

June 29, 2026

Joseph M. Gormley
Assistant Secretary for Housing-Federal Housing Commissioner
Department of Housing and Urban Development
451 7th Street SW, Room 9007
Washington, DC 20410

**RE: Request for Information Regarding Single Family Minimum Property Requirements;
Docket No. FR-6609-N-01**

Dear Assistant Secretary Gormley,

The underlying financial services trade organizations appreciate the Federal Housing Administration's (FHA) request for input on the Single-Family Minimum Property Requirements (MPRs)¹ to implement the President's March 2026 Executive Order, "Promoting Access to Mortgage Credit." In response, we reaffirm our previous recommendation that FHA align with the standards established by Fannie Mae and Freddie Mac (the GSEs). This change would streamline the FHA financing process, making it more efficient and less expensive for lenders to produce, and consumers to obtain, an FHA loan.

Our organizations are encouraged that FHA is seeking information to improve the collateral valuation processes, including changes to the minimum property requirements. We particularly appreciate the agency's receptivity to aligning FHA policy and practice with industry-wide collateral standards.

While we share FHA's "safety and soundness" policy objective, in practice, the FHA requirements hinder a prospective borrower's access to an FHA loan product. We have observed over the years, based on the experience of many stakeholders across the housing finance system, that the FHA MPRs are one of the most significant impediments to the utilization of FHA financing by prospective homebuyers. The standards impose an additional set of requirements that do not reduce the lenders' collateral risk or, in most cases, improve the overall soundness of the property.

Additionally, the current process enlists appraisers into a quasi-property inspector role, often certifying property conditions outside of their expertise and role, which is to identify readily observable, material conditions that may affect the safety, soundness, structural integrity, security, marketability, or value of a property. Even more problematic, the MPRs trigger

¹ <https://www.federalregister.gov/documents/2026/05/29/2026-10766/request-for-information-regarding-single-family-minimum-property-requirements-mpr>

mandatory and costly repairs (whether wanted or necessary) that delay and prevent consummation of sales transactions, making purchase offers based on FHA financing less attractive than offers that rely on conventional mortgage financing. These challenges disadvantage FHA home loans when other financing is available and increase costs to borrowers as well as costs to lenders to originate, underwrite, and close an FHA loan.

To address these issues, we recommend that FHA align with the GSE policy of requiring appraisers and property data collectors to determine the property condition holistically in accordance with a standardized condition rating, on a scale that categorizes the property condition from C1-C6.² This industry-standard protocol, including the companion standard quality ratings, is currently captured on all FHA appraisals and allows an appraiser to identify when a property is unsuitable for dwelling purposes – as signified by a property condition rating of C6.³ These ratings have been further refined under the Uniform Appraisal Dataset (UAD) 3.6 along with a more robust amount of data collected for the subject property. FHA is poised to adopt the new UAD 3.6 in a soft-launch mode in tandem with the GSE mandate of November 2, 2026.

The GSE approach that we urge FHA to consider includes minimum property requirements for specific property conditions, like “wood-destroying insects” and “deteriorated paint,” similar to FHA. However, the GSE approach identifies problematic issues as components of the property’s overall condition and quality. Attached is a table that presents summaries of the current MPR requirements for comparison – FHA, Fannie Mae, Freddie Mac, and VA. We also include our thoughts on which current industry standard FHA should consider adopting and the priority order in which we’d like to see FHA consider alternatives (see Excel Chart in Appendix B).

If FHA were to adopt the GSE property condition rating system along with their minimum property requirements, the identification of property defects or utility standards would no longer be automatically deemed “subject to repair,” regardless of the overall condition and habitability of the property. Instead, FHA could focus on developing a repair-action framework to replace the automatic “subject to repair” standard. We envision a policy framework that distinguishes between property conditions that must be repaired prior to closing versus those that may be appropriately addressed through post-closing repair escrows or holdbacks as well as property conditions that are cosmetic or non-material versus those that require evaluation by a qualified specialist.

In addition to providing strong consumer protections, industry experience shows that the GSE property condition rating system and minimum property requirements successfully evaluate whether a property is safe, sound, and structurally secure, and therefore appropriate to serve as collateral for the life of the loan. However, the GSE process does not permit minor defects to

² C1 represents new construction or a nearly new property where a C6 represents a property that is unsuitable for dwelling purposes.

³ Fannie Mae Selling Guide on [Property Condition Ratings](#) and [Fannie Mae UAD 3.6 Policy Supplemental](#)

derail the transaction altogether. Adopting the GSE rating system would still protect FHA borrowers from purchasing substandard housing and would have the benefit of standardizing key elements of the appraisal process, making the FHA program easier and more attractive for lenders, and less costly for consumers.

We urge the FHA to pursue any MPR modernization effort with an initial draft of clear implementation guidance that is posted on the FHA Drafting Table for stakeholder feedback. Based on past efforts, adopting this best practice will speed up industry adoption and minimize differing interpretations by lenders and appraisers.

