seller at a foreclosure sale; or

Sales in which the Borrower will not be an owner-occupant (for example, sales to nonprofit agencies).




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Acceptable Appraisal Forms

Property/Assignment Type	Acceptable Reporting Form
Fannie Mae Form 1004/ Freddie Mac Form 70, Market Conditions Addendum to the Appraisal Report, must be completed for every appraisal.	
Single Family, Detached, Attached or Semi-Detached Residential Property	Fannie Mae Form 1004/Freddie Mac Form 70, Uniform Residential Appraisal Report (URAR); MISMO 2.6 GSE format
Single Unit Condominium	Fannie Mae Form 1073/Freddie Mac Form 465, Individual Condominium Unit Appraisal Report; MISMO 2.6 GSE format
Manufactured (HUD Code) Housing	Fannie Mae Form 1004C/Freddie Mac Form 706, Manufactured Home Appraisal Report; MISMO 2.6 Errata 1 format
Small Residential Income Properties (Two to Four Units)	Fannie Mae Form 1025/Freddie Mac Form 72, Small Residential Income Property Appraisal Report; MISMO 2.6 Errata 1 format
Update of Appraisal (All Property Types)	Summary Appraisal Update Report Section of Fannie Mae Form 1004D/Freddie Mac Form 442, Appraisal Update and/or Completion Report; MISMO 2.6 Errata 1 format
Compliance or Final Inspection for New Construction or Manufactured Housing	Form HUD-92051, Compliance Inspection Report, in Portable Document Format (PDF)
Compliance or Final Inspection for Existing Property	Certification of Completion Section of Fannie Mae Form 1004D/Freddie Mac Form 442, Appraisal Update and/or Completion Report; MISMO 2.6 Errata 1 format



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Photograph Requirements

FHA Minimum Photograph Requirements


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

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Site Section


Dimensions	Area	Shape	View
Specific Zoning Classification		Zoning Description	
Zoning Compliance <input type="checkbox"/> Legal <input type="checkbox"/> Legal Nonconforming (Grandfathered Use) <input type="checkbox"/> No Zoning <input type="checkbox"/> Illegal (describe)			
Is the highest and best use of the subject property as improved (or as proposed per plans and specifications) the present use? <input type="checkbox"/> Yes <input type="checkbox"/> No. If No, describe			
Utilities	Public Other (describe)	Public Other (describe)	Off-site Improvements—Type Public Private
Electricity <input type="checkbox"/>	<input type="checkbox"/>	Water <input type="checkbox"/>	Street <input type="checkbox"/>
Gas <input type="checkbox"/>	<input type="checkbox"/>	Sanitary Sewer <input type="checkbox"/>	Alley <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 (assessments, encroachments, environmental conditions, land uses, etc.)? <input type="checkbox"/> Yes <input type="checkbox"/> No. If Yes, describe			

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Flood Zone: Determination & Responsibilities


- A property is not eligible for FHA insurance if:
 - A residential building and related improvements to the property are located within SFHA Zone A, a Special Flood Zone Area, or Zone V, a Coastal Area, and insurance under the National Flood Insurance Program (NFIP) is not available in the community; or
 - The improvements are, or are proposed to be, located within a Coastal Barrier Resource System (CBRS).

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Observing the Site


- FHA requires the appraiser to disclose any hazards that endanger:
 - Physical improvements;
 - Affect livability;
 - Marketability; and
 - Health and safety of occupants.

401.1.6 C (01-2-FY-15)



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Individual Water Supply and Sewage Systems


- The Mortgagee is required to ensure the well and septic meet HUD and state and local jurisdiction requirements.
- The underwriter, not the appraiser, is required to determine feasibility of connecting improvements to public water and/or septic system.
- The appraiser and/or Mortgagee must require inspections of readily observable deficiencies of well or septic systems.

401.1.6 C (01-2-FY-15)



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Improvements Section


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

401.1.6 C (01-2-FY-15)




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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.

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Interior: Materials Condition

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


- Appraiser is to state what they saw and describe when necessary.
- What is readily observable?
- What upgrades did he/she see?

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The Attic

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


- The appraiser is required to observe the interiors of all attic spaces.
- The appraiser is not required to disturb insulation, move personal items, furniture, equipment or debris that obstructs access or visibility. If unable to view the improvements safely in their entirety, the appraiser must contact the Mortgagee and reschedule a time when a complete visual observation can be performed, or **complete the appraisal subject to inspection by a qualified third party. Photograph required.**

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Mechanical Systems

All utilities must be on at the time of appraisal.


