

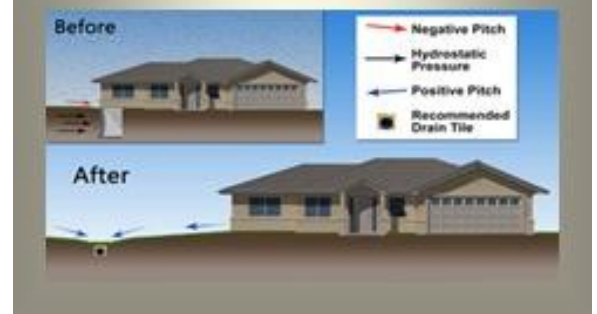
Tips to Avoid FHA Issues

Guideline to avoid potential problems



If the buyer of your home is obtaining an FHA loan (which is very common and sometimes their ONLY option), when the appraisal is done, they may find issues in your home that will be noted as required repairs. If this happens, the bank will NOT give the loan until all conditions have been taken care of (usually by a certified professional) and the appraiser will come back after the work is completed to make sure it was done correctly and by the required person. Below is a list of items that we have seen in the past get flagged as required repairs/conditions. This is only a guideline, every appraiser has different opinions and may have different criteria. Mostly the issues are due to a safety concern. There may be other items flagged that are not noted here, these are only common issues to make you aware of just in case they are issues you would like to rectify before listing your home.

- 491. Broken Windows – Broken glass needs to be replaced
- 492. Missing Railings - Stairways must have railings (including front and back steps required if it is a certain height, ask your realtor to find out the height requirement if you feel you may have this issue)
- 493. Railing Slats Spacing - Deck or stairway and open upper floor railings cannot be too far apart. Ask your realtor to find out the exact spacing required)
- 494. Peeling paint – This is a big NO-NO... Lead Based Paint is the issue. Peeling paint is commonly found around windows, on basement walls and floors, exterior painted siding on house and/or garage, exterior foundation around home, exterior trim on house and/or garage, outbuildings, sheds, fences, and decks but can be pretty much anywhere to be an issue, just make sure it is either scraped or sanded and painted over. If you wait to do this step after selling the home, when the bank requires for the peeling paint to be rectified, they will require a certified lead based paint contractor to do the work and it is a very involved process and very costly. Best to do this ahead of time unless you plan to “not accept” any offers with FHA financing (this cuts your buyers down quite a bit, so keep that in mind). If you do the work yourself ahead of time, make sure not to leave scraps of chipped paint anywhere, this will be flagged also.
- 495. Negative Grade - Sloping ground around the home – If there is a slope towards the house around the home, they may require you to add dirt around the home. If you ever get water or seepage in your basement, this is a common solution that works to rectify water issues. Along with that, make sure to clean out your gutters (and check them often) and make sure you have long enough downspouts on the home that are working properly to bring the water away from the home (and that they are not left in the “up” position when raining). In many cases these couple simple steps solve most water problems. If you have a driveway, sidewalk, cement steps or anything else similar where you cannot add dirt and it is sloping towards the house, it can be a bit more costly to fix this problem. Consult a professional to take a look at your particular situation to give you options.



496. Bulging or Crumbling Walls in Basement – If walls are cracked, crumbling or bulging, there may be requirements. Usually the requirement would be to have a structural engineer inspect the basement and let them know what is needed. This can be a whole list of problems. If you take care of the problems before hand, you may be able to save yourself a lot of hassle and money. Fill any major cracks in the wall/floors, remove any crumbling particles and fill, paint with a sealer, add support beams where the walls are bulging to ensure they will not move further. If you have concerns about your basement, contact a basement professional to get some advice on what they feel would be needed to make the basement structurally sound. (Then consult with your Realtor to make sure that you are being guided correctly)
497. Asbestos – If you think you may have asbestos in your home, consult a professional. Do not remove asbestos unless you know what you are doing and can do the process properly, it can be very toxic (in the air) once you disturb the materials. Make sure you have done your research. If you remove asbestos from the home, you must disclose this to buyers so it is suggested that you have the removal done by a professional and keep receipts to prove that it was done correctly and professionally.
498. Missing Electrical Covers – Any exposed electrical covers are generally flagged, make sure all outlets (in the garage, outbuildings and basement too) have outlet covers along with light switch covers. Very cheap fix. This goes the same for exposed electrical wires in a junction box (uncovered) or a light fixture that is not secured properly.
499. Empty Spaces in Electrical Panel – Covers/spacers/clips (various different names for same product) need to be added to safely cover that open section.
500. Missing GFCI Outlets – These are the outlets that have the little “reset” button on them. They are required to be where there is water (most commonly kitchens/bathrooms), if the outlets in your kitchens and bathrooms are regular outlets, you may want to change them out ahead of time as this will not only be an FHA concern but often an important safety issue pointed out by home inspectors on a regular basis.



203K: A potential option for buyers if your home is in need of repairs and will not pass an FHA Inspection/Appraisal

This loan is not for every buyer. Not all FHA approved buyers will be approved for this loan, the qualifications are a bit tighter and similar to a conventional loan. Also, very few lenders are qualified to offer these loans. If your home is in rough shape and the repairs are too much for you to take care of, this may be an option for them to secure the loan with the home in its current condition.

This loan can a bit more time consuming as multiple estimates on repairs are required and additional paperwork and approvals that all take time. The buyer must be willing to do the footwork of obtaining multiple estimates and the seller must be cooperative in allowing these contractors into the home when needed.

This can be a good option for some situations but not always will this work as a solution. Consult with your Realtor to find out which lenders offer this loan and see if they feel your home would be a good candidate for buyers with this program.