

FHA REPAIR MEMO

Per FHA Single Family Housing Policy Handbook, “HUD requires every property to be safe, sound, and secure to be eligible for FHA insurance”. The property must also comply with HUD’s Minimum Property Requirements (MPR) and Minimum Property Standards (MPS). These requirements and standards form the basis for identifying the deficiencies of the property that the appraiser **must** note within the appraisal form and that **must** be addressed by the mortgagee before closing.

FHA Roster appraisers **must report all readily observable property deficiencies, as well as any adverse conditions (i.e. Functional Obsolescence, External Obsolescence, etc.) discovered performing the research involved in completion of the appraisal, within the appraisal reporting form.** In addition to identifying and disclosing these items, appraisers **must** provide photographic documentation of them in the appraisal report. Examples of property deficiencies and adverse conditions include: defective construction, evidence of settlement, excessive dampness, leakage, decay, termites, environmental hazards, peeling paint, defective and/or exposed wiring, defective overhead garaged door openers, or other conditions (i.e. State or Local requirements such as carbon monoxide detectors, double strapped water heaters, etc.) affecting the health and safety of occupants, collateral security or structural soundness of the dwelling.

The appraiser **must** also require repairs of those items to make the property comply with HUD’s MPR, together with an estimated Cost to Cure that has been properly developed and applied within the report (Note: Cost to Cure is not based on the home owner’s cost of completing a specific repair themselves. It is based on the cost of local licensed contractors to complete the repair plus an additional expense known as Entrepreneurial Incentive, which represents the cost to manage the process of completing that repair. Basically, the “Cost to Cure” for a specific repair item is greater than the actual amount paid to a licensed contractor to complete that repair.). If the appraiser cannot determine that a property meets HUD’s MPR or MPS, an inspection by a qualified individual or Entity is required.

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Cosmetic/minor repairs are not required; however, they **must** be reported by the appraiser and considered in the overall condition when rating and valuating the property. Some examples of cosmetic repairs include: missing handrails that do not pose a threat to safety, holes in window screens, cracked window glass, defective interior paint surfaces in housing constructed after 1978, minor plumbing leaks that do not cause damage (such as a dripping faucet), etc.

To assist our customers in expediting the appraisal process, the following repairs are suggested prior to scheduling an FHA appraisal inspection:

- Repair (i.e. scrape, sand, fill, prime, paint) all defective paint surfaces.
- Repair all leaks (i.e. plumbing, HVAC, roof, foundation, etc.).
- Repair all foundation/structural settlement.
- Repair/replace defective roofing.
- Repair/replace all loose/missing handrails.
- Repair/replace defective and exposed electrical wiring.
- Properly install required safety items such as GFCI outlets, smoke detectors, carbon monoxide detectors, water heater pressure relief valves/extension pipe/straps, etc.
- Repair/replace broken inoperable windows/doors and their locks.
- Repair/replace broken/inoperable overhead garage door openers.
- Repair/replace broken/uneven/loose stairs, walks, driveways, flooring, etc.
- Appliances should be fully operational.
- Garage door lift should correctly operate (i.e. raise and lower door, stop and reverse if meeting resistance).
- Clear access to the attic scuttle hole and crawl space so appraiser can easily inspect those areas as required.
- Identify well and septic locations ahead of time as the appraiser needs to report their locations