

FHA – Minimum Property Standards

General Information

Minimum Property Standards

The following criteria define standards for existing properties to be eligible for FHA mortgage insurance. **Decisioners/Underwriters bear primary responsibility for determining eligibility; however, the appraiser is the on-site representative for Wells Fargo and provides preliminary verification that the standards have been met.**

The following standards form the basis for identifying the deficiencies of the property that the appraiser must note within the appraisal form and which must be addressed by the lender before closing. When examination of existing construction reveals non-compliance with the standards, the appraiser will note repairs necessary to make the property comply with FHA's minimum property standards together with a cost to cure. If correction is not feasible and compliance can only be affected by major repairs or alterations, the property should be rejected. The appraiser is only required to note those conditions that are readily observable.

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General Information, Continued

**Minimum
Property
Standards**
(continued)

Required repairs are those necessary to preserve the continued marketability of the property (structure and soundness) and to protect the health and safety of the occupants.

Any operable or useful element that has reached the end of its useful life within two years should be replaced. Good judgment should be used with respect to such deferred maintenance items.

The following is a general outline of the minimum property standards established by FHA. Eligible houses include detached, semi-detached, multiplex, row houses, and individual condominium units.

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Minimum Property Standards (continued)

Each property must comprise a single, readily marketable real estate entity. The property must be free of health and safety hazards.

Utilities and other facilities should be independent for each unit and must include:

- A continuing and sufficient supply of safe, potable water under adequate pressure and of adequate quality for all household uses;
 - Sanitary facilities and a safe method of sewage disposal;
 - Heating adequate for health and comfort;
 - Domestic hot water; and
 - Electricity for lighting and equipment.
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Eligible Properties

A borrower can purchase or refinance:

- Single family,
- Condominium,
- PUD,
- Two- to four-unit family,
- Modular, or
- Manufactured home.

See [Property Analysis – Condominium/PUD](#).

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General Information, Continued

Access

Each property must be provided with a safe and adequate pedestrian and vehicular access from a public or private street. All streets must have an all-weather surface with access to all buildings for essential and emergency use. FHA defines all-weather surfaces as a road over which emergency vehicles can pass in all types of weather.

All streets must either be public or privately maintained by permanent recorded easements. Private streets must be protected by permanent easements. A joint maintenance agreement is no longer required on all properties, however, if the appraisal contains adverse conditions/derogatory comments from the appraiser, or there are other indications in the loan file of deferred maintenance, payment disputes related to the roadway, etc., the underwriter should require a road maintenance agreement.

Each living unit must be accessible without passing through another living unit. Access to the rear yard must be provided without passing through another living unit. For a row-type dwelling, the access may be by means of alley, easement, passage through the subject dwelling, or other acceptable means.

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Accessory Unit/Mother-in-law apartment

An accessory dwelling unit (ADU) is a habitable living unit added to, created within, or detached from a single family dwelling that provides the basic requirements for living, sleeping, eating, cooking, and sanitation.

Accessory dwelling units are commonly understood to be a separate additional living unit, including a separate kitchen, sleeping and bathroom facilities, attached or detached from the primary residential unit, on a single family lot. ADUs are usually subordinate in size, location, and appearance to the primary unit and may or may not have separate means of egress or ingress.

Attached units, contained within a single-family home, often called “mother-in-law apartments” are the most common type of ADU. Accessory units may not be subdivided or otherwise segregated in ownership from the primary residence. The accessory unit must be connected to the utilities (except telephone, television and cable) of the dwelling unit and may not have separate services. Some ADUs may predate local zoning ordinances and may therefore be classified as legal nonconforming units.

If the unit is income producing, it is not considered an ADU but a second unit.

A 2-4 unit with an accessory unit is not eligible for FHA financing.

The appraiser will determine if the unit is an ADU or second unit. The information will be available in the site analysis section of the report where zoning, highest and best use, and legal use are addressed.

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General Information, Continued

Airport Noise and Hazards

Locations near an airport may be subject to the noise and hazard of low-flying aircraft. Therefore, consideration must be given to the desirability of an affected location in comparison with unaffected locations that are improved with or are appropriate for competitive structures.

HUD requires that the buyer of a property located in a Runway Clear Zone/Clear Zone is advised that the property is located in such a zone and of the implications associated with that location. This includes the possibility that the airport operator could acquire the property in the near future.

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General Information, Continued

Airport Noise and Hazards – New Construction, Proposed, Under Construction, and Existing Less Than One Year

New, proposed construction, under construction, and properties less than one-year old within Runway Clear Zones at civil airports or within Clear Zones at military airfields are **ineligible** for home mortgage insurance.

Properties located in Accident Potential Zone I at military airfields may be eligible for FHA insurance provided that the property is compatible with Department of Defense guidelines.

See [Property Analysis – New Construction – Appraisals – Builders Certification-Hazards](#).

Airport Noise and Hazards – Existing Properties and Greater Than One Year Old

Existing properties are not to be rejected solely because of airport influences if there is evidence of acceptance in the market. HUD's position is that since the dwellings are in use and are expected to continue so in the foreseeable future, their marketability should be the strongest indicator of their acceptability.

Marketability should account for the following considerations:

- Plans and future expansion of airport facilities.
 - Prospective increases in the number of planes or flights using the field or specific runways.
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Airport Noise and Hazards – Existing Properties and Greater Than One Year Old (continued)

- The timing and frequency of the volume of flights.
- Any other factors that may increase the annoyance of having the airport nearby.
- Excessive noise.

If changes are likely, the appraiser must anticipate any adverse effect that these changes are likely to have on the marketability of the property. The appraiser should judge each situation on its merits. Compare the effect of aircraft activity on the desirability of a particular location with other locations that are:

- Improved with similar structures.
- Considered competitive with those located in the subject neighborhood.

Existing dwellings more than one year old are acceptable provided the prospective purchaser acknowledges awareness that the property is located in a Runway Clear Zone/Clear Zone. The acknowledgment “Notice to Prospective Buyers of Properties Located in Runway Clear Zones and Military Airport Clear Zones” must be used in every instance where applicable and should be used without change. The signed acknowledgment must be sent to underwriting with the appraisal. The acknowledgment must read as follows:

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**Airport Noise
and Hazards –
Existing
Properties and
Greater Than
One Year Old**
(continued)

**“NOTICE TO PROSPECTIVE BUYERS OF PROPERTIES LOCATED IN
RUNWAY CLEAR ZONES AND MILITARY AIRPORT CLEAR ZONES**

The property that you are interested in purchasing at _____
_____ is located in the Runway Clear Zone/Clear Zone
for _____. Studies have shown that if an accident
were to occur, it is more likely to occur within the Runway Clear Zone/Clear
Zone than in other areas around the airport/airfield. Note that we are not
discussing the chances that an accident will occur, only where one is most
likely to occur. You should also be aware that the airport/airfield operator
might wish to purchase the property at some point in the future as part of a
clear zone acquisition program. Such programs have been underway for many
years at airports and airfields across the country. We cannot predict if or when
this might happen since it is a function of many factors, particularly the
availability of funds, but it is a possibility.

We wanted to bring this information to your attention. Your signature on the
space below indicates that you are now aware that the property you are
interested in is located in a Runway Clear Zone/Clear Zone.

Signature of prospective buyer

Date

Type or print name of prospective buyer”

See [Property Analysis – Minimum Property Standards – Noise Hazard –
Traffic](#) and [Property Analysis – New Construction – Builders Certification](#).

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General Information, Continued

Asbestos

Although asbestos has been used in many products in the past, it is not an easily recognized material. It may be found anywhere in a home but may not be obvious to the appraiser. While an appraiser may recognize an asbestos shingle roof or asbestos siding on a house, asbestos used in this manner does not pose a danger as would be if the material were deteriorating within the confines of a home. Where it is used as an insulation wrap for hot water pipes, it is usually covered and poses no danger. When the material is deteriorating into a fine powder and can be inhaled, it may pose a danger to one's health. Also it could be in hidden areas to which the appraiser has no access.

Asbestos wrapping around hot water pipes in the basement of a dwelling is usually found only in very old homes. If an appraiser notices this, he/she should make a note on the appraisal report that there appears to be asbestos insulation wrap around the hot water pipes. Appraiser to identify condition of area.

Asbestos Condition	Action Taken
If there is no obvious deterioration of the asbestos such as punctures or other damage	It should be left alone.
If there is obvious damage or significant deterioration is noted, then	An inspection by a professional in the field is to be done.

In addition to these guidelines, any local or state requirements that exceed these guidelines must also be met.

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General Information, Continued

Avalanche

Properties located in either the Red or Blue Zones are ineligible for FHA insurance and should be rejected. Red Zones (black/extreme on some maps) are those that have positive danger and are in the path of a routine slide (less than a 100-year occurrence probability). Blue Zone (red/high on some maps) is an area identified as having the potential for snow blast damage in a 100-year slide but limited probability to cause severe damage to a structure.