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Improvements Section

Appliances <input type="checkbox"/> Refrigerator <input type="checkbox"/> Dishwasher <input type="checkbox"/> Stove/Oven <input type="checkbox"/> Microwave <input type="checkbox"/> Washer/Dryer <input type="checkbox"/> Other (describe)				
Finished area above grade contains:	Rooms	Bedrooms	Baths	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 usability, 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				




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Property Condition Requirements

- Determine the overall quality and condition of property.
- Identify items that require immediate repair and are **Defective Conditions** (health & safety, structural soundness).
- Identify items where maintenance has been deferred, which may not require immediate repair.



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Reconciliation

Indicated Value by: Sales Comparison Approach Cost Approach (if developed) Income Approach (if developed)

This appraisal is made "as is" subject to completion per plans and specifications on the basis of a hypothetical condition that the improvements have been completed, subject to the following repairs or alterations on the basis of a hypothetical condition that the repairs or alterations have been completed, or subject to the following required inspection based on the extraordinary assumption that the condition or deficiency does not require alteration or repair.


Based on a complete visual inspection of the interior and exterior areas of the subject property, defined scope of work, statement of assumptions and limiting conditions, and appraiser's certification, my (our) opinion of the market value, as defined, of the real property that is the subject of this report is \$ _____ which is the date of inspection and the effective date of this appraisal.

- The three approaches to value are reconciled with a brief description of the validity of each approach with respect to the subject property appraisal:
 - Comparison;
 - Cost; and
 - Income.




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Identifying the Appraisal Report

Clarity	
As Is	No repairs, alterations or required inspections; Establish the "as is" value for 203(k); or Appraiser is recommending the property for rejection
Subject To Completion per Plans & Specs	Subject is less than 90% complete
Subject To Repairs or Alterations	The subject property is 90% or more complete
Subject To Required Inspection (s)	The subject property is subject to inspection by a qualified individual or entity when the observation reveals evidence of a potential safety, soundness, or security issue beyond the appraiser's ability to assess. (termite, electrician, structural, etc.)




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Addressing Unique Properties



- Must be:
 - Legal zoning;
 - Structurally sound;
 - Marketable; and
 - Highest & Best Use.


If zoning is Legal Non-Conforming-evidence property can be rebuilt.

Mixed Use Properties requires a minimum of 51% of the entire building square footage is for Residential use.




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Required Exhibits



Location Map


Maps

- Local street map showing location subject & each comparable sale.
- Show proposed roadways and street names.

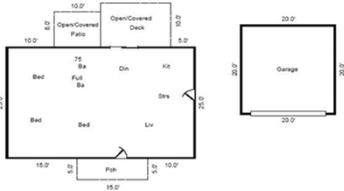


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Required Exhibits (cont.)




Exterior Sketch




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No Contributory Value?

- Zero value is often placed on accessory structures that:
 - Were added without permits; or
 - Exhibit costly defects.
- Appraisers are not to assign "zero" value just to avoid addressing FHA requirements!
- Zero value may mean removal of the structure.





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Underwriting HUD Real Estate Owned Properties


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HUD-owned Properties

- Permissible transactions (203b):
 - Insurable; or
 - As is with no repairs, alterations or inspections required.




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HUD-owned Properties (cont.)

- 203(b) Insurable with Escrow.
- Subject property will meet MPR if repairs estimated to cost no more than \$5,000 are completed.



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HUD-owned Properties (cont.)

Uninsurable:


- For FHA financing, must go 203(k).
- Subject property will meet MPR if repairs estimated to cost more than \$5,000 are completed.

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Manufactured Homes






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Modular? Manufactured? Site Built?



You can no longer tell sitting at the curb.

