

UNDERSTANDING FHA MINIMUM PROPERTY STANDARDS

FHA
Minimum Property Standards

CEU Training for Real Estate Inspection Professionals

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

NAFHAC
National Association of FHA Consultants

A large teal square containing a white question mark.

Understanding FHA Minimum Property Standards

WELCOME!

80%

OF
SUCCESS
IS
SHOWING UP

-Woody Allen

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UNDERSTANDING FHA MINIMUM PROPERTY STANDARDS

Understanding FHA Minimum Property Standards

Today you will learn..

- What are FHA MPS
- Where FHA MPS are used
- Why your referral partners and customers need this information
- How to incorporate and use your knowledge of MPS to assist homebuyers and sellers with their home ownership goals.

Scan the QR Code above or from your notes page to get the slides of today's training





Understanding FHA Minimum Property Standards

Overview of FHA MPR/MPS

Definition:

The FHA Minimum Property Standards are a set of guidelines established by the Federal Housing Administration that outline the minimum requirements a property must meet in order to be eligible for an FHA-insured mortgage loan.





Understanding FHA Minimum Property Standards

Overview of FHA MPR/MPS

Purpose:

To verify that a property comprises a single, readily marketable real estate entity eligible for FHA mortgage insurance.





UNDERSTANDING FHA MINIMUM PROPERTY STANDARDS

Understanding FHA Minimum Property Standards

Definition and origins of FHA Minimum Property Standards and Minimum Property Requirements

> **FHA does not provide mortgages- it gives the lender the insurance protection for the mortgage**

- Applications/Uses
 - Appraisals
 - Federal Homeownership Grants
 - Underwriting/Mortgaging





Understanding FHA Minimum Property Standards

Overview of FHA Mortgages

- **203(b)**- Standard "FHA" Mortgage
 - 203(h)
 - 203(k)
 - EEM

- 203(b) – Centerpiece of HUD’s Single Family Mortgage Insurance Programs.
- Owner Occupied- up to 4 family dwelling
- Up to 96.5% financing
- As of 9/2021 63% of all FHA insured loans were for home purchases



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Overview of FHA Mortgages

- 203(b)
- **203(h)-Disaster Victim Mortgage**
- 203(k)
- EEM

- 203(h) works in conjunction with 203(b).
- President – federally declared disaster.
- Displaced Owner or Displaced Renter.
- Rebuild at same site (not rehabilitation)
- Purchase another home.
- New constructed residence property requirements.




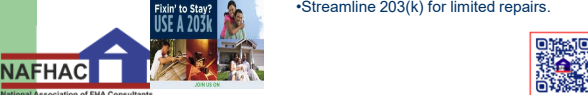
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Overview of FHA Mortgages

- 203(b)
- 203(h)
- **203(k)- Rehabilitation Mortgage**
- EEM

• FHA program for existing single family homes which allows for repair or renovation in two formats.
•Standard 203(k) for major renovation.
•Streamline 203(k) for limited repairs.

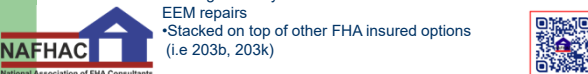


Understanding FHA Minimum Property Standards

Overview of FHA Mortgages

- 203(b)
- 203(h)
- 203(k)
- **EEM- Energy Efficiency Mortgage**

• FHA program for new and existing single-family homes which allows for repair or modifications that improve the energy efficiency of the home
•Savings in utility bills should cover extra costs of EEM repairs
•Stacked on top of other FHA insured options (i.e 203b, 203k)



Understanding FHA Minimum Property Standards

FHA Appraisals...

- Stricter guidelines
- As of 2017 HUD has cracked down on this practice and has made some revisions to the minimum property standards (MPS) in the FHA 4000.1 HUD (https://www.hud.gov/program_offices/housing/sfh/handbook_4000-1)
- These include many health and safety inspections.





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FHA Appraisals...

FHA appraisers are now **required** to:

- Ensure all appliances are operational
- Fully "access" the attic space if able to do so
- Check water heater functionality
- "Inspection" portion is not referred to as "observation"
- A roof that needs to be replaced within 2 years must be reported



Understanding FHA Minimum Property Standards

What are the FHA Minimum Property Standards?

What do YOU think would be an FHA MPS Failure?
2 minutes...



Start writing now...



Understanding FHA Minimum Property Standards

What are the FHA Minimum Property Standards?

What do YOU think would be an FHA MPS Failure?
Let's see who the winner will be?



UNDERSTANDING FHA MINIMUM PROPERTY STANDARDS

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What are the FHA Minimum Property Standards?

