



Philadelphia Homeownership Center

U.S. Department of Housing and Urban Development

The Wanamaker Building
100 Penn Square East
Philadelphia, PA 19107-3389

CIRCULAR LETTER PH 00-03

April 21, 2000

TO: All Approved Mortgagees Doing Business in Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, , Michigan, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Vermont, Virginia, and West Virginia

FROM: Engram A. Lloyd, Director, Philadelphia Homeownership Center

SUBJECT: Termite Protection on New Construction, Documentation Requirements for High Ratio Loans and Testing for Lead on Water Analysis Reports

The Technical Support Branch has been receiving numerous inquiries from our industry partners on the subject topics. As a result, outlined below are our policies on these issues:

- **TERMITE PROTECTION ON NEW CONSTRUCTION PROPERTIES**

The Department's policy concerning the requirements for the builders' warranty against termite infestation in new homes is outlined in Mortgagee Letter 99-03. All chemical soil treatments, bait systems, and chemical wood treatments must be approved by the EPA and applied in accordance with the EPA label instructions. When these methods of protection are provided, the NPCA-99a form is to be completed in accordance with this Mortgagee Letter. However, in some cases it is not feasible for a builder to arrange for soil treatment. In this regard, the National CABO code allows a builder to utilize pressure treated wood as a measure of termite protection. If pressure treated wood is used, however, it must be used in all framing members up to and including the top plate of the first floor level wall. This includes the subfloor and floor joists of the first floor. The use of pressure treated wood in only the sill plate is not acceptable. When using pressure treated wood, the NPCA-99a form is not to be used. In such cases, the builder must provide the lender with a letter stating that the house is protected from termites by

the use of pressure treated wood. The builder must also provide the home buyer with a one year warranty against termites similar to that required on NPCA-99a form.

* DOCUMENTATION REQUIREMENTS FOR HIGH RATIO LOANS

It is the appraiser's responsibility to determine the proper stage of construction that a property is in at the time of the appraisal. This information is reported on page #1 of the URAR form under the "Description of Improvements" section. Outlined below are our "construction definitions":

- 1) **PROPOSED CONSTRUCTION** - these are properties approved for FHA mortgage insurance prior to the beginning of construction. This means that the DE Statement of Appraised Value or Early Start Letter has been issued by the DE Underwriter for the property prior to the placement of a foundation. For high ratio loans, provide either the appraisal or Early Start letter and at least three inspections (footing, frame-in and final) by a HUD Fee Panel Inspector or approved local authority. If these items are not provided, evidence of an approved ten year warranty and a final inspection are required.
- 2) **UNDER CONSTRUCTION** - these are properties that are under construction and are not complete at the time of appraisal. For high ratio loans, provide a final inspection by a HUD Fee Panel Inspector or approved local authority and evidence of an approved 10 year warranty coverage.
- 3) **EXISTING CONSTRUCTION (LESS THAN ONE YEAR OLD)** - these are properties that are less than one year old, never occupied and are 100% complete. If no repair or correction conditions are made by the appraiser, the appraisal can serve as the final inspection as per Handbook 4145.1 REV-2, paragraph 6-3 A(3). A ten year warranty is also required to be provided for high ratio loans.

For more information on this topic, refer to Appendix 11 of the 4145.1 REV-2 Handbook.

• TESTING FOR LEAD ON WATER ANALYSIS REPORTS

Mortgagee Letter 95-34 set forth the **minimum** water quality testing parameters for private well water testing on FHA insured loan transactions. In this regard, at a minimum the following contaminants must be tested: Lead, Nitrate (as Nitrogen), Nitrite (as Nitrogen), Total Nitrate/Nitrite, Total Coliforms and Fecal Coliforms (or E.Coli). If a property is located in an area where the local or state requirements are more stringent than those outlined in Mortgagee Letter 95-34, then the lender should take appropriate steps to assure compliance with the local and/or state requirements.

We appreciate your cooperation in complying with these policies. If you have any questions or comments, please direct them to the Technical Support Branch at (800) 440-8647.