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Manufactured Home Appraisal


Manufactured Home Appraisal Report			Form
The purpose of this summary general report is to provide the appraiser with an accurate and relevant appraisal report of the value of the subject property.			
Property Address		City	State
Client		Order of title record	County
Appraisal Information			
Appraisal Purpose #	Unit No.	Unit No.	Unit No.
Appraisal Location	High Location	Other Location	
Appraisal Date	Appraisal Type	Appraisal Purpose	Appraisal Method
Appraisal Purpose #	Appraisal Type	Appraisal Purpose	Appraisal Method
Appraisal Location	Appraisal Date	Appraisal Type	Appraisal Purpose
Appraisal Location	Appraisal Date	Appraisal Type	Appraisal Purpose
Appraisal Location	Appraisal Date	Appraisal Type	Appraisal Purpose

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HUD Certification Label: "Red Tag"



AS EVIDENCED BY THIS LABEL NO. THE MANUFACTURER CERTIFIES TO THE BEST OF THE MANUFACTURER'S KNOWLEDGE AND BELIEF THAT THIS MANUFACTURED HOME HAS BEEN INSPECTED IN ACCORDANCE WITH THE REQUIREMENTS OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT AND IS CONSTRUCTED IN CONFORMANCE WITH THE FEDERAL MANUFACTURED HOME CONSTRUCTION AND SAFETY STANDARDS IN EFFECT ON THE DATE OF MANUFACTURE. SEE DATA PLATE.

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

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Missing HUD Label?

- Obtain the label and/or serial number from data plate or chassis.
- Website for IBTS: www.ibts.org/labelreq.htm
 - The processing time is expected to be 5-10 business days for Regular and 1-3 business days if Urgent
 - Current Costs \$50 (or \$75 if Urgent)
 - Address: 45207 Research Place Ashburn, VA 20147
 - Phone #: (703) 481-2000

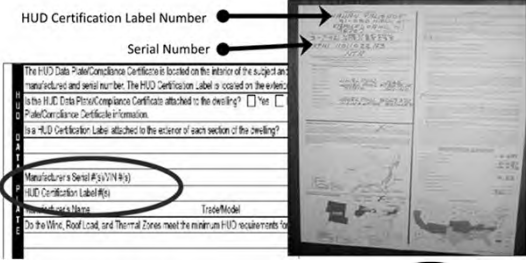
FHA Logo

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HUD Data Plate Certificate

HUD Certification Label Number →
Serial Number →





The HUD Data Plate/Compliance Certificate is located on the interior of the subject and manufactured and serial number. The HUD Certification Label is located on the exterior of the HUD Data Plate/Compliance Certificate attached to the dwelling? Yes No
Is a HUD Certification Label attached to the exterior of each section of the dwelling?
Manufacturer Serial #s (VIN #s)
HUD Certification Label #s
Manufacturer Name Trade Model
Do the Wind, Roof Load, and Thermal Zones meet the minimum HUD requirements for




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Foundations




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Additions to Manufactured Housing

- If the appraiser observes additions or structural changes to the original house, the appraiser must condition the appraisal upon inspection by the state or local jurisdiction administrative agency that inspects Manufactured Housing for compliance, or a licensed structural engineer may report on the structural integrity of the manufactured dwelling and the addition if the state does not employ inspectors.
- Note:* Required for HUD REO.





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Selection of Comparable Sales

- At least **two** of the comparable sales **must** be closed manufactured homes.





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Skirting

- Is vinyl skirting attached to framework acceptable for a manufactured home?
- HUD requires manufactured homes to have skirting that is permanent or attached to a permanent foundation.



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FHA Condominium Project Approval



Site Condominium or Single Family Home?



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FHA Condominium Project Approvals (cont.)



Condominium or Attached Single Family Residence?



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FHA Condominium Project Approvals (cont.)




Condominium or Manufactured Home?



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FHA Condominium Project Approvals (cont.)



Condominium?





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Condominiums


- Any mortgage covering 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 detached, semi-detached, row garden-type, low or high rise structures.
- Remaining Economic Life** is to be entered.


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FHA Condo Case Numbers


- Case numbers cannot be assigned to condominium units unless and until the condominium project is approved.
- To be eligible for FHA insurance, the project must be on the list of **FHA-approved condominiums**.

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Condominium Project Policy-Status

- As stated in the Origination/Underwriting Section:
 - A **Condominium Project** must be FHA approved before a mortgage on an individual condominium unit can be insured.
- Currently, FHA's Condominium Project Approval requirements are in the formal rulemaking phase. This process must be completed before the guidance is published.
- Our existing Condominium Project Approval requirements, located in Mortgagee Letter 2012-18, and the Condominium Project Approval and Processing Guide attached to Mortgagee Letter 2011-22 continue to be applicable.