The standards cover a wide range of areas, including:

1. **Safety:** The property must be free from health and safety hazards, such as exposed electrical wiring, leaky plumbing, or structural damage.
2. **Soundness:** The property must be structurally sound and able to withstand normal wear and tear. This includes the roof, foundation, walls, and other structural components.
3. **Security:** The property must have adequate locks and other security measures to protect against unauthorized entry.
4. **Sanitation:** The property must have proper sanitation facilities, including working plumbing, a functioning septic system (if applicable), and proper waste disposal.
5. **Energy Efficiency:** The property must meet certain energy efficiency standards, such as having adequate insulation, efficient heating and cooling systems, and proper ventilation.
6. **Accessibility:** The property must be accessible to people with disabilities, with features such as wheelchair ramps, handrails, and wider doorways.



Understanding FHA Minimum Property Standards

DO YOU KNOW THE BARE MINIMUM FUNCTIONALITY?



Understanding FHA Minimum Property Standards

MPS- By Areas of Home

- Exteriors
- Party Walls
- Multiple units on single lot
- Easements/access



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Understanding FHA Minimum Property Standards

Party Walls / Detached Units



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Multiple Properties on one lot



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Interiors

- General Requirements
- Utilities
 - Electric
- Heating
- Plumbing
- Crawlspaces



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Utilities

MPR Utilities





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(MPR) Requirements



Does this meet MPR's ?



Understanding FHA Minimum Property Standards

Is this an acceptable heating source?



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Is this an acceptable heating source?

Heat source must maintain 59F for 8 hours without human intervention



Market Acceptance- key to all systems






Understanding FHA Minimum Property Standards

Well and Pollutant Distances

| Source of pollution | Minimum horizontal distance (feet) |
|--|------------------------------------|
| Property Line | 10 (EP*) |
| Septic Tank | 50 |
| Absorption (Drain) Field | (SUP1) 100 (EP*) |
| Seepage Pit | (SUP1) 100 |
| Absorption Bed | (SUP1) 100 |
| Sewer Lines with Permanent Watertight Joints | 10 |
| Other Sewer Line | 50 |
| Chemically Poisoned Soil | (SUP3) 25 |
| Dry Well | 50 |
| Other | (SUP2) |

Asterisk = Existing Properties SUP# = Supplemental Requirements
EP=See ML 2002-25

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Does this meet MPR Standards?



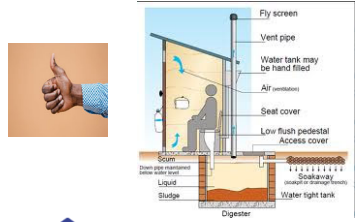




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Does this meet MPR Standards?



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Does this meet MPR Standards?



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Does this meet MPR Standards?



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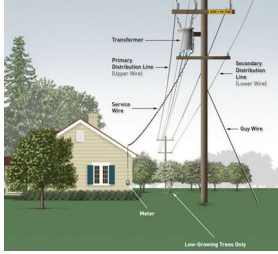
General and Structural Conditions

- Mixed Use/Non-Residential
- Space Requirements
- Hazards
- Drainage
- Lead Paint
- <https://www.allregs.com/tpl/content.aspx#IIA3aii>



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Not ALL homes are eligible for FHA Loans



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Not ALL homes are eligible for FHA Loans



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Mixed Use Properties



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Do you know the answers...

- Does FHA require a bedroom in a home?
- Does FHA require a closet in a bedroom?
- Is a home with a propane fired furnace in the crawlspace eligible for an FHA Insured mortgage?
- Does FHA require a maximum of 2 layers of roofing?



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Do you know the answers...

- Does FHA require a bedroom in a home?
- Does FHA require a closet in a bedroom?
- Is a home with a propane fired furnace in the crawlspace eligible for an FHA Insured mortgage?
- Does FHA require a maximum of 2 layers of roofing?

No to all question!



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What makes a “bedroom”

Four things required to call a room a “bedroom”

1. **Entrance:** A bedroom needs at least two methods of egress, so it should be accessible from the house (commonly through a door), and then have one other exit (window or door)
2. **Ceiling Height:** A bedroom ceiling needs to be at least 7 ft tall. It's okay if some portions of the ceiling are below this level, but at least 50% of the ceiling needs to be a minimum of 7 ft in height.
3. **Escape:** A bedroom must have one other method of egress beyond the entrance point. A door to the exterior works as an exit point, and so does a window. According to the International Residential Code, a bedroom window can be between 24 and 44 inches from the floor, it needs at least 5.7 square feet for the opening, and it must measure no less than 24 inches high and 20 inches wide
4. **Size:** The room should be at least 70 sq ft, and more specifically the room cannot be smaller than 7 feet in any horizontal direction



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Hazards/ Defective Conditions



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Why Home Inspectors Should want to be knowledgeable about MPS





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Why Home Inspectors Should want to be knowledgeable about MPS

- Increase accuracy when reporting defects
- Eliminate problems with underwriters
- Help buyer identify possible need for alternative/additional financing
- Distinguish between standards of practices and FHA requirements