Attic Space

Natural ventilation shall be provided for each separate space to allow moisture and excessive heat to escape. Ventilation openings shall be protected against the entrance of rain and snow.

The attic must be examined whether access is by pull-down stairway or scuttle. At a minimum, head-and-shoulders entry is required. However, size and accessibility dictate the level of entry.

Basement Bedrooms, Basement Apartments

As a rule, basement space does not count as habitable space. If the bedroom does not have proper light and ventilation, the room cannot be included in the gross living area. The following apply to the valuation of below-grade rooms:

- The windowsill may not be higher than 44 inches from the floor.
- The windowsill must have a net clear opening of at least 24 inches wide by 36 inches high.
- The window should be at ground level; however, compensating factors may allow less.

If these standards are not substantially met, the basement area cannot be counted as habitable space.

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General Information, Continued

Basement Condition

Basements must be examined for dampness or wetness, any obvious structural problems and the condition of the furnace, hot water heater, or other components located there.

Bathroom Requirements

Every living unit shall have a water closet, lavatory, and a bathtub or shower.

Bedroom Egress

All bedrooms must have adequate egress to the exterior of the home. If an enclosed patio (solid walls) covers the bedroom window, it is possible that the bedroom will not qualify as a habitable bedroom. Security bars are acceptable if they comply with local fire codes. Occupants of a bedroom must be able to get outside the home if there is a fire.

Commercial Use of Property

A qualified property must be predominantly residential in use and appearance. Any non-residential use of the property must be subordinate to its residential use, character, and appearance. A property, any portion of which is designed or used for non-residential purposes, is eligible only if the type or extent of the non-residential use does not impair and/or remove the property's residential character and appearance.

Note: The 203(k) program has separate commercial use requirements. See the Wells Fargo FHA 203(k) manual for details.

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General Information, Continued

Crawl Spaces

To ensure against conditions that could cause the property to deteriorate and seriously affect the marketability of the property, it is required that:

- There must be adequate access to the crawl space. Access is defined as the ability to visually examine all areas of the crawl space. This is highly recommended, but not mandated, to be a minimum distance of 18 inches.
 - The floor joists must be sufficiently above the highest level of the ground to provide access for maintenance and repair of ductwork and plumbing.
 - The space should be properly vented.
 - The crawl space should not be excessively damp or have any water pooling. If moisture problems are evident, a vapor barrier should be required.
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Dampness/ Drainage

Proper topography and site grading can be important elements in preventing wet basements, damp crawl spaces, erosion of soils, and overflowing sewage disposal systems. To ensure protection, analyze the relationship of street grades, floor elevations, and lot grades which should indicate/provide positive drainage from the improvements. If the foundation or its bearing soils may be affected by seepage or frost, the dwelling is unacceptable unless the surface and subsurface water is diverted from the structures to ensure positive drainage away from the foundation.

If the purchase contract, the appraiser, or any other documentation states that there is dampness as a result of a foundation issue, an inspection by a qualified individual should be obtained, such as a structural engineer.

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General Information, Continued

Defective Conditions

Defective construction, evidence of continuing settlement, excessive dampness, leakage, decay, termites, or other conditions impairing the safety, sanitation or structural soundness of the dwelling shall render the property unacceptable until the defects or conditions have been remedied and the probability of further damage eliminated.

Design

The building design shall provide ease of circulation and housekeeping, visual and auditory privacy, accident protection, accessory services, and economy in maintenance and use of space.

Dome Homes

In order for a dome home to be fully marketable, it must be located in an area of other similar types of construction and blend in with the landscape. The same considerations apply to dome homes as earth sheltered homes insofar as location is concerned. See [Property Analysis – Minimum Property Standards – Earth Sheltered Housing](#) and [Property Analysis – Minimum Property Standards – Unique Properties](#).

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General Information, Continued

Earth-Sheltered Housing

Earth-sheltered housing can be built to conform to HUD minimum property standards. Designs that include judicious relations between buildings and grades should permit easy access to existing or proposed streets and convenient access for deliveries, maintenance, fire equipment, and car parking.

Foundation walls and roofs retaining or supporting earth must be designed for the imposed loads. They must resist the penetration of moisture.

Earth-sheltered homes are inappropriate in some locations such as:

- Coastal areas where wind driven seas would prove a flood hazard.
- Flood-prone areas.
- Areas having high water tables.
- Areas where hydrostatic or other forces would make earth-sheltered homes hazardous to life safety.
- Areas where it is not homogeneous with other homes in the neighborhood and is not placed on the site in such a manner that will lead to its attractiveness and marketability.

Earth-sheltered housing presents a problem in determining marketability and value. Generally speaking, a well-designed, attractive, and well-sited home that provides amenities commensurate with conventionally built housing and with an approximately similar replacement cost should, pending the development of market comparable data, have an estimated value at least approximating that of conventionally built housing. See [Property Analysis – Minimum Property Standards – Unique Properties](#).

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General Information, Continued

Easements, Encroachments and Restrictions

See [Property Analysis – New Construction – Easements and Restrictions](#).

Electrical Transmission Lines

The appraiser must indicate whether the dwelling or related property improvements are located within the easement serving a high-voltage transmission line, radio/TV transmission tower, cell phone tower, microwave relay dish or tower, or satellite dish (radio, TV cable, etc).

If the dwelling or related property improvements are located within such an easement, the DE Underwriter must obtain a letter from the owner or operator of the tower indicating that the dwelling and its related property improvements are not located within the tower's (engineered) fall distance. The tower height may be used as the fall distance. A certification from the appropriate utility company or local regulatory agency that states that the property conforms to local standards and is safe may be obtained.

A high-voltage electric transmission line is a power line that carries high voltage between a generating plant and a substation. These lines are usually 60 kilovolts (kV) and greater, and are considered hazardous. Lines with capacity of 12-60 kV and above are considered high voltage. High voltage does not include local distribution and service lines.

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General Information, Continued

**Electrical
Transmission
Lines**
(continued)

Low-voltage electric power lines are distribution lines that commonly supply power to housing developments and similar facilities. These lines are usually 12kV 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.

Encroachments

See [Property Analysis– New Construction – Easements and Restrictions](#).

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General Information, Continued

Excess Land

The term excess land is defined as being that area by which the plot exceeds the area of a readily marketable real estate entity.

Excess land occurs when the subject lot is considerably larger than typical lots in the neighborhood, and the excess is capable of separate use. Generally, the defining characteristic is an excess portion that can be subdivided and marketed as an individual parcel. However, in small communities and outlying areas different criteria must be used since the market may readily accept wide variance in lot sizes due to wide differences in lot use by this segment of the market.

When it has been determined that the plot contains excess land, a value for the improvements and only the land area that is considered typical will need to be established. The terms of the purchase will also need to be amended, and the borrower will need to pursue other alternatives for the finance and purchase of the excess land. The mortgage will close using the legal description that coincides with the appraised property, which includes the typical land only.

The size/acreage of the parcel may be limited by the Homeownership Center (HOC) with jurisdiction. Wells Fargo will allow written HOC variances.

Note: A primary plot with a secondary plot for an appurtenant garage or for another use contributing to the marketability of the property will be acceptable if the two plots are contiguous and comprise a readily marketable real estate entity.

See [Property Analysis – Minimum Property Standards – Unique Properties](#).

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General Information, Continued

Farm and Forest Property Tax Deferral Programs

These programs provide a deferral of a portion of the property taxes when the land qualifies under these uses. The “deferred” portions of the taxes are eventually totally forgiven if that land use continues for a specified period of time. Farm or forest deferral of taxes does not make a property ineligible for mortgage insurance. If it is likely that the farm or forest use will not continue, a termination of deferral and payment of all deferred taxes must be required.

See [Property Analysis – Minimum Property Standards – Unique Properties](#).

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General Information, Continued

Flood Hazard

The Federal Emergency Management Agency (FEMA) determines Special Flood Hazard Areas nationwide (SFHA). A special flood hazard will be designated by a Zone. Only those properties within zones ‘A,’[“AO,” “AH,” “A1-30,” “AE,” “A99,” “VO,” or “V1-30,” “VE,” or ‘V’ require flood insurance.

For property in a special flood hazard area, flood insurance must be obtained and maintained (while available) under the National Flood Insurance Program for the life of the insured mortgage. If the improvements are in a special flood hazard area and insurance under the National Flood Insurance Program (NFIP) is not available, the property is not eligible for HUD mortgage insurance or Wells Fargo financing.

The DE Decisioner who reviews the property appraisal is responsible for determining the eligibility of properties in flood zones, and relies on the appraiser’s notations.