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Condominiums: FHA Connection

Condominiums Help Links

Approval Method:

Started By:

State:


Condo ID:

Condo Name:

City:


Zip Code:

Status:



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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
Owner	Owner of Public Record			
Legal Description	County			
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 last 6 months prior to the effective date of this appraisal? Yes No


Support data source(s) used, offering price(s), and date(s):

I did I 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.




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Site Condos

- Site Condominiums refer to a project of single family, totally detached dwellings encumbered by a declaration of condominium covenants or a condominium form of ownership.
- They have no shared garages or any other attached buildings. Project approval is required for Site Condominiums that do not meet this definition.
- The appraiser must report the appraisal on Fannie Mae Form 1073/Freddie Mac Form 465, Individual Condominium Unit Appraisal Report.




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Energy Efficient Mortgage (EEM)




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Energy Efficient Mortgage (EEM) Program

- Allows the Mortgagee to offer financing 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.




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EEM: Eligible Programs and Transactions Types

- The EEM program can be used in conjunction with any mortgage insurance under Title II, including:
 - 203(b);
 - Purchase; or
 - No cash-out refinance.
 - 203(h) Mortgage Insurance for Disaster Victims;
 - 203(k) (Standard and Limited [former Streamline]); and
 - Weatherization Policy (Existing Construction only).





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EEM: Energy Package


- The energy package is the set of improvements agreed to by the Borrower based on recommendations and analysis performed by the qualified home energy rater.
- The improvements can include:
 - Materials, labor, inspections, and the home energy assessment by a qualified energy rater;
 - If the Borrower desires, labor **may include the cost of an EEM Facilitator (general contractor)**; and
 - Borrower labor (Sweat Equity) is **not permitted** to be included in the loan amount.


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EEM: EEM Facilitator (General Contractor)


- Who is a EEM Facilitator?
 - They are project managers.
- What is an EEM Facilitator’s responsibility? They:
 - Arrange the inspections, obtain the required documents for Mortgagee, and on behalf of the Mortgagee; and
 - Ensure that the improvements comply with recommendations Home Energy Report.


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EEM: Cost-Effective Test


- Cost-Effective refers to the costs of the energy efficiency improvements including maintenance and repair, and is one where the cost of the improvements is less than the value of the energy saved over the estimated useful life of those improvements.


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EEM: Cost Effective Test for New Construction


- For new construction any upgrades greater than existing code may not bare out any additional savings.
- A property classified as a energy efficient home must meet the requirements of the 2000 IECC standards.
- More information on this energy code can be obtained from the Department of Energy or the International Code Council.


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**EEM: Cost Effective Test for New Construction
(cont.)**


- The financed portion of an energy package includes only those cost-effective energy improvements over and above the greater of the following:
 - The requirements of the 2006 International Energy Conservation Code (IECC);
 - A successor energy code standard that has been adopted by HUD for its Minimum Property Standards (MPS), pursuant to 42 U.S.C. § 12709; or
 - The applicable IECC year used by the state or local building code for New Construction.

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EEM: Home Energy Report/Assessment

- The Borrower must obtain a home energy assessment.
- The purpose of the energy assessment under the EEM program is to identify opportunities for improving the energy efficiency of the home and their cost-effectiveness.
- The assessment must be conducted by a qualified energy rater, assessor, or auditor using whole-home assessment standards, protocols, and procedure.


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EEM: Qualifications of Energy Raters/Assessors

- Qualified home energy rater/assessors must be trained and certified as one of the following and meet local and state jurisdictional requirements:
 - Building Performance Institute Building Analyst Professional;
 - Building Performance Institute Home Energy Professional Energy Auditor; or
 - Residential Energy Services Network Home Energy Rater.




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EEM: Required Documentation

- The Mortgagee must obtain a copy of the home energy report:
 - Must not be more than 120 days old.
- The Mortgagee must submit two forms HUD 92900-LT:
 - FHA Loan Underwriting; and
 - Transmittal Summary.




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EEM: Maximum Financeable Energy Package

- The maximum amount of the energy package that can be added to the Base Loan Amount is the lesser of:
 - The dollar amount of a cost-effective energy package as determined by the home energy audit; or
 - The lesser of 5 percent of:
 - The Adjusted Value;
 - 115 percent of the median area price of a Single Family dwelling; or
 - 150 percent of the national conforming mortgage limit.





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EEM: Maximum Mortgage Amount for Existing Construction


- The maximum **final** Base Loan Amount is determined by adding:
 - The maximum financeable energy package amount to the initial maximum Base Loan Amount.


