

Information to help you prepare a property for the FHA Appraiser
Notes about the FHA Appraiser's VC Form HUD-92564-VC Effective 9/10/99
Certified Property Inspections, Inc 312/944-1818 www.WeInspectRealEstate.com

Home Buyer Protection Plan

On June 1, 1998, HUD launched the **HomeBuyer Protection Plan**. The Plan reforms the appraisal process to ensure that home buyers seeking FHA-insured mortgages receive accurate and complete appraisals of the homes they seek to purchase. If homebuyers do not receive adequate appraisals, they may have to make extensive repairs to make their homes habitable.. As a result of the addition financial burden, they may default on their FHA-insured mortgages. (HUD 4150.2, page vii)

The New HUD Valuation Conditions Form

As part of the HomeBuyer Protection Plan, HUD has revised the Valuation Conditions (VC) Form. This new form:

- 1) Requires submission of valuation condition information for all appraisals
- 2) Transforms the former VC form into a series of "yes-or-no questions" based on the readily observable physical conditions of the subject property.
- 3) Summarizes information on the physical condition of the property for theHomeBuyer.

Property Considerations Notes From HUD 4150.2

VC-3 Grading and Drainage: The site must be graded to provide a positive drainage away from the perimeter walls of the dwelling and to prevent standing water on the site. Signs of inadequate draining include standing water proximate to the structure and no mitigation measures such as gutters and downspouts. (page 3-9)

VC-8 Foundation: All foundation must be adequate to withstand all normal loads imposed. Stone and brick foundations are acceptable if they are in good condition. (page 3-13)

VC-8 Crawl Space: To ensure against conditions that could cause the property to deteriorate and seriously affect the marketability of the property, it is required that: (p 3-13)

- 1) There must be adequate access to the crawl space; the appraiser must be able to access the crawl space for inspection. Access is defined as ability to visually examine all areas of the crawl space. Specifically, the minimum distance is 18 inches.
- 2) The floor joists must be sufficiently above ground level to provide access for maintaining and repairing ductwork and plumbing.
- 3) The crawl space must be clear of all debris and trash and must be properly vented.
- 4) The crawl space must not be excessively damp and must not have any water ponding.

CPI NOTE: WDI Termite Reports with 10 (no access),11 (limited access),12 (visual access only),13 (no access beneath) listed as obstructions may not be accepted by the underwriter. These items should be noted by the appraiser and resolved prior to order the WDI .

(OVER)

VC-9 Roofing: The covering must prevent moisture from entering and must provide reasonable future utility, durability and economy of maintenance. When re-roofing is needed for a defective roof that has three layers of shingles, all old shingles must be removed before re-roofing. (page 3-14)

VC-10 Mechanical Systems: These are the requirements for mechanical systems: (p3-14)

- 1) Must be safe to operate
- 2) Must be protected from destructive elements
- 3) Must have reasonable future utility, durability and economy
- 4) Must have adequate capacity and quality

NOTE 1: All utilities must be turned on at the time of appraisal, if possible.

NOTE 2: All water heaters must have a nonadjustable temperature and pressure-relief valve. If the water heater is in the garage , it must comply with local building codes.

CPI NOTE: Water heaters installed in the garage must have the open flame a minimum of 18" above the finished floor to comply with most building codes.

D-2 Valuation Condition Requirements: This section describes the specific conditions of the subject property that the appraiser must review and note in the Valuation Conditions Form of the Comprehensive Valuation Package. The physical condition of existing building improvements is examined at the time of appraisal to determine whether repairs, alterations or additions are necessary - essential to eliminate conditions threatening the continued physical security of the property. Required repairs will be limited to necessary requirements commonly referred to as the **three S's rule**: (page D-22)

- 1) Preserve the continued marketability of the property (**S**aleability)
- 2) Protect the health and safety of the occupants (**S**afety)
- 3) Protect the security of the property (**S**ecurity)

These are typical conditions that repairs and replacements: (per HUD)

- 1) Termite damage
- 2) Damaged, inoperative or inadequate plumbing, heating or electrical
- 3) Broken or missing fixtures
- 4) Rotten or worn-out counter tops
- 5) Any structural failure in the framing members
- 6) Leaking or worn-out roofs
- 7) Defective paint surfaces
- 8) Masonry and foundation damage
- 9) Damaged floor worn through to the finish
- 10) Broken plaster or sheetrock

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