FHA indicates a property should be rejected in any of these circumstances:

- If the property is subject to frequently recurring flooding.
- If there is any potential hazard to life or safety.
- If escape to higher ground would not be feasible during severe flooding conditions.

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General Information, Continued

Flood Hazard (continued)

These will most likely be rejected if located within flood zone A or V:

- Manufactured home
- Proposed construction
- Property less than one-year old

See the [Compliance book/Laws/Regulations / Federal Laws & Regulations / Flood / Flood Insurance Requirements](#) or the [Compliance book/Initial Contact/Processing – Standard Flood Hazard Determination](#) for additional details on Wells Fargo policies for properties in Flood Hazard Areas.

Flood Hazard – New and Proposed Construction

If any part of the property improvements essential to the property value and subject to flood damage is located within the 100-year flood plain, then the entire property, improved and otherwise, is ineligible for FHA mortgage insurance unless a Letter of Map Amendment (LOMA) or Map Revision (LOMR) is submitted with the case for endorsement. Proposed construction where improvements are located, or to be located, within a designated Special Flood Hazard Area (SFHA) is ineligible for FHA insurance. This is true regardless of whether the property is covered or will be covered by flood insurance unless the lender can furnish evidence of a LOMA, a LOMR or evidence that the project property is not in a Special Flood Hazard Area.

If a LOMA or LOMR is used, flood insurance is **not** required.

Note: A LOMA/LOMR may not be submitted for an individual condo unit. FHA only allows use of LOMA/LOMR as it relates to the entire project.

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General Information, Continued

Flood Hazard – Elevation Certificate – FHA has announced an additional option for new construction properties in flood hazard areas. This applies only to properties located in communities that participate in the National Flood Insurance program.

An Elevation Certificate, FEMA form 81-31, can be used as an alternative to a LOMA or LOMR when the property being constructed is in a flood plain.

The Elevation Certificate may be used on:

- Purchases by the original purchaser.
- One- to four-unit properties.
- New, proposed, and existing construction less than one-year old.

Note: Condos are not eligible for the Elevation Certificate process.

The Elevation Certificate must be completed by a land surveyor, engineer, or architect authorized by law to certify elevation information.

The signed Elevation Certificate must document that the finished grade level beneath the manufactured home shall be at or above the 100-year flood elevation in compliance with the National Flood Insurance program criteria. (These HUD guidelines apply whether or not the community where the property is located has adopted specific criteria for development.)

If local code prohibits new construction in a flood plain, then the property is not eligible.

The Elevation Certificate, LOMA or LOMR must be submitted along with the Builders Certification to the appraiser before the appraisal is completed.

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General Information, Continued

Flood Hazard – Elevation Certificate (continued)

If construction is not complete when the Elevation Certificate is completed, then a second Elevation Certificate must be prepared and reviewed by a DE decisioner. These documents must be included in the case binder submitted for insuring.

When using an Elevation Certificate, flood insurance *is required*.

A Level 3 decisioner/underwriter must review the Elevation Certificate. Review of the form includes the following:

- The form must be fully executed.
- The form must be signed and seal affixed (if seal is applicable).
- The information must be on FEMA Form 81-31 (no substitutions).
- The legal/street address on the form must be an exact match to what is on the Builder's Certification and the appraisal.
- Any comments should be reviewed.
- The form cannot be amended or revised by anyone except the person who originally completed the form.
- In line C2(a), the elevation of the as-built lowest floor (including basement) of the building **MUST BE** higher than the elevation in B9 base flood elevation.

In C1, finished construction should be indicated or a loan condition made that the underwriter must review a new Elevation Certificate that has been completed after the improvements are complete. (This is to confirm that the property that was planned to be built above flood elevation was actually built above flood elevation.)

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General Information, Continued

Flood Hazard – Existing Construction – Market attitude and acceptance determine the eligibility of existing properties located in a designated SFHA. Flood insurance is required for properties accepted for mortgage insurance in a FEMA-designated SFHA.

Foundations All foundations must be adequate to withstand all normal loads imposed. Stone and brick foundations are acceptable if they are in good condition.

See [Property Analysis – Minimum Property Standards – Dampness](#) section for detailed information.

Note: Manufactured homes have specific foundation requirements. See [Property Analysis – Minimum Property Standards – Manufactured Homes](#).

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 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. Rejection may also be appropriate if the future economic life of the property is shortened by obvious and compelling pressure to a higher use, making a long-term mortgage impractical.

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General Information, Continued

Hazards and Nuisances

Hazards are conditions that endanger the health and safety of the occupants and/or the marketability of the property. The appraiser should identify any readily observable evidence of hazards. See the following sites for details on hazards that would make the property ineligible.

See the following sections for additional information:

- [Property Analysis – Minimum Property Standards – Airport Noise & Hazards](#)
- [Property Analysis – Minimum Property Standards – Asbestos](#)
- [Property Analysis – Minimum Property Standards – Avalanche](#)
- [Property Analysis – Minimum Property Standards – Electrical Transmission Lines](#)
- [Property Analysis – Minimum Property Standards – Flood Hazard](#)
- [Property Analysis – Minimum Property Standards – Lava](#)
- [Property Analysis – Minimum Property Standards – Lead Base Paint](#)
- [Property Analysis – Minimum Property Standards – Noise Hazard – Traffic](#)
- [Property Analysis – Minimum Property Standards – Oil & Gas Wells](#)
- [Property Analysis – Minimum Property Standards – Radon](#)
- [Property Analysis – Minimum Property Standards – Slush Pits](#)
- [Property Analysis – Minimum Property Standards – Smoke, Fumes and Offensive Noises and Odors](#)
- [Property Analysis – Minimum Property Standards – Stationary Storage Tanks](#)
- [Property Analysis – Minimum Property Standards – Subsidence](#)

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General Information, Continued

Health and Safety Conditions

The appraiser must note repair requirements for any health or safety deficiencies as they relate to the subject property, including:

- Broken windows, doors, or steps
 - Inadequate or blocked doors
 - Steps without a handrail
 - Other
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Handrails

Missing handrails no longer automatically require repair. Decisioner discretion will determine whether or not a repair is advisable. For example, a stair well or staircase with 8 or 9 risers without a handrail would probably pose a safety risk. When a situation poses a safety issue, a condition requirement should be made regardless of the number of risers.

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General Information, Continued

Heating

The heat source must be adequate for healthful and comfortable living conditions. The jurisdictional HOC may determine that climatic conditions are such that mechanical heating is not required.

Dwellings with wood burning stoves or solar systems used as the primary heat source **must** have permanently installed conventional heating systems that maintain at least 50 degrees Fahrenheit in areas containing plumbing systems. These systems must be installed in accordance with manufacturers' recommendations.

Properties with electric heating sources must have an acceptable electric service that meets the general requirements of the local municipal standards.

All water heaters must have non-adjustable temperature and pressure-relief valve. If the water heater is in the garage, it must comply with local building codes.

Properties with propane-fired furnaces located in a crawl space area are not acceptable.

All non-conventional heating systems – space heaters and others – must comply with jurisdictional HOC guidelines.

See [Property Analysis – Minimum Property Standards – Stationary Storage Tanks](#) if the heating fuel is stored in a stationary storage tank.

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Lava Flow Zones

Based upon potential volcano activity, FHA mortgage insurance is not available in Lava Flow Zones 1 and 2.

Zone #1 consists of the summit areas and active parts of the rift zones of Kilaua and Mauna Loa.

Zone #2 consists of several areas that are adjacent to and downslope from the active rift zones of Kilaua and Mauna Loa and, therefore, is subject to burial by lava flows of even small-volume eruptions in those rift zones.

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General Information, Continued

Lead-Based Paint

On December 6, 1996, new regulations were effective for owners of 1-4 residential dwelling units concerning lead-based paint disclosure on all pre-1978 residential properties. As a result of the new regulations, FHA will no longer have a separate form and a separate set of procedures for lead-based paint disclosure. The regulation mandates the use of a new Environmental Protection Agency (EPA) pamphlet for disclosure of the hazards of lead-based paint for those properties built prior to 1978. It also gives homebuyers the opportunity to inspect the property within 10 days of signing the sales contract.

If the home was built before 1978, the appraiser should note the condition and location of all defective paint (chipping, flaking, or peeling) in the home. This includes all interior and exterior surfaces – walls, stairs, deck porch, railing, windows and doors.

The requirement to eliminate any lead paint hazards includes all buildings, including detached garages, storage sheds, and other outbuildings and appurtenant structures (regardless of the value), and fences on the property. A requirement to correct the problem will be made on the appraisal.

On condominiums, the appraiser will require abatement on the subject unit and any appurtenant structures to the unit. The appraiser will address the overall condition, maintenance, and appearance of the condominium project. The appraiser will not normally condition for lead paint abatement on the common areas unless it directly affects the subject unit.