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EEM: Maximum Mortgage Amount For New Construction


- Determine Adjusted Value to calculate the Base Loan Amount:
 - The cost of the financeable energy package included in the purchase contract must be subtracted from the sales price when computing the Adjusted Value.


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EEM: Maximum Mortgage Amount for New Construction (cont.)


- The steps for calculating the maximum mortgage amount for new construction are:
 - Determine the Adjusted value;
 - Determine maximum financeable energy package using the EEM calculator in FHAC; and
 - Determine the maximum FHA mortgage.


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EEM: Appraisals


- For Existing and New Construction, the appraisal does not need to reflect the value of the energy package that will be added to the property.
- If the appraisal does include the value of the energy package, the value must be subtracted from the Property Value when computing the Adjusted Value.
- On the 203(k) program, the *after-improved value* is to be used for the EEM process.


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Completion Requirements for Energy Efficient Mortgages (EEMs)


- With the exception of 203(k), the energy package is to be installed within 90 Days of the mortgage closing.
- If the work is not completed within 90 Days, the Mortgagee must apply the EEM funds to a prepayment of the mortgage principal.

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Completion Inspection


- The Mortgagee, the rater, or an FHA fee inspector may inspect the installation of the improvements.
- An FHA fee inspector must be currently approved and currently on the roster.
- The Borrower may be charged an inspection fee

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203(k) and Consultant Requirements




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Introduction

- The Section 203(k) program is the agency's primary program for the rehabilitation and repair of Single Family properties.




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How is the 203(k) Program Different?


<p>Traditional Mortgage Program</p> <ul style="list-style-type: none"> Property must meet minimum property standards prior to closing Short term financing for repair costs. Value of the property does not support adequate loan security Refinance – permanent transaction. 	<p>203(k) Rehabilitation Program</p> <ul style="list-style-type: none"> Property <i>does not</i> meet minimum property standards at closing Funds for the rehabilitation costs are financed into the mortgage amount "After improved" value is used for the basis of collateral evaluation 203(k) is a permanent transaction.
--	--




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- How the Program Can Be Used
- Benefits of the 203(k)
- Basic Eligibility


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203(k) Programs for Two Different Renovation Project Needs


- There are two types of 203(k) rehabilitation mortgages as described below:
 - Standard 203(k); and
 - Limited 203(k).
- The guidance per the Program and Product section is applicable to both the Standard 203(k) and Limited 203(k) mortgages, unless noted otherwise.

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203(k) Programs: The Limited 203(k)

- The Limited 203(k) (formally known as the Streamlined (k), may only be used for minor remodeling and non-structural repairs.
- The Limited 203(k) does not require the use of a 203(k) Consultant, but a Consultant may be used.
- The total rehabilitation cost must not exceed \$35,000. There is no minimum rehabilitation cost.

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Property Eligibility

- The property must be an existing property that has been completed for at least one year prior to the case number assignment date.

FHA HOMEOWNERS 109

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Acceptable Property Types

- One- to four-unit Single Family Structures
- Condominiums
 - Individual Condominium Unit
 - Site Condominium Unit
- Manufactured Housing
- Mixed Use
- HUD Real Estate Owned (REO)

FHA HOMEOWNERS 110

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Mixed Use 203(k) Specific Policies:

Mixed Use property with one- to four-residential dwelling units, is acceptable provided:

- Fifty-one percent of gross building area is for residential use; **and**
- Any commercial use will not affect the health and safety of the occupants of the residential property.


FHA HOMEOWNERS 111

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Gross Building Area: Clarified

- Fifty-one percent of gross building area is for residential use.
- Gross Building Area (GBA) is the entire floor space of the building, as opposed to Gross Living Area. This includes unfinished and finished non-living areas, such as unfinished mechanical areas, laundry areas, entryways, stairs, unfinished storage, etc.
- This also includes any commercial space within the building.




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Acceptable Property Types: HUD Real Estate Owned (REO)

- The property is identified as eligible for 203(k) financing as evidenced in the sales contract or addendum.
- HUD REOs that are listed as uninsurable can only be an FHA loan as a 203(k).
- Good Neighbor Next Door and \$100 Down Programs can be used with 203(k).
- Investor purchases of HUD REO properties are not eligible for 203(k) financing.



