

APPRAISAL REVIEW SHEET



This checklist is provided for informational purposes to assist appraisers and lending staff when reviewing a property for which PHFA financing is being requested. The guidelines listed below are overlays to any applicable requirements of Fannie Mae, Freddie Mac, FHA, VA or RD.

1004 appraisal – required on all properties. Please refer to Chapter 8 of the Selling Guide for full Appraisal requirements. The appraisal must be complete with photos, comparables, addendums, appropriate FHA, VA or RD attachments, Statement of Limiting Conditions, etc.

SUBJECT AND NEIGHBORHOOD AREA OF APPRAISAL:

Address—The town/city name must be included in the property address. In some areas, it is common practice to include the township name as part of the property address. This is acceptable, but on the legal documents, it must be listed in parentheses behind the zip. It cannot be listed in lieu of the town/city name (except in those few cases where the township name is actually the official name of the town/city). The census tract must also be listed.

Vacant property –the appraiser must indicate whether or not all mechanical systems are on and operational, or clear electrical, plumbing and heating certifications must be provided.

Condominiums – For FHA, VA and RD, PHFA will require evidence that the condominium is approved by the particular insurer/guarantor. Project type “P” or “Q” Condominiums at or below 80% LTV under the HFA Preferred or KHL conventional programs in addition to reflecting the project type on the Fannie Mae 1008, will require proof of hazard insurance on the development.

Investment Properties – are not permitted under any of PHFA’s home loan programs.

SITE AREA:

Acreage – properties cannot exceed 4 acres unless one or more of the following conditions are present: current zoning requires properties in excess of 4 acres or subdivision of the larger lot is not feasible due to topography and properties in the immediate area have equivalent acreage. Additional exceptions will be considered by PHFA upon request, but only up to 10 acres. The appraiser must indicate the reason for the additional acreage; For example, stating that this acreage is common to the area and providing a copy of the county tax map confirming this. In the event the appraisal states 10 +/- acres, documentation must be provided to determine that the property does not even minimally exceed the 10 acre limit.

Private roads – a copy of a recorded perpetual right-of-way (if not specified in the deed) and a recorded road maintenance agreement if available. Note, the right-of-way must pass on to heirs, assigns, etc.

Private water/sewer – the appraiser must clearly identify the exact type and location of private water/sewer systems servicing the property. “On site” is not acceptable. Shared septic systems are not permitted. If public water and sewer are available the subject property must be connected. Private systems other than wells/septic may be acceptable under the Keystone Home Loan program for conventional loans; consult PHFA for guidance.

Potability – All properties with individual water systems must have a potability test. The test must show less than 1% coliform or be accepted as safe or potable, by a certified EPA/DER laboratory. If a UV light is installed the water must be re-tested after installment. The potability test must be no older than 4 months.

Flow test – All newly constructed properties with a well must also have a Flow test performed. The flow test must be at least 4 gallons per minute or a statement from the appraiser is required confirming that the reduced flow is common to the area.

Life of Loan Flood Certifications – Required on all properties.

Multiple Lots – Land appurtenant to a residence shall be considered as part of the residence only if such land reasonably maintains the basic livability of the residence and does not provide a source of income to the mortgagor. If the property consists of more than one lot, it must be contiguous and on the same deed, and removing the lot(s) from the deed, would either have a negative impact on the home’s marketability and/or would not be allowed by the municipality.

DESCRIPTION AND IMPROVEMENTS AREA:

Unheated living spaces – ALL living areas must have a heat source - the minimum requirement is the installation of floor/wall registers. Space heaters must be vented and properly operating.

Manufactured homes – For all loan types, the lender is to follow the respective federal agency’s guidelines for manufactured housing. For KHL loans, please refer to Chapter 8 of the PHFA Selling Guide for additional requirements. PHFA requires proof that the title to the home was retired at the time of purchase. Evidence of the HUD Data Plate/Compliance Certification and the HUD Certification label must be included with the appraisal.

PHFA Appendix I

Two-Unit Properties – acceptable loan types are FHA , VA or KHL conventional. Must be side-by-side or stacked on top of each other. A finished basement, attic or unit above a garage does not qualify. If rental income is being used to qualify, the appraiser must complete the “Estimated Market Rent” and the “Gross Rent Multiplier” section of the appraisal. Two units are not eligible under the HFA Preferred and Preferred Risk Sharing programs.

“Fair” ratings on appraisal – repairs must be completed in order to upgrade the ratings to “average” or better; if the appraiser is referring to “cosmetic” items (paint, carpet, etc) repairs are not necessary.

Knob and Tube Wiring – all visible knob and tube wiring must be replaced, and a qualified electrician must provide a statement that the system is in satisfactory condition. Also, the borrower(s) must sign a statement acknowledging that they understand: (1) they cannot insulate exterior wall cavities or floor/ceiling joist spaces that contain knob and tube wiring as it could lead to fire; (2) knob and tube wiring is not grounded but grounding can be accomplished by replacing existing older receptacles connected to knob and tube wiring with GFI receptacles, or protecting the circuit with a GFI breaker.

Wood Destroying Insect Certification – All existing properties must have a clear wood-destroying insect certification (dated within 4 months of closing) in the Purchase Submission. If evidence of infestation and/or damage was observed, the report must be signed by the borrower and an inspection graph must be provided. If the infestation is active, or prior infestation is referenced and treatment is recommended, proper control measures must have been taken. If structural damage resulted from the infestation, the lender must also provide proof that the damage was satisfactorily repaired or a report from a qualified inspector that the damage does not affect the structural integrity of the home. New homes less than one year old and never lived in along with condominiums constructed of concrete and steel or on a second level or higher, are exempt.

Other Certifications – would only be required if the appraisal was subject to them or if there are any comments made that would affect the safety, structural integrity, mechanical systems or the habitability of the improvements. Deficiencies should be corrected prior to closing. Certifications must be provided from a qualified contractor on letterhead or using a standard industry form.