

FHA Repair and Inspection changes

FHA, in an ongoing effort to streamline its program, has just issued Mortgage Letter 2005-48 providing new guidance on appraisal and inspection requirements for existing construction appraisals.

FHA has shifted from its historical emphasis on the repair of minor property deficiencies and now only requires repairs for those property conditions that rise above the level of cosmetic defects, minor defects or normal wear and tear.

FHA now permits an "AS-IS" appraisal for existing properties when there are no repairs, alterations or inspections noted by the appraiser.

Properties that are **Under Construction** and more than 90% complete with minor work remaining such as customer preference items, will no longer be appraised "subject to completion per plans and specs". In these instances, the property will be appraised "subject to repairs or alterations".

Examples of minor property conditions that no longer require automatic repair for existing properties include, but are not limited to:

Missing handrails

Cracked or damaged exit doors that are otherwise operable

Cracked window glass

Defective paint surfaces in home constructed post 1978

Minor plumbing leaks (such as leaky faucets)

Defective floor finish or covering (worn through the finish or badly soiled)

Evidence of previous (non-active) wood destroying insect/organism damage where there is no evidence of un-repaired structural damage

Rotten or worn out countertops

Damages plaster, sheetrock or other wall and ceiling materials in homes build after 1978

Poor workmanship

Trip hazards (cracked or partially heaving sidewalks, poorly installed carpeting)

Crawl space with debris or trash

Lack of an all weather driveway surface

FHA no longer mandates automatic inspections for the following items:

Pest inspection (only if evidence of active infestation)

Well Inspection (only if some cause warrants)

Septic Inspection (only if evidence of system failure)

Flat or unobservable roof

If the appraiser reports a potential property condition that may pose a threat to the safety of the occupants or the security and soundness of the property, an inspection of the condition may be warranted to resolve the issue.

This list is given in the effort to assist you in determining listing that may be suitable to show your clients. Although it is not all inclusive, I hope you find the information useful.