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Sample HUD REO Sales Contract

EXAMPLE: 15% FINANCED 203K FINANCING

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

Property Disposition Program

1. I (we), **JOHN SMITH AND LAURA SMITH** (hereinafter referred to as the Seller), do hereby agree to sell the property at the address of **12345 Main Street, Dallas, Texas 75201** (hereinafter referred to as the Property) to the Buyer, **JOHN SMITH AND LAURA SMITH** (hereinafter referred to as the Buyer), for the purchase price of **\$125,000.00** (hereinafter referred to as the Purchase Price) and to execute all documents necessary to carry out the terms of this contract.


2. The Buyer agrees to pay the Purchase Price in full at the time of closing. The Seller agrees to provide a deed and all other documents necessary to carry out the terms of this contract.

3. The Buyer agrees to pay the Purchase Price in full at the time of closing. The Seller agrees to provide a deed and all other documents necessary to carry out the terms of this contract.

4. The Buyer agrees to pay the Purchase Price in full at the time of closing. The Seller agrees to provide a deed and all other documents necessary to carry out the terms of this contract.





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Standard 203(k)


- A Standard 203(k) has the following general requirements:
 - A minimum of \$5,000 in eligible improvements are required to qualify for the product.
 - Fees and costs related to the renovation can be rolled into the loan amount.
 - Standard FHA credit and cash investment requirements apply.
 - Standard FHA property guidelines apply, unless otherwise stated in 203(k) policies.
 - A 203(k) HUD-approved Consultant is required.


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The Origination Process of a Standard 203(K)

- Borrower selects a property;
- Borrower selects a FHA approved lender;
- Mortgagee takes loan application;
- Mortgagee selects 203(K) Consultant;
- Consultant visits property with Borrower;
- Consultant prepares "Work Write-up";
- Borrower hires Contractor;
- Work write-up and bids are provided to the Mortgagee;
- Mortgagee processes, underwrites, closes, and funds the transaction;
- FHA insures the loan; and
- Improvement process to the property begins.

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Repair/Improvements Begin

- Contractor completes first phase of the project.
- Borrower contacts the 203(k) Consultant who inspects work completed at this point by the contractor for a draw request to be completed for release of funds.
- The Consultant and Borrower sign the draw request.
- Draw Request is submitted to the Mortgagee.
- Mortgagee disburses a check made payable to Borrower and Contractor.
- This process continues until the work is completed.


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Project Completion

- Final draw is requested.
- Borrower provides release letter indicating work is completed.
- Consultant verifies completion.
- Remaining Rehabilitation Escrow Account funds are released.
- Note: The project should be completed within 6 months



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Eligible Improvements


Types of eligible improvements include, but are not limited to:

- –Reconstructing a Structure that has been, or will be demolished, provided the **complete** existing foundation system is not affected and will still be used;
- –Repairing, reconstructing, or elevating an existing foundation where the Structure will not be demolished;




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Eligible Improvements (cont.)

- Installing or repairing wells and/or septic systems;
Note: Lot size requirements removed.
- Repairing or removing an in-ground swimming pool;
Note: \$1,500 limitation removed.
- Constructing a windstorm shelter.
Note: \$5,000 limitation removed.




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Improvement Standards

- All improvements to existing Structures must comply with HUD's MPR.
- All new construction must comply with HUD's MPS.
- For a newly constructed addition to the existing Structure, the energy improvements must meet or exceed local codes and the requirements of the 2006 International Energy Conservation Code (IECC) or a successor energy code standard that has been adopted by HUD for its MPS.




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Mortgagee Responsibility in Consultant Selection

- The **Mortgagee must select** an FHA-approved 203(k) Consultant from the FHA 203(k) Consultant Roster in FHA Connect (FHAC).
- The Mortgagee must not use the services of a Consultant that has demonstrated previous poor performance based on reviews performed by the Mortgagee.



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203(k) Consultant Fee Schedule: Work Write-Up


<u>Cost of Improvements</u>	<u>Fees</u>
< \$7,500	\$400
\$7,501 - \$15,000	\$500
\$15,001 - \$30,000	\$600
\$30,001 - \$50,000	\$700
\$50,001 - \$75,000	\$800
\$75,001 - \$100,000	\$900
> \$100,000	\$1,000
\$25 per additional Dwelling Unit	

Mileage Fee at the current IRS mileage rate when the consultant's place of business is more than 15 miles from the property.



