

# **FHA MORTGAGE INSURANCE GUIDANCE**

*For more information, call 1-800-CALL FHA or the FHA Resource Center at 1-800-225-5342.*

We have examined our FHA mortgage insurance in-force and determined that there are 32 FHA-insured single family mortgages within the proposed impacted area of the Superfund site. These 32 properties will not be impacted by the Superfund designation in the event that the debt and collateral instruments remain constant.

In the interim, you may wish to share the following HUD/FHA concerns with your staff concerning the minimum acceptable criteria for eligibility of affected properties and the health and safety of the occupants. An FHA-approved Appraiser must follow current and effective policy when appraising *any* property for FHA-insurance and exhibit their own due diligence accordingly. As such we have provided three Handbook references in addition to Uniform Standards of Professional Appraisal Practice (USPAP) requirements that clarify the HUD-approved Appraiser and Lender protocols for any FHA-insured mortgage:

- HUD Handbook 4905.1, chapter 2, para. 2-13, states, in relevant part, that the property must be free of hazards which may adversely affect the health and safety of the occupants which may impair the customary use and enjoyment of the property by the occupants.
- HUD Handbook 4910.1, Appendix K, sets forth the basic construction requirements established in 24 CFR 200.926d, and specifies that site conditions shall be free of those foreseeable hazards and adverse conditions which may affect the health and safety of the occupants or the structural soundness of the improvements, or which may impair the customary use and enjoyment of the property. The hazards include toxic chemicals, radioactive materials, other pollution, hazardous activities, ... etc.
- HUD Handbook 4150.2, chapter 2, addresses Site Analysis. Paragraph 2-2, deals with special neighborhood hazards and nuisances, and in subparagraph 2-2.A, specifically states, that a site be rejected if the property being appraised is subject to hazards, environmental contaminants, ... 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.
- USPAP must be followed by all appraisers, and its purpose is to promote and maintain a high level of public trust by establishing requirements for appraisers. It is essential that appraisers develop and communicate their analyses, opinions, and conclusions in a manner that is meaningful and not misleading. USPAP requires the appraiser to identify and report the physical characteristics of the property that are relevant. Additionally, the appraiser is required to certify that they reported the physical deficiencies that could affect the livability, soundness, or structural integrity of the property.
- The appraisal process is the lender's tool for determining if a property meets the minimum requirements and eligibility standards for a FHA-insured mortgage. In addition, these standards provide a context for the appraiser in performing the physical inspection of the property. As such, the appraiser must accurately report the market participants' reaction to the presence, or suspected presence, of any hazards or environmental contaminants, perceived or real, that could adversely affect property values, in any way whatsoever. This includes any stigma associated with the addition, or possible addition, of the Colorado Smelter Site to the EPA's Superfund National Priorities List.
- Last, once reported by the appraiser, it is the lender's responsibility to ensure the property meets minimum requirements to be considered for an FHA-insured loan, which includes current and future marketability.