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General Information, Continued

Manufactured Homes

General Information: A manufactured home is a structure that is transportable in one or more sections. In traveling mode, the home is 8 feet or more in width and 40 or more feet in length. A manufactured home is designed and constructed to the Federal Manufactured Construction and Safety Standards and is so labeled. When erected on site, the home is:

- At least 400 square feet.
- Built and remains on a permanent chassis.
- Designed to be used as a dwelling with a permanent foundation built to FHA criteria.
- Designed for occupancy as a principal residence by a single family.

The key standards are:

- The site must be served by permanent water and sewer facilities approved by the local municipal authority, if available at the site.
- An all-weather roadway must serve the site.
- The entire property must be taxed as real estate.
- The towing hitch or running gear must have been removed. The towing hitch or running gear must also have been removed for properties greater than one year.
- No part of the finished grade level under the home is below the 100-year flood level.

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General Information, Continued

Manufactured Homes (continued)

- Structural integrity must have been maintained during transportation and sufficient anchoring, support, and stability must be evident.
- Manufactured homes (mobile homes) are not eligible for FHA Insurance if they have been moved. The only movement acceptable for manufactured homes is from the factory to the dealer and then to the site. Once there, it must remain. It may be jacked up to have a permanent foundation installed

See [Property Analysis – Minimum Property Standards – Manufactured Homes](#) for detailed information.

All manufactured homes must have an affixed HUD seal(s) located on the outside of the home. If the home is a multi-wide unit, each unit must have a seal. These seals will be numbered sequentially. If the tags are missing from the property, the property should be rejected.

In some states, a manufactured home may not be resold without a seal, and homes without a HUD seal must be rejected. In states where resale without a HUD seal is permissible, a manufacturer's certification must be obtained verifying the date of the sale. HUD may be able to assist by issuing a letter stating that the home had been issued a HUD label. Send serial numbers (found on the Data Plate inside the home or outside of the home on the steel chassis) via e-mail and request HUD research. The e-mail should be sent to HUD at mhs@hud.gov. The Data Plate information is not an acceptable alternative.

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Manufactured Homes (continued)

Existing manufactured homes in place over one year should have permanent concrete footings with tie-downs anchored to the footings. The crawl space should be enclosed and protected from the elements with material impervious to rot and infestation and have:

- Poured-in-place concrete footings placed below the frost line supporting the manufactured home carriage frame with tie-downs anchored to the footings; or
- Perimeter foundation-type construction with footings extended below the frost line.

Age: The manufactured home must not have been constructed before June 15, 1976. The unit must have been built to the manufactured housing construction safety standards as evidenced by having a small, red metallic label attached to it. Any unit without this label is unacceptable. If it has been removed, it cannot be reattached to make it acceptable for FHA insurance.

New, never-occupied homes that are transported directly from the manufacturer or directly from the dealership to the site are eligible for insurance. For an existing manufactured home, evidence must be provided to verify that the home was assembled in accordance with the above paragraphs and **has not been moved** from its initial installation location.

Continued on next page

General Information, Continued

Manufactured Homes (continued)

Foundation: The home must be erected on a permanent foundation in compliance with the Permanent Foundation Guide for Manufactured Housing.

The requirement that all foundations (new and existing) for manufactured homes meet the standards set forth in the Permanent Foundation Guide is not applicable when the current FHA borrower refinances their loan. It is applicable for all re-sales. A licensed professional engineer's seal and signature (certification) is required to indicate compliance with the Permanent Foundation Guide. The lender should furnish the appraiser with a design engineer's inspection of the foundation prior to the appraisal.

If the current owner of a manufactured home has an engineer's certification (from the previous FHA loan) that the permanent foundation meets HUD requirements, the new buyer may re-use the certification provided that there have been no alterations or additions to the home since the certification was issued by the engineer.

Note: The Permanent Foundation Guide for Manufactured Housing is available in hard copy or software version by contacting HUD User at (800) 245-2691 or online at <http://www.hud.gov/offices/hsg/sfh/ref/sfhp1-9d.cfm>.

Manufactured Homes – Structural Modifications

Additions or structural modifications may put the home at risk if changes were not performed in accordance with HUD Manufactured Home Construction Safety Standards. If the appraiser observes changes to the original home, an inspection by a State Administrative agency or an engineer's certification indicating that the structural changes or additions were made in accordance with the HUD Manufactured Home and Construction and Safety Standards is required.

Continued on next page

General Information, Continued

Manufactured Homes (continued)

Proposed Construction: If the underwriter issues the Conditional Commitment prior to the start of construction, high-ratio financing is available with two inspections:

1. Initial inspection of the property by an FHA fee inspector; and
2. Final inspection of the property by an FHA fee inspector or the licensed professional engineer who completed the foundation certification (that the property is in compliance with the Permanent Foundation Guide for Manufactured Housing).

A 10-year warranty is not required.

The property is considered proposed construction if the manufactured unit is being placed on the foundation even when the unit itself is existing.

Under Construction: If the foundation system has been started, it falls under the category of “under construction,” and the property must be covered with a 10-year warranty to be eligible for a high-ratio loan.

Continued on next page

General Information, Continued

Manufactured Homes (continued)

Existing Property Less Than One Year: If the foundation system has been installed for less than one year, the property is classified as an existing property less than one-year old and will require a 10-year warranty to obtain a high-ratio loan. See [Property Analysis – New Construction – Ten Year Warranty](#).

CRV Conversion: Comply with HUD HOC guidelines. HUD will not accept manufactured homes on CRV conversions.

Condominium: Manufactured condominiums are not allowed.

Leasehold: Manufactured housing on leasehold property is not allowed.

On manufactured housing, at least two of the comparables must be manufactured homes.

Continued on next page

General Information, Continued

Mechanical Systems

Mechanical systems must be safe to operate, be protected from destructive elements, have reasonable future utility, durability and economy, and have adequate capacity and quality.

When applicable, the certification may be done by a home inspector, an inspector from the local building department, an FHA compliance inspector, a professional in the specific field (such as an electrician or plumber) or any individual deemed to be qualified by the Direct Endorsement underwriter.

Mineral Reservations

The appraiser will value the property based entirely on the benefits that will accrue to the typical purchaser for residential use. The degree to which the residential benefits may be impaired or the property damaged by the exercise of the rights set forth in oil and mineral reservations as well as those applicable to neighboring properties must be considered.

Consideration should be given to the following:

- The infringement on the property rights of the fee owner caused by the rights granted by the reservation or lease.
 - The hazards, nuisances, or damages that may arise.
 - The hazards, nuisances, or damages that may accrue to the subject property from exercise of reservation or lease privileges on neighboring properties.
-

Modular Housing

Modular housing is factory built, like manufactured/mobile homes, **but** unlike manufactured/mobile homes, modular housing can be treated the same as any “stick-built” or “site-built” house.

Continued on next page

General Information, Continued

Noise Hazard – Traffic

Locations near railroads, highways, freeways or heavily traveled roads may be subjected to a noise hazard that can have a negative effect on the marketability and value of the property. Typically, traffic hazards cannot be corrected. Therefore, consideration must be given to the desirability of an affected location in comparison with unaffected locations that are improved with or are appropriate for competitive structures. Properties backing to freeways or other thoroughfares that are heavily screened or where traffic is well below grade and at a sufficient distance from the property may not affect value.

Existing properties (over one year in age) are not to be rejected solely because of noise influences if there is evidence of acceptance in the market. HUD's position is that since the dwellings are in use and are expected to continue so in the foreseeable future, their marketability should be the strongest indicator of their acceptability.

On New Construction properties (includes proposed, under and less than one-year old), appraisers and builders are to pay particular attention to item 1b "Noise" on form HUD-92541, Builder's Certification.

For all single-family dwellings, FHA does not require noise assessment or acoustical analysis. HUD does not have noise requirements for single family dwellings but does have noise requirements for condominium projects. See [Property Analysis – Minimum Property Standards – Airport Noise](#).

Continued on next page

General Information, Continued

Non-Residential Use – Property

Any non-residential use of the property shall be subordinate to its residential use and character. A property, any portion of which is designed or used for non-residential purposes, is eligible only if the type and extent of the non-residential use does not impair the residential character of the property. Areas designed or used for non-residential purposes shall not exceed 25% of the total floor area. Storage areas or similar spaces that are integral parts of the non-residential portion shall be included in the total non-residential area.

See [Property Analysis – Minimum Property Standards – Unique Properties](#) and [Property Analysis – Minimum Property Standards – Commercial Use of Property](#).

Oil and Gas Wells (Operating and Abandoned)

Both operating and abandoned oil and gas wells pose several potential hazards to housing. Hazards include potential fire, spray or other pollution, and explosion.