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The Work Write-Up


The Work Write-Up must:

- Be prepared in a categorical manner that addresses each of the 35 point checklist items;
- Detail the work being performed per the project proposal, including architectural exhibits and certifications;
- Identify each Work Item;
- Identify each Work item to be performed by the Borrower;
- Indicate which Work Items require permits;
- Indicate if the Work Item is required to meet a MPS or MPR, or is a Borrower elective Work Item; and
- Address all health and safety concerns and any appraiser requirements first before the addition of any Borrower elective Work Items.




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Borrowers Doing Own Work (Self-Help)

- The Mortgagee must:
 - Ensure all permits are obtained prior to commencement of work;
- The Borrower **must not be reimbursed for labor costs.**




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Borrowers Doing Own Work (Self-Help) Cost Estimates

- The Mortgagee must:
 - Include the costs for labor and materials for each Work Item to be completed by the Borrower under a Rehabilitation (Self-Help) Loan Agreement.





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Standard 203(k) Financeable Repair and Improvement Costs and Fees


- The following repair and improvement costs and fees may be financed:
 - Costs of construction, repairs, and rehabilitation;
 - Architectural/engineering professional fees;
 - The 203(k) Consultant fee (limited to the 203(k) Consultant Fee Schedule - 9. Section 203(k) Consultant);
 - Inspection fees performed during the construction period, provided the fees are reasonable and customary for the area;
 - Title update fees; and
 - Permits.


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Review of Contractor Qualifications


- Prior to closing, the Mortgagee must ensure that a qualified general or specialized contractor has been hired and by contract has:
 - Agreed to complete the work described in the Work Write-Up for the amount of the Cost Estimate; and
 - Within the allotted time frame

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Appraisal Reports

- An appraisal by an FHA-approved roster appraiser is always required to establish the after-improved value of the property.
- Except in cases of **Property Flipping and refinance transactions**, the Mortgagee is not required to obtain an as-is appraisal and may use alternate methods per the 203(k) policies to establish the Adjusted As-Is Value.
- If an as-is appraisal is obtained, the Mortgagee must use it in establishing the Adjusted As-Is Value.

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203(k) Resource Documents


- 203(k) Resource Documents :

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/203k/sample_documents



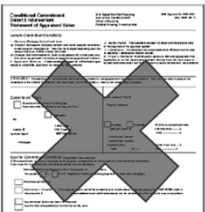

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Conditional Commitment (Form HUD-92800.5b) Direct Endorsement Statement of Appraised Value

The Conditional Commitment (Form HUD-92800.5b) Direct Endorsement Statement of Appraised Value is **not required** in connection with the 203(k) mortgage program.


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Repairs Noted by the Appraiser

- When an appraisal report identifies the **need for health and safety repairs** that were not included in the Consultant's Work Write-Up, Borrower's work plan, or contractor's proposal, the Mortgagee must ensure the repairs are included in the **Consultant's Final Work Write-Up or the Borrower's final work plan.**




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Limited 203(k)

- The Limited 203(k), as stated earlier, may only be used for **minor remodeling and non-structural repairs**.
- The Limited 203(k) does not require the use of a 203(k) Consultant. However, the Borrower can elect to hire a Consultant but the fee cannot be financed.
- The total rehabilitation cost must not exceed \$35,000




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Rehabilitation Period

- Work Commencement Requirement
- Standard: Consultant Responsibility – Stoppages or Deviations from the Work Write-Up
- Project Management
- Extension Requests




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Release of Funds for Structure being Elevated or Moved: Standard 203(k)

- For an existing Structure moved to a new foundation or a Structure that will be elevated, the Mortgagee must not release loan proceeds for the existing Structure on the non-mortgaged property until:
 - –The new foundation has been properly inspected and the Structure has been properly placed and secured to the new foundation.




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Maximum Number of Draws

Program	Maximum Number of Draws Permitted
Standard 203(k)	5 draw requests (4 intermediate and a final)
Limited 203(k)	2 draw requests per specialized contractor or the Borrower (if acting as the contractor). The Mortgagee may arrange a payment schedule, not to exceed 2 draws, per specialized contractor (an initial release plus a final release).




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Discoveries During Rehabilitation

- Health and Safety Items
- Change Order Request: Standard 203(k)
- Change Order Request: Limited 203(k)
- Contingency Reserve Funds When Rehabilitation is Not Complete



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Helpful Links

FAQ Site:
<http://portal.hud.gov/hudportal/HUD?src=/FHAFAQ>

Single Family Lender's page:
www.hud.gov/lenders



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