

U. S. Department of Housing and Urban Development
Washington, D.C. 20410-8000

DECEMBER 9, 1996

OFFICE OF THE ASSISTANT SECRETARY
FOR HOUSING-FEDERAL HOUSING COMMISSIONER

MORTGAGEE LETTER 96-67

TO: ALL APPROVED MORTGAGEES

SUBJECT: Single Family Loan Production - Importance of Home
Inspections

As discussed in Mortgagee Letter 96-29 (ML 96-29), FHA would no longer be prescribing the document that notifies homebuyers of potential lead-based paint hazards. After December 6, 1996, EPA pamphlet "Protect Your Family From Lead in Your Home" would become the official lead-based paint disclosure. That disclosure is the responsibility of the owner of the living unit selling or renting the property. Lenders no longer need to have evidence the disclosure was provided and do not need to retain anything in the case binder. However, the previous lead-based paint notice required by FHA served an additional purpose by alerting homebuyers to the importance of obtaining a home inspection when purchasing an existing home.

FHA believes that homebuyers are best served when they are aware of their own responsibilities for assuring that the property is acceptable to them and that FHA does not warrant the condition of the home. Homebuyers are also encouraged to obtain an inspection service to make the determination that the house is free of defects.

Therefore, we have developed the attached Importance of Home Inspections form which is to be signed and dated by the borrower(s) on or before the date that the sales contract is executed (or re-executed if necessary) for all transactions that will involve FHA mortgage insurance on existing property. New construction is exempt since the house was recently inspected during construction; refinance transactions are also exempt. This new form replaces the dual inspection notice/lead-based paint disclosure required by ML 96-10 . Either notice on inspections may be used until January 1, 1997 at which time the attached Importance of Home Inspections form must be used. Neither form is required to be submitted in the endorsement binder.

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If you have any questions regarding this issue, please contact your local FHA office.

Sincerely,

Nicolas P. Retsinas
Assistant Secretary for Housing-

Federal Housing Commissioner

Attachment

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION

IMPORTANCE OF HOME INSPECTIONS

FHA DOES NOT WARRANT THE VALUE OR THE CONDITION OF A HOME!

While FHA requires the lender to have an appraiser determine the value of the property, it is an estimate only and is used to determine the amount of mortgage FHA will insure and if the condition of the property makes it eligible for FHA mortgage insurance. It is not, however, a guarantee that the property is free of defects.

As the purchaser, YOU should carefully examine the property or have it inspected by a qualified home inspection company to make sure that the condition is acceptable to you. You should do this before you sign the sales contract or make the contract contingent on the inspection. If repairs are needed, you may negotiate with the owner about having the faults corrected.

There is no requirement that you hire an inspector. If you choose to, the cost of the inspection up to \$200 may be included in your mortgage loan. Names of home inspection companies can be found in the yellow pages of your telephone directory under the heading "Home Inspection Services".

I/We have carefully read this notice and fully understand that FHA will not perform a home inspection nor guarantee the price or condition of the property we are purchasing.

_____ I/We choose to have a home inspection performed.

_____ I/We do not choose to have a home inspection performed.

Borrower _____ Date _____

Co-Borrower _____ Date _____

(11/96)