



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-8000

OFFICE OF THE ASSISTANT SECRETARY
FOR HOUSING-FEDERAL HOUSING COMMISSIONER

October 16, 2003

MORTGAGEE LETTER 2003-18

TO: ALL APPROVED MORTGAGEES
ALL FHA ROSTER APPRAISERS

SUBJECT: Revised Forms: "Notice To The Lender" and "Notice to the Homebuyer"
and Revised Computerized Homes Underwriting Management System
(CHUMS) Data Entry Requirements

This Mortgagee Letter informs Mortgagees that the Federal Housing Administration (FHA) has updated Form HUD-92564-VC, "Notice to the Lender" (Valuation Conditions/VC form) and Form HUD-92564-HS, "Notice to the Homebuyer" (Homebuyer Summary). Appraisers and Mortgagees may use the new forms immediately. Mortgagees will be required to use the new forms for all cases submitted for case number assignments 30 days after the date of this Mortgagee Letter.

In addition, FHA has modified the CHUMS data entry requirements. Effective October 20, 2003, FHA will eliminate the CHUMS data entry requirements outlined in Mortgagee Letter 00-06 and replace those requirements with the reduced data entry requirements described below.

Revisions to the "Notice to the Lender" (Valuation Conditions) – Form HUD-92564-VC

The FHA appraisal reporting requirement, "Notice to the Lender" Valuation Conditions (VC) collects information on readily observable property conditions to determine: (a) the property's "as repaired" value; and (b) compliance with the Department of Housing and Urban Development's minimum property requirements and standards. The VC form requires the appraiser to report the physical conditions that are readily observable on the date of the site visit and to detail the repairs needed to establish and/or maintain the marketability of the property, protect the health and safety of the occupants, and protect the security of the property.

The following changes were made to the VC Form (Form HUD-92564-VC):

- The Site Consideration Section, VC-1 Site Hazards and Nuisances, is modified to require the appraiser to address each hazard with a “yes” or “no” response.
- The Property Considerations Section, VC-4 Individual Water Supply and Sewage Systems now include three additional categories (d, e, f) to report on the separation distances between the water supply and sewer systems. In addition, the appraiser must show the separation distances on the sketch. If the appraiser is unable to determine the separation distances, he or she must make the applicable VC response “unable to determine” and cite the condition for further analysis on Page 5 of the VC form and note the observation on the “Notice to Homebuyer” form.
- The following subcategories of the Property Considerations Section of the VC form now include the option, “n/a” (Not Applicable): VC-7 Structural Conditions – Attic; VC-8 Foundation – Basement, Crawl Space, and Slab; and VC-10 Mechanical Systems – Furnace/HeatingSystem and Air Conditioning (central).
- Property Considerations Section, VC-13 Condominiums, was changed to remove the subcategory for Planned Unit Development (PUD) and to delete the observation, “This property does not meet completion standards.”
- A new category was added to the Property Considerations Section, VC-14 Manufactured Housing. A definition of a manufactured home for FHA-insured mortgage purposes is included. If the property type appraised is a manufactured home, the new category, VC-14 Manufactured Housing must be filled out completely and the appraiser must list the manufactured housing unit’s certification label (tag) number(s).

Note: The Property Considerations Section, VC-14 Manufactured Housing is also required for proposed or under construction manufactured housing.

Revisions to the “Notice to Homebuyer” (Homebuyer Summary) – Form HUD-92564-HS

FHA Appraisal Reporting Requirement, “Notice to the Homebuyer” provides purchasers with a summary of the appraiser’s observations and informs the homebuyer that an appraisal is different from a home inspection. The Mortgagee’s role is to ensure that the borrower(s) understand the Homebuyer Summary form and acknowledges the buyers’ receipt of the form at least five business days prior to loan closing. Both the appraiser and homebuyer must sign the “Notice to Homebuyer.”

The “Notice to Homebuyer” (Form HUD-92564-HS) has been revised in the following ways:

- The form includes a new line item for manufactured housing.

- All “yes” and “unable to determine” responses on the “Notice to the Lender” – Valuation Condition Form **must** be noted on the “Notice to Homebuyer.”

Guidance for Accurate Appraisal Reporting

The following section restates existing FHA appraisal reporting policy for the purpose of clarifying FHA standards and requirements.

- FHA appraisals are prepared “as repaired.”
 - The “Notice to the Lender ” and “Notice to Homebuyer” forms are required for all FHA appraisal assignments except for proposed construction, under construction properties, and 203(k) loans.
 - On appraisal assignments involving 203(k) loans where the appraiser has identified repair conditions that were not noted in the plan review for the 203(k) loan, the appraiser should notify the Mortgagee (see HUD Handbook 4240.4 REV-2, Section 3-2 (G)).
 - **The Property Consideration Section, VC-4 Individual Water Supply and Sewage Systems requires the appraiser to note whether public water and/or sewer is/are available at the subject site. The Mortgagee is responsible for determining whether connection to public systems is feasible.**
 - Appraisers and Mortgagees are reminded that a response for each category on the VC form is required for every valuation condition item (VC-1 through VC-14). All “yes” and “unable to determine” responses **must** be addressed on page 5 on the VC form and on the Homebuyer Summary. **It is unacceptable to leave a blank response.**

Revised CHUMS Data Entry Requirements

Data Entry Requirements Eliminated

FHA has reduced data entry requirements for Mortgagees. Elimination of 40 CHUMS data entry requirements outlined in Mortgagee Letter 00-06 and listed below will relieve the burden of compliance by the Mortgagee.

- VC Form Number
- Estimated Repair Costs
- Full/Market Assessed Value
- Number of Comps Used in the Sales Comparison Approach
- Proximity to Subject (in miles, feet, blocks, etc.)
- Number of Proximity Units to Subject

- Net Dollar Adjustments
- Total Number of Adjustments
- Site Hazard
- Soil Contamination
- Grading and Drainage Problems
- Well, Individual Water Supply and Septic Problems
- Wood Destroying Insects
- Private Road Access and Maintenance Problems
- Structural Deficiencies
- Foundation Deficiencies
- Roofing Deficiencies
- Mechanical System Problems
- General Health and Safety Deficiencies
- Deteriorated Paint

New Data Entry Fields

The Appraisal Logging Screen is also modified to add the following new data entry fields;

- PUD (Y/N)
- Sales Price
- Prior Sale Date
- Prior Sale Amount
- Was prior sale of the property within the past three years?

Note: As required by 24 CFR, Part 203.37a, if a property is resold between 91 and 180 days following acquisition by the seller, the Mortgagee is required to obtain a second appraisal made by another appraiser if the resale price is 100 percent or more over the price paid by the seller when the property was acquired. Information from the second appraisal must be entered into the Appraisal Logging Update Screen.

Information Collection Requirements

The information collection requirements referred to in this Mortgagee Letter have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. Chapter 35). The OMB number issued for this requirement is OMB 2502-0538.

If you have any questions concerning this Mortgagee Letter, please contact your local Homeownership Center in Atlanta (888) 696-4687, Denver (800) 543-9378, Philadelphia (800) 440-8647, or Santa Ana (888) 827-5605 (these are all toll free numbers).

Sincerely,

John C. Weicher
Assistant secretary for Housing-
Federal Housing Commissioner

Attachments