

FHA Appraisal – Quick Tips

Minimum Property Requirements (MPR) and Minimum Property Standards (MPS)

The appraiser is to note those repairs necessary to make the property comply with FHA's Minimum Property Requirements (MPR) or Minimum Property Standards (MPS) together with the estimated cost to cure. The lender will determine which repairs for existing properties must be made for the property to be eligible for FHA-insured financing. Repairs in excess of \$5,000.00 are not eligible for FHA 203(b) financing.

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.

Minor property conditions that normally DO NOT require repair.

- Missing Handrails (unless a safety issue)
- Cracked or damaged exit doors that are otherwise functional
- Cracked windows or glass
- Defective paint surfaces in homes constructed after 1978
- Minor plumbing leaks (such as leaky faucet)
- Defective floor finish or covering (worn through the finish, badly soiled carpets)
- Rotten or worn out counter tops
- Damaged plaster, sheetrock or other wall and ceiling materials in homes built after 1978
- Poor workmanship
- Trip hazards (cracked or partially heaving sidewalks, poorly installed carpet)
- Crawl space with debris and trash
- Lack of all weather driveway surface

Required repairs will be limited to necessary requirements to:

- protect the health and safety of the occupants (**Safety**)
- protect the security of the property (**Security**)
- correct physical deficiencies or conditions affecting structural integrity (**Soundness**)

Some typical conditions that would require automatic repair or further testing by qualified

individuals or entities: (this is not an all inclusive list)

- 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
- Inadequate access/egress from bedrooms to exterior to home
- Leaking or worn out roof
- Defective paint surfaces for home built before 1978
- Unprotected exterior wood surfaces
- Inaccessible attic or crawl space

Unacceptable Locations

FHA guidelines require that a site be rejected if the property being appraised is subject to hazards, environmental contaminants, noxious odors, offensive sights or excessive noises *to the point of endangering the physical improvements or affecting the livability of the property, its marketability, or the health and safety of its occupants.*

Site Hazards and Nuisances

The appraiser must note and comment on all hazards and nuisances affecting the subject property that may endanger the health and safety of the occupants and/or the structural integrity or marketability of the property, including: subsidence, operating and abandoned oil and gas wells, abandoned wells, slush pits, heavy traffic, airport noise and hazards, runway clear zones/clear zones, proximity to high pressure gas, liquid petroleum pipelines or other volatile and explosive products, residential structures located within the fall distance of a high-voltage transmission line, radio/TV transmission tower, etc., excessive hazard from smoke, fumes, odors, and stationary storage tanks containing flammable or explosive material.

Soil Contamination

Conditions that could indicate soil contamination include pools of liquid, pits, ponds, lagoons, stressed vegetation, stained soils or pavement, drums or odors. If any of these conditions exist further analysis or testing is required.

Note the proximity to dumps, landfills, industrial sites or other sites that could contain hazardous wastes.

If there is any readily observable surface evidence of leakage from an underground storage tank, further analysis or testing is required.

Grading and Drainage

Proper drainage control measures may include gutters and downspouts or appropriate grading or landscaping to divert the flow of water away from the foundation. If there is any readily observable evidence of standing water near the property this indicates improper drainage.

Individual Water Supply and Sewage Systems

The appraiser must note any readily observable deficiencies regarding the well or septic system. If no concerns, there are no inspections required. Well and Septic must be at least 50 feet apart, to be acceptable for FHA financing.

Wood Destroying Insects/Organisms

Termite inspection is only required if the appraiser notes evidence of infestation. If there was any previous damage due to infestation, the damage will need repaired. If the damage was to foundation or support beams, a structural inspection may be recommended.

Private Road Access and Maintenance

Private streets must be protected by permanent recorded easements or be owned and maintained by a HOA. Shared driveways must also meet these requirements.

Each property must have vehicular or pedestrian access. If the property is inaccessible by foot or by vehicle; it is likely that the property is not acceptable. FHA defines all-weather surface as a road surface over which emergency vehicles can pass in all types of weather. If the property is not provided with an all-weather surface, it is likely to be unacceptable.

Structural Conditions

The property is to be structurally sound, if there is evidence of numerous cracks or settlement, a Structural Engineer Certification may be required.

Foundation

Excessive dampness or settlement may require a Structural Engineer Certification and repairs if required.

Roofing

Leaking or worn out roofs must be replaced and if there are 3 or more layers of shingles, all must be removed before re-roofing. If the roof is in question, a Roofing Certification may be required and must state the roof has at least 2 years remaining life.

Mechanical Systems

Check mechanical, plumbing and electrical systems in the subject property to ensure that they are in proper working order. This examination entails turning on the applicable systems and observing their performance. The following is not an all-inclusive list, but a listing of the more common readily observable property deficiencies.

Electrical System

- Examine the electrical system to ensure that there is no visible frayed wiring, or exposed wires in living areas and note if the amperage appears adequate for the property.
- Operate a representative number of lighting fixtures, switches and receptacles inside the house, garage and on the exterior walls and note any deficiencies. If the appliances present at the time of the inspection do not appear to be reasonable (undersized), determine if there is adequate amperage to run "standard" appliances, as per local code.
- The appraiser is not required to insert any tool, probe or testing device inside the panels or to dismantle any electrical device or control.

Plumbing System

- Flush the toilets and turn on a representative number of faucets to determine that the plumbing system is intact, that it does not emit foul odors, that faucets function appropriately, that both cold and hot water run and that there is no readily observable evidence of leaks or structural damage under fixtures.
- Turn on several cold water faucets in the house to check water pressure and flow. Flushing a toilet at the same time will also reveal any weaknesses in water pressure.
- If the property has a septic system, examine it for any signs of failure or surface evidence of malfunction.

Other Health and Safety Deficiencies

Address all health and safety issues, physical deficiencies or adverse conditions that affect the livability, soundness or structural integrity of the property. The nature and degree of any health and/or safety issues will determine whether to address said deficiency.

Lead Based Paint Hazards

For any home built prior to 1978, defective paint surfaces, including: peeling, scaling or chipping paint requires correction.

FHA Appraisal

FHA appraisals are no guarantee that the property is free from defects. The appraisal only establishes the value of the property for mortgage insurance purposes. Buyers need to secure their own home inspections through the services of a qualified inspector and satisfy themselves about the condition of the property.