Oil and Gas Wells – Existing Construction

No existing dwelling may be located closer than 300 feet from an active or planned drilling site. This applies to the site boundary, not to the actual well location.

Oil and Gas Wells – New and Proposed Construction

See [Property Analysis – New Construction](#).

Continued on next page

General Information, Continued

Oil and Gas Wells – Abandoned Wells

Most petroleum-producing states have specific required well abandonment practices, but some wells have been abandoned in the past without necessary precautionary actions. Since it is not feasible for HUD personnel to verify the adequacy or safety of an abandoned well, a letter from the responsible authority within the state government should state that the specific well in question was safely and permanently abandoned. Where such a letter is provided, housing may be located no closer than 10 feet from an abandoned well.

Hazards from improperly abandoned wells include blowout and potential fire. Where a state does not issue a letter as described, housing must be located at least 300 feet from an abandoned well.

Oil and Gas Wells – Special Cases

In some geographic areas (Wyoming is one), hydrogen sulfide gas may be emitted from petroleum product wells. It is considered a major hazard since it is highly toxic and a threat to life and health. It is heavier than air and tends to flow down slope through valleys and canyons and can cause deaths before people become aware of the problem and can escape. Minimum clearances from sour gas wells may be established only after a petroleum engineer's assessment of risk and clearance recommendations are obtained and concurred with by state authorities responsible for petroleum industry regulation and for public health and safety.

Continued on next page

General Information, Continued

Overhead High Voltage Transmission Lines See [Property Analysis – Minimum Property Standards – Electrical Transmission Lines](#).

Party Walls A building constructed on or to a property line must be separated from the adjoining building by a firewall extending the full height of the building from the foundation to the edge of the roof. The wall can separate row-type properties or semi-detached units.

There must be adequate space between buildings to permit maintenance of the exterior walls.

Pipelines No part of any residential structure shall be located less than 10 feet from the outer boundary of the pipeline easement of high pressure gas and liquid petroleum transmission lines. See [Property Analysis – New Construction – Builders Certification](#).

Radon Radon testing is not required. However, the “For Your Protection, Get A Home Inspection” (NFML #0708) does inform the borrower that the EPA and the Surgeon General of the United States have recommended that all houses should be tested for radon. The form also provides the National Radon Testing telephone number. Borrowers may pay a reasonable and customary fee for the inspection if they decide to have the home tested for radon.

Continued on next page

General Information, Continued

Railroad Tracks See [Property Analysis – Minimum Property Standards – Noise Hazard](#) and [Property Analysis – New Construction – Builders Certification](#).

Reject Reasons See [Hazards and Nuisances](#) and [Unacceptable Locations](#) in this section.

Roof Covering – Roof Certification The covering must prevent entrance of moisture and provide reasonable future utility, durability, and economy of maintenance. The expected life of the roof must be at least two years or repair is required. When re-roofing is needed for a defective roof that already has three layers of shingles, all old shingles must be removed prior to re-roofing.

Flat roofs should be inspected if the appraiser indicates a problem. An inspection is no longer required for all flat roofs.

In areas where snow covers the roof:

- The appraiser should make a more thorough inspection of the attic and all visible roofing areas for signs of failing roofing materials.
 - If there is evidence of damage and/or leaks, the appraiser is to condition appropriately for correction(s).
-

Continued on next page

General Information, Continued

Roof Covering (continued)

In areas where the snow **is not likely** to lay for more than a few days, a clear roof inspection is to be obtained prior to closing.

- The appraiser is required to make an extra-thorough inspection of the attic and all visible roofing areas for signs of failing roofing materials and call for a clear roofing inspection.
- If the underwriter determines, due to unusual weather conditions, it is not possible to obtain the clear inspection prior to closing, then the purchaser and seller are to sign an acknowledgment that indicates:
 - The roof was covered with snow at the time of the appraisal inspection.
 - The snow is likely to continue to cover the roof for several more days and that the roof cannot be inspected prior to loan closing.
 - HUD/FHA makes no guarantees or warranties as to the roof's condition.
- A clear roof inspection must then be obtained prior to submission for FHA Insurance in the event that repairs or a new roof is found to be needed. An escrow account equal to one and a half times the cost of a new roof is to be established, see [Property Analysis – New Construction – Escrow Holdbacks](#). (Certification is to be in the insuring package.)

Continued on next page

General Information, Continued

Septic Systems HUD requires each living unit to have a sewage disposal system that is adequate to dispose of all domestic wastes in a manner that does not create a nuisance, or in any way endanger the public health.

The appraiser will comment on the need to get a septic inspection when the property has been vacant or when there are indications at the time of the appraisal that there may be problems with the system. . FHA defers to the decisioner to determine if a septic inspection is required. Regardless of whether the appraiser required an inspection or not, if the property has been vacant more than 30 days, an inspection is required to determine if the system is functional. Inspections are valid for 90 days.

Although HUD does allow individual pit privies (outhouses) when such facilities are customary and are the only feasible means of waste disposal, Wells Fargo will **not** place a mortgage on a property with this type of sanitary facility. The subject must have another type of approved septic system as its primary source of waste disposal.

Connection must be made to a public sewer or a community sewer system if connection costs are reasonable (3 percent or less of the estimated value of the property). If connection cost exceeds 3 percent, the existing on-site systems will be acceptable provided they are functioning properly and meet the requirements of the local health department.

Continued on next page

General Information, Continued

Community Septic Systems

A community system is a central system that is owned, operated, and maintained by a private corporation or a nonprofit property owners association.

A community sewer system must:

- Be in compliance with requirements of the Health Authority having jurisdiction for satisfactory operation of the sewage treatment plant and discharge of treated wastes.
- Have capacity in the sewage collection system and treatment plant to adequately serve the properties in the development.
- Have organizational documents which assure continuity of service at reasonable rates as required in HUD Handbook 4075.12 REV
- If a private system operated for profit, be regulated by the State Public Utility Commission or have a Trust Deed of Third Party Beneficiary Agreement as specified in HUD Handbook 4075.12 Rev.

Rural Development – RD (formerly Rural Economic and Community Development – RECDs) approval of water and/or sewage systems is sufficient for eligibility on individual cases where both agencies are involved.

Note: RD is not available for all business lines.

Articles of incorporation and bylaws for water and sewage systems owned by property owner associations or cooperatively owned systems will also be acceptable for assuring continued service and reasonable rates, if approved by RD.

Whenever public or community facilities are within a reasonable distance from the property, a connection must be made to these utilities. However, if the cost to connect to it would cause a financial hardship, this requirement may be waived.

General Information, Continued

Septic System Failures

Where individual sewage disposal systems are involved, an analysis of the location must be made to assure that the area is free from conditions that adversely affect the operation of the systems. Consideration will be given to the type of systems, topography, depth of ground water, soil permeability, and the type of soil to a depth of several feet below the surface.

A check of other septic systems in the neighborhood must be made to assure that failures within the neighborhood will not adversely affect the subject property. Whenever there are instances of doubt concerning the operation of sewage disposal systems in a neighborhood, the services of the local health authority should be obtained.

Generally, Wells Fargo will not allow escrows for the repair of systems that are not functional. The only exception to this is if the financing is by the 203(k) program.

Continued on next page

General Information, Continued

Septic Inspections

Inspections are required if:

- There is evidence of systems failure
- Mandated by state or local jurisdiction
- Customary for the area
- Underwriter determines it is necessary.

In those instances, the appraiser is to condition for a certification by the local health authority, a licensed sanitarian or an individual determined to be qualified by the DE Underwriter. If the home is not occupied and the systems have not been in use for several months, an inspection of the sewage system must be made. If the system has not been in use for 30 days, a dye test is recommended.

The inspection should include the following:

- Provide a statement that the system, with proper maintenance, can be expected to function satisfactorily and is unlikely to create an unsanitary condition;
- The statement does not constitute an assurance by the authority that the system will continue to perform satisfactorily, only that if properly maintained, the system can be expected to be adequate, based on the authority's knowledge of present site conditions; and
- Show how many bedrooms the sewage disposal system is designed for and whether or not there is a garbage disposal.

Continued on next page

General Information, Continued

Shared Lot Properties

Properties, including condominiums, with legal descriptions that read “An undivided 1/2 (or 1/3,) interest in and to Lot” are **not** eligible for mortgage insurance. If requested to do a property with this kind of legal description, the property should be rejected as the lot is not considered a Fee Simple entity.

See [Property Analysis – Minimum Property Standards – Unique Properties](#).

Slush Pits

A slush pit is a basin in which drilling “mud” is mixed and circulated. The mud is circulated during drilling to lubricate and cool the drill bit and to flush away rock cuttings. Drilling mud normally contains large quantities of bentonite, which is a very expansive soil material, and results in a site with great soil-volume change potential, which may be very damaging to buildings. Whenever a building is proposed near an active or abandoned well, the old slush pit location should be determined via survey. After it is located, either all unstable and toxic materials should be removed from it and the pit filled with compacted selected materials, or no dwelling construction may be accepted on a lot that includes any part of a slush pit.

