

The Home Appraisal – Will This Property Qualify for a FHA or RD Loan?

It's not uncommon to search for the perfect home, write a sales contract, and have your buyer qualified for a mortgage only to have your deal fail due the property not passing an FHA level appraisal.

The best thing a realtor can do is understand the standards that the property must meet to pass the FHA appraisal. The appraisal not only determines that the value of home is adequate to support the amount of the mortgage but also determines the home meets the property guidelines set by the FHA. These guidelines are in place to protect both the buyer and the mortgage lender.

The person performing the inspection is not a home inspector. The appraiser looks for things that may need immediate repair that may cause the borrower to default on their mortgage due to the high cost of these repairs.

Some of the key issues are:

- **Roofs** – Must have an estimated remaining life of 2 yrs or more
- **Attics** – Must be accessible and free from evidence of moisture and holes or damage to the roof
- **Electrical** – No exposed wires, loose wires hanging, missing junction box covers, or missing switch covers. At least 60 amp service or considered adequate for electrical appliances and devices present on site. GFI Outlets required if the outlet is within reach of water or sink.
- **Heat** - Each room must have heat source from a central heating system. Heating must be adequate for healthful and comfortable living conditions.
- **Water** – Adequate pressure and supply for all plumbing devices in the home. If water supply is a well, the water must pass a water quality test.
- **Septic/Sewer** – Septic or sewer inspections are not required unless appraiser sees on site evidence of possible inoperable septic or sewer systems. Inspections are at the lender's discretion.
- **Crawl Spaces** – Must have adequate access so this space can be thoroughly inspected.
- **Bedrooms** – Must have exit access available through either operating windows or doorways.

- **Windows** – Cracked or broken windows must be repaired.
- **Pest Inspections** – A termite inspection will be required. Any evidence of pest infestation will require treatment.
- **Foundations** – Structural or foundation problems will require repair.
- **Paint** – No chipping or peeling paint. If present it should be scraped and painted. This includes interior, exterior, garages, and sheds.
- **Flooring** – No exposed sub-floor. There must floor coverings on all floors. Floor coverings cannot be ripped or torn.
- **Interior Walls** – Holes in walls, floors, or ceilings to be repaired.
- **Water Damage** – Evidence of water damage must have source of damage repaired. Excess wetness in basements or crawl spaces require repair.
- **Mold** – Mold is a red flag to lenders. In most cases, evidence of mold is a deal breaker. If minor surface mold is present, a clean up by the seller prior to the FHA appraisal will avoid major appraisal issues.

Having a successful appraisal is mainly common sense. Usually if you would live in the house as it stands then it will pass the FHA appraisal. Any house that causes you to turn up your nose as you enter will probably not impress the appraiser either.

The realtor can do wonders in helping the sales process by advising sellers of the property standards for a successful FHA appraisal.