Understanding FHA Minimum Property Standards

The Flow of Events

Offer client the FHA MPS Evaluation Free or Fee

Complete MPS Evaluation Report


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The Flow of Events

Offer client the FHA MPS Evaluation Free or Fee



Complete MPS Evaluation Report

APPROVED

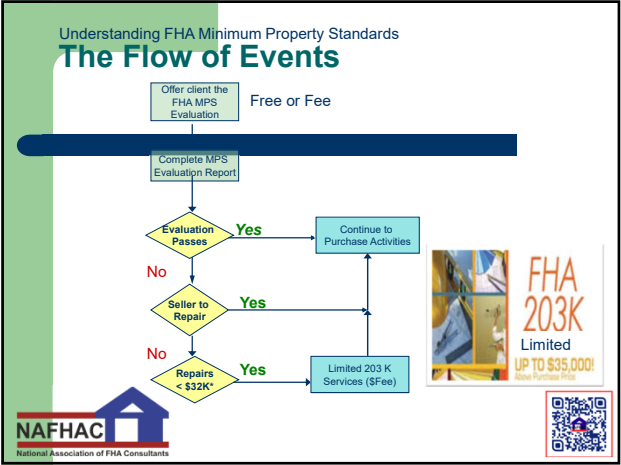


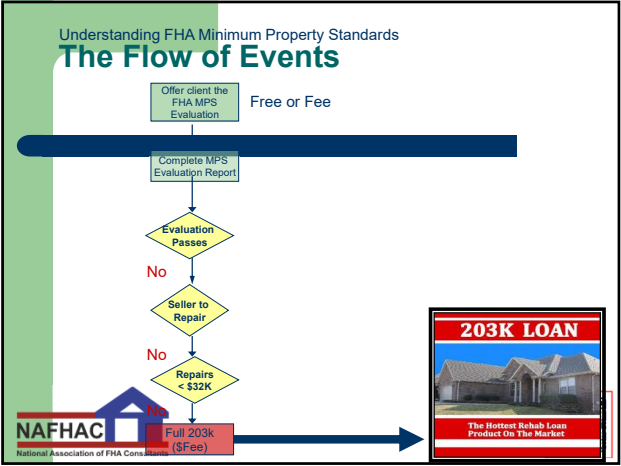
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    graph TD
      A[Offer client the FHA MPS Evaluation] --> B[Complete MPS Evaluation Report]
      B --> C{Evaluation Passes}
      C -- Yes --> D[Continue to Purchase Activities]
      C -- No --> E{Seller to Repair}
      E -- Yes --> D
  
```

UNDERSTANDING FHA MINIMUM PROPERTY STANDARDS





Understanding FHA Minimum Property Standards
THE MPS Reporting differs from Home Inspection Reporting...

| MPS Standard | Home Inspection Standard | Notes |
|--|--|---|
| 1. The property shall be free of all lead-based paint hazards... | 1. The inspector shall inspect for lead-based paint hazards... | MPS requires lead-based paint hazard assessment, while Home Inspection only requires visual inspection. |
| 2. The property shall be free of all mold... | 2. The inspector shall inspect for mold... | MPS requires mold assessment, while Home Inspection only requires visual inspection. |
| 3. The property shall be free of all asbestos... | 3. The inspector shall inspect for asbestos... | MPS requires asbestos assessment, while Home Inspection only requires visual inspection. |
| 4. The property shall be free of all radon... | 4. The inspector shall inspect for radon... | MPS requires radon assessment, while Home Inspection only requires visual inspection. |
| 5. The property shall be free of all structural defects... | 5. The inspector shall inspect for structural defects... | MPS requires structural assessment, while Home Inspection only requires visual inspection. |
| 6. The property shall be free of all electrical defects... | 6. The inspector shall inspect for electrical defects... | MPS requires electrical assessment, while Home Inspection only requires visual inspection. |
| 7. The property shall be free of all plumbing defects... | 7. The inspector shall inspect for plumbing defects... | MPS requires plumbing assessment, while Home Inspection only requires visual inspection. |
| 8. The property shall be free of all mechanical defects... | 8. The inspector shall inspect for mechanical defects... | MPS requires mechanical assessment, while Home Inspection only requires visual inspection. |
| 9. The property shall be free of all safety hazards... | 9. The inspector shall inspect for safety hazards... | MPS requires safety assessment, while Home Inspection only requires visual inspection. |
| 10. The property shall be free of all environmental hazards... | 10. The inspector shall inspect for environmental hazards... | MPS requires environmental assessment, while Home Inspection only requires visual inspection. |



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Ways to Share the MPS

- a) Real Estate Agent Education
- b) Home buyer education
- c) Add to home inspection services
- d) Use with 203k and EEM services



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Questions?



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Amazing opportunities await...

We would love to share the amazing opportunities available to you as an FHA 203k Rehab Consultant.

Why not join us for the upcoming free webinar-

<https://nafhac.org/faqon203k>



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Thank You!

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