See [Property Analysis – New Construction – Builders Certification](#).

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General Information, Continued

Smoke, Fumes, Offensive Noises, and Odors

Excessive smoke, fog, chemical fumes, noxious odors, stagnant ponds or marshes, poor surface drainage, and excessive dampness are hazardous to the health of neighborhood occupants and adversely affect the market value of the property.

If these conditions threaten the health and safety of the occupants or the marketability of the property, the property should be rejected. If, however, the extent of the hazard is not dangerous, its effect should be reflected in the value.

Other factors may also affect the value such as offensive odors and unsightly neighborhood features such as stables or kennels.

Continued on next page

General Information, Continued

Soil Conditions The property should be free of the following hazards that may adversely affect the health and safety of the occupants or the structural soundness of the improvements or that may impair the customary use and enjoyment of the property: Erosion, expansive or compressible soils, inadequate drainage outfall, landslides or mudflows, or the disposition of suspended solids or others located on or off-site.

Drainage of surface water should be provided away from all sides of all buildings and off the lot in a manner that will:

- Minimize the possibility of dampness in basements and crawl spaces;
- Prevent adverse supporting soil behavior;
- Prevent soil erosion; and
- Prevent standing (or pooling) of water on site.

In arid areas, controlled ponding for irrigation is permitted if emergency overflows are provided to protect buildings. Walks, driveways, retaining walls, and other improvements should be constructed so as not to interfere with drainage. Required walks should not be used as drainage channels. See [Property Analysis – New Construction – Builders Certification](#).

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

If there is surface evidence of leakage from an underground storage tank, further analysis and testing is required. If there is evidence of onsite contamination, the appraiser should make a requirement for further inspection in the site section of the report.

Continued on next page

General Information, Continued

Space Heaters See [Property Analysis – Minimum Property Standards – Heating](#).

Space Requirements Each living unit must be provided with space necessary to assure suitable living, sleeping, cooking, and dining accommodations, and sanitary facilities.

Stationary Storage Tanks Stationary storage tanks containing flammable, explosive materials pose potential hazards to housing, including hazards from fire and explosions.

If the property is within 300 feet of a stationary, storage tank containing more than 1000 gallons of flammable or explosive material, the property is ineligible for an FHA loan.

Streets - Roads The property should front on a publicly dedicated and maintained street that meets community standards and is generally acceptable for the area. If the property is on a community or privately owned and maintained street, there should be an adequate, legally enforceable, recorded easement. A maintenance agreement may be required in some cases. See [Property Analysis – Minimum Property Standards – Access](#) for information on when maintenance agreements should be obtained.

Continued on next page

General Information, Continued

Subsidence

Danger of subsidence is a special hazard that may be encountered under a variety of circumstances:

- Where buildings are constructed on uncontrolled fill or unsuitable soil containing foreign matter such as organic material.
- Where the subsoil is unstable and subject to slippage or expansion.

In mining areas, the appraiser will note any readily observable conditions that indicate potential problems. Signs include fissure or cracks in the terrain, damaged foundations, sinkholes, or settlement problems.

If there is a danger of subsidence, the specific site will be deemed ineligible unless complete and satisfactory evidence can be secured to establish that the probability of any threat is negligible.

Continued on next page

General Information, Continued

Termite Inspection/ Termite Reports

For existing construction, a termite inspection is required if:

- There is evidence of active infestation
- Mandated by state or local jurisdiction
- It is customary for the area
- The DE underwriter determines that one is needed (includes when WFHM has knowledge that it is customary or that there may be an issue).
- If required in the sales contract – even if part of the standardized text. (This is an indication it is mandated by state or local or at least customary for the area).

Note: In relation to the “state and local requirements” and “customary for the area”, the appraiser should have geographic competency and should be addressing local requirements. Also, the real estate agent should be familiar with the area and if aware of issues, it should be noted in the contract. WFHM staff (HMC, decisioner, processor, etc) may also have knowledge of the local requirements, and if so, inspection requirements should be made accordingly.

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General Information, Continued

**Termite
Inspection/
Termite
Reports**
(continued)

- When a termite inspection is required, obtain a copy of the inspection for the file, review and condition for repairs when there is damage from active infestation or previous infestation. If conditions are conducive to termites, repair may or may not be required at the discretion of the decisioner based on the nature and degree of deterioration. All available information should be considered including but not limited to the:
 - Appraisal
 - Sales Contract
 - FHA published TIP zones available online at:
<http://www.hud.gov/offices/hsg/sfh/ref/sfh1-23a.cfm>

The FHA Resource Center may be contacted for direction when appropriate.

If an inspection is completed, it should be signed by the borrower at closing and a copy retained for the loan file.

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General Information, Continued

**Termite
Inspection/
Termite
Reports**
(continued)

HUD requires form NPMA-33 Wood Destroying Insect Infestation Inspection Report when inspections are performed on existing construction. The form is valid for 90 days from the date of the inspection. If the property is in a state having a mandated wood infestation form, then the state-mandated form must be used. Where allowed by the state, form NPMA-33 must also be completed for HUD proposed in addition to the state-mandated form, unless it is acceptable to the state to modify their form to conform to Form NPMA-33. In all other cases, the form NPMA-33 must be used. The requirements are outlined below for various loan types.

**Termite
Reports –
Streamline
Refinances**

Termite certifications are not required on streamline refinances (with or without appraisals).

**Traffic
Influence**

See [Property Analysis – Minimum Property Standards – Noise Hazards – Traffic](#).

Trespass

See [Property Analysis – Minimum Property Standards – Access](#).

Continued on next page

General Information, Continued

Unique Properties

The eligibility of unique properties such as a log home, an extra small home, lower-than-normal ceiling heights, etc. depends on whether or not the property is structurally sound and readily marketable. Depending on the uniqueness of the property, a determination is made to accept or reject the property. Adequate comparables are required to determine the value and marketability of the property.

Utilities

Utilities must be independent for each living unit except that common services, such as water, sewer, gas, and electricity, may be provided for living units under a single mortgage or ownership.

- Separate utility service shut-off for each unit shall be provided.
 - Each unit must have individual meters.
 - For living units under separate ownership, common utility services may be provided from the main service to the building line when protected by easement or covenant and maintenance agreement acceptable to HUD.
 - Individual utilities serving a living unit must not pass over, under, or through another living unit, unless:
 - Provision is made for repairing and maintaining those utilities without trespass on adjoining properties or
 - An easement of covenant is made for permanent right of access for maintenance and repair of utilities.
 - If a single drain line in the building serves more than one unit, the building drain clean-outs must be accessible from the exterior.
 - Each living unit must have independent utility services, except that common services, such as laundry and storage space or heating, may be provided for in two- to four-living-unit building under a single mortgage.
-

Continued on next page

General Information, Continued

Utilities (continued)

FHA Homeownership Centers may vary on their requirements. Wells Fargo will accept local variances.

If utilities are off at the time of the appraisal, a re-inspection is required.

Ventilation

Natural ventilation of structural space (such as attics and crawl spaces), must be provided to reduce the effect of conditions of excess heat and moisture, which are conducive to decay and deterioration of the structure.

Water Supply/Wells – General

Each living unit must have domestic hot water and a continuing and sufficient supply of potable water under adequate pressure and of appropriate quality for all household uses.

Water quality must meet the requirements of the health authority having jurisdiction. If the local authority does not have specific requirements, the maximum contaminant levels established by EPA shall apply. See also [Wells/Purification Equipment](#) for restrictions.

Community Water Systems

A community system is a central system that is owned, operated, and maintained by a private corporation or a nonprofit property owners association.

For both proposed and existing construction community water systems must:

1. Have a current water supply permit from the local health department with evidence that the water supply;
2. Meet the State Drinking Water Standards for quality; and
3. Provide sufficient quantity to supply peak demands in the development.

Continued on next page

General Information, Continued

Community Water Systems (continued)

4. Be in compliance with requirements of the local or State Health Authority. Deficiencies in the water system should not adversely affect the health of the consumers, the acceptability of the quality of the water for all household purposes nor provide for less than the quantity of water required in the development.
5. Have organizational documents providing for ownership and operation that meet the requirements of HUD Handbook 4075.12 REV to assure continuity of service at reasonable rates.
6. Private systems operated for profit must be under the jurisdiction of State Public Utility Commission or have a Trust Deed of Third-Party Beneficiary Agreement as per HUD Handbook 4075.12 REV.

RD approval of water and/or sewage systems is sufficient for eligibility on individual cases where both agencies are involved.

