

FHA PROPERTY REQUIREMENTS

FHA Knowledge

THE HOUSE TEAM

Property condition is one of the factors involved in obtaining full loan approval. Each loan type has its own set of guidelines that are used to measure the eligibility of a subject property. This document will help explain what the property requirements are for an FHA loan.

On January 1, 2006 HUD/FHA enacted an "As Is" policy to regulate how FHA property's are evaluated in order to make it easier for FHA buyers to purchase a home. As of today, property standards for FHA loans are very similar to property standards for Conventional loans. Prior to 2006, FHA property standards were much more difficult when compared to alternative types of financing which put an FHA buyer at an unfair disadvantage. Currently HUD/FHA requires that a property meets three general standards - **Safety, Security and Soundness.**

SAFETY

SECURITY

SOUNDNESS

If a property's condition violates any or all of these standards according to the FHA appraiser, that appraiser will require that the violation be repaired/resolved either before the loan closes or after the closing through a fully approved escrow holdback. While minor and cosmetic property deficiencies are no longer grounds for ineligibility, they may factor into the appraisers valuation of the home.

EXAMPLES OF FHA REQUIRED REPAIRS:

- ✓ Broken Glass
- ✓ Exposed Wiring
- ✓ Faulty Door / Window Locks
- ✓ Defective Paint Surfaces on Homes Built Before 1978
- ✓ Lack of a Functional Heating Unit
- ✓ Safety Bars on Exterior Windows

INSPECTIONS:

HUD/FHA does not require that a pest inspection be submitted to the lender. The only time that a pest inspection and pest related repairs are required is if the appraiser observes active and visually obvious pest related damage to the property. HUD/FHA may also require that a licensed professional inspect the home if the appraiser notes any structural damage or any faulty mechanical systems including plumbing, electrical or heating.

APPLIANCES:

In general, FHA does not require that a home has appliances such as a stove or a refrigerator. It is mandatory however that there is a space for a stove. Generally an FHA appraiser will also require that a property has a functional dishwasher if there is a space for a dishwasher.



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