Articles of incorporation and bylaws for water and sewage systems owned by property owner associations or cooperatively owned systems will also be acceptable for assuring continued service and reasonable rates if approved by RD.

Continued on next page

General Information, Continued

Individual Water Systems

- Individual water supply systems must be tested (inspection required) when:
- Mandated by state or local jurisdiction (**Note:** Appraisers and real estate agents are expected to have geographic competency which would include familiarity with local and customary inspection requirements. Information should be included in the appraisal or the sales contract. WFHM staff may also have knowledge of local requirements or issues with the water supply, and if so, a water test should be required.)
 - There is knowledge that the water may be contaminated
 - There is evidence of:
 - Corrosion of pipes (plumbing)
 - Areas of intensive agriculture within ¼ mile
 - Coal mining or gas drilling operations within ¼ mile
 - Dump, junkyard, landfill, factory, gas station, or dry cleaning operation within ¼ mile
 - Unusually objectionable taste, smell or appearance of well water
 - Appraisal requires inspection or contains derogatory information related to well/water
 - WFHM has knowledge that the well water may be contaminated
 - If the water test is required in the sales contract-even if part of the standardized text (an indication that a test may be mandated by state or local jurisdiction).

If the authority is unable to perform the water quality analysis in a timely manner, a private, commercial testing laboratory, or a licensed sanitary engineer acceptable to the authority may take and test water samples.

When a water test is required, a copy of the inspection must be obtained for the loan file and it should be reviewed to ensure it meets requirements.

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General Information, Continued

Individual Water Systems (continued)

Connection must be made to public or community water systems if the decisioner determines the connection costs are reasonable. As a guideline, if the cost to connect is:

- Three percent or less of the estimated value of the property connection is considered reasonable.
- More than 3 percent, the existing systems will be acceptable provided they are functioning properly and meet the requirements of the local health department.

The following water/well conditions are **unacceptable**:

- Mechanical chlorinators.
- Water flow that decreases noticeably when simultaneously running water in several plumbing fixtures. (The well may not be able to provide continuous, adequate supply of water.)
- Properties served by dug wells unless a complete survey conducted by an engineer was delivered to the lender and subsequently given to the appraiser. The engineer's survey must include:
 - A health report with no qualifications
 - A pump test indicating a flow of at least 3-5 gallons per minute supply for an existing well, and five gallons per minute for a new well.
 - No indication of exposure to environmental contamination, mechanical chlorination or anything that adversely affects health and safety.
- Properties served by cisterns, springs, lakes, and rivers.
Exception: Cisterns may be accepted only with HOC approval.

Continued on next page

General Information, Continued

Individual Water Systems (continued)

To be considered acceptable, the engineer's survey must include these items:

- A health report with no qualifications.
- Indication that an inoperative well was cased, sealed, and capped with concrete to a depth of at least 20 feet.
- A pump test indicating a flow of at least three to five gallons per minute supply for an existing well and five gallons per minute for a new well.
- An acceptable septic report.
- No indication of exposure to environmental contamination, mechanical chlorinating or anything else that adversely affects health and safety.

The chemical and bacteriological standards of the local health authority shall apply. FHA will defer to the testing requirements of the local jurisdiction and will not add additional contaminant level testing to that required by the local jurisdiction. If the local authority does not have requirements, EPA standards (noted below) will apply.

After installation, the system shall be disinfected in accordance with the recommendations or requirements of the local health authority. In the absence of a health authority, system cleaning and disinfecting shall conform to the current EPA Manual of Individual Water Supply Systems.

Continued on next page

General Information, Continued

**Individual
Water Systems**
(continued)

Bacteriological or chemical examination of a water sample collected by a representative of the local or state health authority shall be made when required by that authority or the HUD Field Office.

The following chart is a guide for EPA minimum water quality standards as provided in Mortgagee Letter 95-34. These requirements apply only in the absence of state and local requirements.

**HOUSING AND URBAN DEVELOPMENT UTILIZES EPA DRINKING
WATER RECOMMENDATIONS FOR PRIVATE WELL WATER
QUALITY TESTING.**

Continued on next page

General Information, Continued

Individual Water Systems (continued)

Contaminant	HUD [1] Requirement	MCL [2]	CFR / [3] Citation	Treatment by POU/POE [4, 5]
Lead (First Draw)	.015 mg/1	TT with Action Level of 0.015 mg/1	141.80 141.91	1. Reverse Osmosis 2. Activated Alumina
Nitrate (as Nitrogen)	10 mg/1	10 mg/1	141.62	1. Ion Exchange 2. Reverse Osmosis 3. Electrodialysis
Nitrite (as Nitrogen)	1 mg/1	1 mg/1	141.62	1. Ion Exchange 2. Reverse Osmosis
Total Nitrate / Nitrite	10 mg/1	10 mg/1	141.62	1. Ion Exchange 2. Reverse Osmosis
Total Coliforms	< 10/100 ml	< 10/100 ml [3, 6]	141.63 [3]	1. Disinfecting 2. Reverse Osmosis
Fecal Coliforms or E. coli	zero	Zero [3, 7]	141.63 [3]	1. Disinfecting 2. Reverse Osmosis

Call the EPA safe drinking water hotline – 1-800-426-4791 – for more information.

[1] HUD requirement is based on EPA's MCL (Maximum Contaminant Level). Where other contaminants of local concern or occurrence are tested for the HUD requirement, the requirement shall be the same as the EPA MCL for that contaminant.

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General Information, Continued

Individual Water Systems (continued)

[2] MCL stands for Maximum Contaminant Level. This is the level at which public water supplies are required to take action.

[3] CFR stands for Title 40 Code of Federal Regulations. CFR citations only apply to Maximum Contaminant Levels for the contaminants. Citations for MCLGs and Analytical methodology are located elsewhere in the CFR. CFR citations only apply to Maximum Contaminant Levels for the contaminants. Citations for MCLGs and analytical methodology are located elsewhere on the CFR. The MCLs for total coliform, fecal coliforms, and e coli, which are found in 40 CFR 141.63, are somewhat different than the levels recommended in this document since this assumes a single sample.

[4] POU/POE stands for Point of Use/Point of Entry devices. Devices should meet 3rd-Party Certification standards such as NSF International. For information on NSF International certified devices write them at 3475 Plymouth Road, PO Box 1468, and Ann Arbor, MI 48106 Arbor or call them at (313) 769-8010.

[5] Must conform to the requirements of mortgagee letter 92-18 (with revisions from mortgagee letter 95-34).

[6] Density of total coliforms would be less than 10-organisms/100 ml water sample. (This value is not the MCL, because the MCL is based on the results of more than one sample.)

[7] Each total coliform-positive colony or culture tube should be tested for either fecal coliforms or E. coli. If this test is performed, a separate water sample for fecal coliform/E. coli testing is not needed.

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General Information, Continued

Location of Wells/ Distance Requirements

A domestic well must be a minimum of 50 feet from a septic tank, 100 feet from the septic tank's drain field, and a minimum of 10 feet from any property line. Additional information (survey, etc) should be obtained to validate the distances when:

- Appraiser identifies adverse conditions
- The appraiser indicates the distances do not appear to be met
- The lot size is particularly small (i.e. size is such that the ability to meet the distance requirements is not possible or is questionable)
- The file contains other indications that either the distance requirements are not met or the well and/or septic may not be functioning properly.

The appraiser is not required to sketch the distances between the well and septic but should note if the distances create potential for contamination as well as note any adverse site conditions that might warrant further inspections or due diligence. Local or customary requirements should be noted within the appropriate area of the appraisal report.

The decisioner should review the appraisal and if there are:

- No indications of issues with the well or distance requirements, the distances do not need to be documented.
- Adverse conditions noted and/or evidence that the distance requirements are not met, condition for a qualified third party to map the distances and /or require testing for compliance with local or state requirements, or in their absence, FHA requirements.
- If distance requirements are clearly not met but there are no indications of water quality issues, a waiver of the distance requirements may be requested from the FHA Resource Center. E-mail requests for waivers should be sent to: hud@custhelp.com

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General Information, Continued

Location of Wells/ Distance Requirements (continued)

- The waiver must be obtained in writing and included in the loan file. The Conditional Commitment cannot be issued until the waiver has been received in writing from the HUD office.

A well located within the foundation walls of a dwelling **is not** acceptable **except** in arctic or sub-arctic regions.

Water that comes from the following areas are unacceptable, unless found to be acceptable by the local health authority

- Any soil formation that may be polluted;
- Contaminated;
- Fissured, creviced; or
- Less than 20 feet below the natural ground surface.

Individual water supply systems are not acceptable for individual lots in areas where chemical soil poisoning has been or is practiced if the overburden of soil between the ground surface and the water bearing strata is:

- Coarse grained sand, gravel, or porous rock; or
- Is creviced in a manner that will permit the recharge water to carry the toxicants into the zone of saturation.

Note: On new construction, the distance requirements between the well, septic, drain field and property line must be documented and in compliance with FHA requirements.

The following table provides FHA minimum acceptable distances between wells and sources of pollution located on either the same or adjoining lots. Either the health authority having jurisdiction or the HUD HOC may increase these distances.

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General Information, Continued

Location of Wells/ Distance Requirements (continued)

Distance from Source of Pollution	
Source of Pollution	Minimum Horizontal Distance (Feet)
Property Line	10 ⁴
Septic Tank	50
Absorption Field	100 ^{1.5}
Seepage Pit	100 ^{1.5}
Absorption Bed	100 ^{1.5}
Sewer Lines w/Permanent Watertight Joints	10
Other Sewer Lines	50
Chemically Poisoned Soil	25 ³
Dry Well	50
Other	See footnote 2
<ol style="list-style-type: none"> 1. This clearance may be increased or decreased depending upon soil and rock penetrated by the well and aquifer conditions. The clearance may be increased in creviced limestone and permeable strata of gravel and sand. The clearance may be reduced to 50 feet only where the ground surface is effectively separated from the water bearing formation by extensive, continuous and impervious strata of clay, hardpan, or rock. The well shall be constructed so as to prevent the entrance of surface water and contaminants. 2. The recommendations or requirements of the local health authority shall apply. 3. This clearance may be reduced to 15 feet only where the ground surface is effectively separated from the water bearing formation by extensive, continuous, and impervious strata of clay, hardpan, or rock. 4. If locality permits, distance less than 10 feet is allowed provided that the well is not within 10 feet of any roadway or the property line of other than a single-family residential property, for example the well cannot be within 10 feet of a commercial, industrial or multifamily building. Evidence must be provided that the subject is in compliance with applicable local or state distance requirements. 5. If locality permits, distance requirements less than 100 feet but not less than 75 feet. Property may be considered eligible provided that the Lender obtains evidence that the property is in compliance with applicable local or state distance requirements. 	

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General Information, Continued

Wells/ Purification Equipment

Although FHA guidelines allow properties with Purification Equipment, Wells Fargo **cannot** accept properties with water purification units on FHA loans at this time. Servicing cannot accommodate the special handling required.

Shared Wells

To be eligible for FHA mortgage insurance, any shared well must:

- Serve existing properties that cannot feasibly be connected to an acceptable public or community water supply system.
- Serve proposed construction only if:
 - It is infeasible to serve the housing by an acceptable public or community waste system; and
 - The housing is located other than in areas where local officials have certified that installation of public or adequate community water and sewer are economically feasible.
- Be capable of providing a continuing supply of water to involved dwellings units so that each existing property simultaneously will be assured at least three gallons per minute (five gallons per minute for proposed construction) over a continuous four-hour period. (The well itself may have a lesser yield if pressurized storage is provided in an amount that will make 720 gallons of water available to each connected existing dwelling or 1,200 gallons of water available to each proposed dwelling during a continuous four-hour period. The shared-well system yield should be demonstrated by a certified pumping test or other means acceptable to all agreeing parties.)

Continued on next page

General Information, Continued

Shared Wells (continued)

- Provide safe and potable water. An inspection is required under the same circumstances as and individual well. This may be evidenced by a letter from the health authority having jurisdiction or, in the absence of local health department standards, by a certified water quality analysis demonstrating that the well water complies with the U.S. Environmental Protection Agency's Interim Primary Drinking Water Regulations.
- Have a valve on each dwelling service line as it leaves the well so that water may be shut off to each served dwelling without interrupting service to the other properties.
- Serve no more than four living units or properties. If more than four properties will be served by one well, one of the ownership and organizational alternatives identified in the 4075.12 REV, paragraph 3b, shall be implemented instead of a shared well agreement.
- Be directly connected to the pumping energy source (not through a dwelling) and energy used for pumping must be separately metered.
- Be covered by an acceptable well-sharing agreement. Such an agreement must:
 - Be binding upon signatory parties and their successors in title;
 - Be recorded in local Deed Records;
 - When executed and recorded, reflect joiner by any mortgagee holding a mortgage on any property connected to the shared well.
 - The agreement needs to comply with guidance provided below.

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General Information, Continued

Shared Wells (continued)

- The same agreement provisions are essential regardless of whether the well will serve existing or proposed properties. Provisions that should be reflected in any acceptable well-sharing agreement include the following:
 - Shall permit well water sampling and testing by a responsible local authority at any time at the request of any party.
 - Shall require that corrective measures be implemented if testing reveals a significant water quality deficiency, but only with the consent of a majority of all parties.
 - Shall assure continuity of water service to “supplied” parties if the “supplying” party has no further need for the shared well system. (“Supplied” parties normally should assume all costs for their continuing water supply.)
 - Shall prohibit well water usage by any party for other than bona fide domestic purposes.
 - Shall prohibit connection of any additional living unit to the shared-well system without:
 - The consent of all parties
 - Appropriate amendment of the agreement, and
 - Compliance with selected items above (see 4150.1 Rev-1, paragraph 12-17 for details).

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General Information, Continued

Shared Wells (continued)

- Shall prohibit any party from locating or relocating any element of an individual sewage disposal system within 50 feet (100 feet for proposed construction) of the shared well.
- Shall establish easements for all elements of the system, assuring access and necessary working space for system operation, maintenance, improvement, inspection, and testing.
- Shall specify that no party may install landscaping or improvements that will impair use of the easements.
- Shall specify that any removal and replacement of preexisting site improvements, necessary for system operation, maintenance, replacement, improvement, inspection or testing will be at the cost of their owner, except that costs to remove and replace common boundary fencing or walls shall be shared equally between or among parties.
- Shall establish the right of any party to act to correct an emergency situation in the absence on-site of the other parties. An emergency situation shall be defined as failure of any shared portion of the system to deliver water upon demand.
- Shall permit agreement amendment to assure equitable readjustment of shared costs when there may be significant changes in well pump energy rates or the occupancy or use of an involved property.
- Shall require the consent of a majority of all parties upon cost sharing, except in emergency situations, before actions are taken for system maintenance, replacement or improvement.
- Shall require that any necessary replacement or improvement of a system element(s) will at least restore original system performance.

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General Information, Continued

Shared Wells (continued)

- Shall specify required cost sharing for:
 - The energy supply for the well pump;
 - System maintenance including repairs, testing, inspection and disinfecting;
 - System component replacement due to wear, obsolescence, incrustation or corrosion; and
 - System improvement to increase the service life of material or component, to restore well yield, or to provide necessary system protection.
- Shall specify that no party shall be responsible for unilaterally incurred shared well debts of another party, except for correction of emergency situations. Emergency situation correction costs shall be equally shared.
- Shall require that each party be responsible for:
 - Prompt repair of any detected leak in this water service line or plumbing system;
 - Repair costs to correct system damage caused by a resident or guest at his property; and
 - Necessary repair or replacement of the service line connecting the system to his dwelling.
- Shall require equal sharing of repair costs for system damage caused by persons other than a resident or guest at a property sharing the well.
- Shall assure equal sharing of costs for abandoning all or part of the shared system so that contamination of ground water or other hazards will be avoided.

Continued on next page

General Information, Continued

Shared Wells (continued)

- Shall assure prompt collection from all parties and prompt payment of system operation, maintenance, replacement, or improvement costs.
 - Shall specify that the recorded agreement may not be amended during the term of a federally insured or guaranteed mortgage on any property served, except as provided in specific items above. (See 4150.1 Rev-1, paragraph 12-17 for details.)
 - Shall provide for binding arbitration of any dispute or impasse between parties with regard to the system or terms of agreement. Binding arbitration shall be through the American Arbitration Association or a similar body and may be initiated at any time by any party to the agreement. Parties to the agreement shall equally share arbitration costs.
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Water Tanks

A pressure tank having a minimum capacity of 42 gallons shall be provided. However, pre-pressured tanks and other pressurizing devices are acceptable provided that delivery between pump cycles equal or exceed that of a 42-gallon tank.

Tanks shall be equipped with a clean-out plug at the lowest point and a suitable pressure relief valve.

For loan documentation purposes, local health authority approval is sufficient evidence that the above requirements have been met.

Wood Burning Stoves

See [Property Analysis – Minimum Property Standards – Heating](#).

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General Information, Continued

Zoning

Financing may be provided on properties that represent a legal but non-conforming use of the land, provided the appraiser's analysis reflects any adverse effect that the non-conforming use has on the property's value and marketability. One of the following must also be obtained:

- A statement by the appraiser that the property can be rebuilt “as is” in the event of a loss including the source of the information (such as, building code section, ordinance or zoning variance, etc.), and any limitations or conditions; or
 - Letter from the county stating the property may be rebuilt “as is” in the event of a loss.
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