FHA is the nation's flagship program for first-time homebuyers. Aligning the FHA home loan program with conventional financing would improve efficiency and increase the program's effectiveness and appeal.

We look forward to working with FHA to continue to strengthen the FHA home loan program and would welcome the opportunity to meet with you – to the extent possible, jointly—to discuss our recommendations and concerns. Please have your staff contact Matt Douglas at matt.douglas@housingpolicycouncil.org with any questions or to arrange further discussion. Thank you for your consideration.

Sincerely,

America's Credit Unions
American Bankers Association
Broker Action Coalition
Collateral Risk Network
Community Home Lenders of America
Defense Credit Union Council
Housing Policy Council
Independent Community Bankers of America
Mortgage Bankers Association
National Association of Mortgage Brokers
National Association of Realtors

Appendix A

Responses to the FHA RFI Questions for Comments

Question 1- What are the advantages and/or disadvantages of MPRs compared with the property safety and soundness requirements of other governmental and non-governmental financing programs/options?

Answer: Feedback from entities across the housing finance ecosystem highlights that FHA home purchase offers are often passed over in favor of other competitive offers that might be perceived to close more quickly or with greater certainty due to the backing of conventional financing. One of the main reasons for this is the FHA MPRs. MPRs can range from minor deficiencies in paint or appliances to structural damage or foundational issues. We recommend that FHA align with Fannie Mae and Freddie Mac by separating appraisal MPRs from repair and inspection requirements.

Question (2)- Do the current MPRs adequately protect borrowers utilizing FHA programs to purchase or refinance a home? Do the current MPRs adequately protect FHA's Mutual Mortgage Insurance Fund (MMIF) through reduced collateral risk?

Answer: Yes. However, the cost of the current process exceeds the benefits, and a reasonable alternative is available that would also achieve this goal.

Question (3)- What specific MPRs are no longer applicable or necessary to ensure properties are habitable, safe and sound for FHA borrowers?

Answer: We recommend aligning all MPRs with the GSEs. Below are a number of MPRs where the FHA standard is overly burdensome compared to the industry GSE standard including-

- Peeling paint requirements for non-hazard scenarios (particularly post-1978 properties) are often applied inconsistently.
- Handrail and minor safety features in low-risk scenarios.
- Minor exterior or cosmetic deficiencies with limited impact on habitability.
- Strict roof and remaining economic life thresholds.
- Technical site or access requirements without clear safety implications.
 - Road access specifics (e.g., public vs. private road technicalities)
 - Minor grading or drainage conditions that are not causing active issues
 - Driveway surface or condition requirements not tied to safety

Question (6)- 6. Are the MPRs communicated clearly enough in FHA policies for borrowers, Mortgagees, and appraisers to understand the requirements? For example, is there a clear distinction between safety and habitability concerns that necessitate pre-closing repairs versus cosmetic repairs?

Answer: Guidance is currently fragmented across FHA Handbook materials. Additionally, since the standards have not undergone a comprehensive update in over two decades, interpretations vary among appraisers and lenders, leading to inconsistency. This can be remedied by aligning standards with the GSEs and consolidating all property requirements into a single Handbook section.

Appendix B to Joint Trade Response to MPR RFI: Minimum Property Requirements Comparison Grid

Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Defective Conditions</p>	<p>If the Appraiser cannot determine that a Property meets HUD’s MPR or MPS, an inspection by a qualified individual or entity may be required.</p> <p>Conditions that require an inspection by qualified individuals or entities include:</p> <ul style="list-style-type: none"> standing water against the foundation and/or excessively damp basements; hazardous materials on the site or within the improvements; faulty or defective mechanical systems (electrical, plumbing or heating/cooling); evidence of possible structural failure (e.g., settlement or bulging foundation wall, unsupported floor joists, cracked masonry walls or foundation); evidence of possible pest infestation; leaking or worn-out roofs; or any other condition that in the professional judgment of the Appraiser warrants inspection. <p>(pg. 811)</p>	<p>Conditions which impair the safety, sanitation, or structural soundness of the dwelling will cause the property to be unacceptable until the defects or conditions have been remedied and the probability of further damage eliminated. The integrity of the envelope of the structure must not be compromised.</p> <p>Examples of defective conditions include:</p> <ul style="list-style-type: none"> defective construction, poor workmanship, evidence of continuing settlement, excessive dampness, leakage, decay, and termites. <p>(Ch. 12 pg. 26)</p>	<p>When an appraisal is required and there are:</p> <ul style="list-style-type: none"> defects, damages, or deficiencies affecting the soundness or structural integrity of the dwelling including, but not limited to, foundation settlement, water seepage, infestation, active roof leaks, worn roof shingles, inadequate electrical service, or plumbing fixtures, etc., or incomplete items including, but not limited to, remodeling or renovation(s) (e.g., unfinished kitchen, bathroom(s) or addition(s)), <p>the appraisal must be "subject to" completion of the specific repairs or incomplete items. Incomplete items or physical deficiencies affecting soundness or structural integrity may also be identified through the property data collection process...In all cases, the lender must verify completion before the loan is sold to Fannie Mae.</p> <p>(SB4-1.2-05; D212/10/2025)</p> <p>The appraiser must report any significant items and associate any defect, damage, or deficiency with the most appropriate section of the Uniform Residential Appraisal Report (URAR). These items have at least one of the following characteristics</p> <ul style="list-style-type: none"> Rise to the level of recommending repair, replacement, or inspection by an individual with expertise in the specific field, Negatively affect the integrity / composition of the site itself, Negatively affect the soundness or structural integrity of the improvements, Measurably impact the marketability or value of the property, or Require completion. The appraisal report must identify and describe physical deficiencies that could affect a property’s soundness or structural integrity. <p>If the appraiser has identified any of these deficiencies, the property must be appraised "subject to" completion of the specific repairs or alterations. In instances related to the dwelling(s), the dwelling condition and quality ratings must reflect the condition and quality of the dwelling based on the hypothetical condition that the repairs or alterations have been completed. All items affecting soundness and structural integrity must be identified in the Defects, Damages, Deficiencies table(s) of the appropriate section.</p> <p>(SB4-1.3-06; 6/4/2025)</p> <p>If the appraisal indicates evidence of infestation (such as wood-boring insects), dampness, or abnormal settlement, the appraisal must comment on the effect on the value and marketability of the subject property. The lender</p>	<p>A Mortgaged Premises with deficiencies consistent with an "as is" condition rating of C5 or C6 is not acceptable collateral to secure a Mortgage sold to Freddie Mac... Examples of defects, damages or deficiencies that are consistent with a C5 or C6 condition rating include, but are not limited to:...</p> <ul style="list-style-type: none"> incomplete construction or remodel (including missing or severely damaged cabinets or countertops, missing plumbing fixtures in the kitchen or bathroom(s), etc.)... standing water in the property, water seepage/intrusion or significant plumbing leaks... <p>(5605.5; 11/2/26)</p> <p>The appraisal report must... describe any factors that may affect the market value or marketability of the subject property. ...the appraisal report must include:</p> <ul style="list-style-type: none"> A description of all defects, damages, or deficiencies that impact the subject property. Defects, damages and deficiencies are items that: Rise to the level of recommending repair, replacement, or inspection by an individual with expertise in the industry, Negatively affect the integrity or composition of the site itself, Negatively affect the soundness or structural integrity of the improvements, Measurably impact the marketability or value of the subject property, or Are incomplete <p>(5605.5; 11/2/26)</p> <p>A Mortgaged Premises consistent with a Q6 rating is not acceptable collateral to secure a Mortgage sold to Freddie Mac...Examples of defects, damages or deficiencies that are consistent with a Q6 quality rating include, but are not limited to:</p> <ul style="list-style-type: none"> lack of basic architectural designs and may not meet local building code Materials and amenities are low quality, alternate, or non-customary Construction or installation reflects unskilled workmanship and may not be adequately equipped to support year-round occupancy, or Other quality related deficiencies that make the subject property unacceptable to typical purchasers in the Market Area <p>(5605.5; 11/2/26)</p> <p>A Mortgaged Premises with deficiencies consistent with an "as is" condition rating of C5 or C6 is not acceptable collateral to secure a Mortgage sold to Freddie Mac... Examples of defects, damages or deficiencies that are consistent with a C5 or C6 condition rating include, but are not limited to:</p>	<p>Remove the specific bullets and leave the general statement "If the Appraiser cannot determine that a Property meets HUD’s MPR or MPS, an inspection by a qualified individual or entity may be required."</p>	<p align="center">High</p>

Appendix B to Joint Trade Response to MPR RFI: Minimum Property Requirements Comparison Grid

Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Environmental: Hazards</p>	<p>The Property must be free of all known environmental and safety hazards and adverse conditions that may affect the health and safety of the occupants, the Property's ability to serve as collateral, and the structural soundness of the improvements. (pg.184)</p>	<p>The appraiser must report and consider the effect on value of any apparent indication of a potential environmental problem. Examples include, but are not limited to:</p> <ul style="list-style-type: none"> •underground storage tanks, •slush pits, •oil and gas wells (operating or abandoned), •hydrogen sulfide gas emitted from petroleum product wells, •chemical contamination (including methamphetamine) or •soil contamination from sources on or off the property. <p>The appraisal report must be prepared subject to correction of the problem in accordance with any local, state, or federal requirements, or documentation from the appropriate local, state, or federal authority that the condition is acceptable. (Ch. 12 pg. 39)</p>	<p>When the appraiser has knowledge of any hazardous condition, whether it exists in or on the subject property or on any site within the vicinity of the property, including but not limited to, the presence of hazardous wastes, toxic substances, asbestos-containing materials, urea-formaldehyde insulation, or radon gas, the appraiser must</p> <ul style="list-style-type: none"> - note the hazardous condition in the appraisal report; - comment on any influence the hazard has on the property's value and marketability, if it is measurable through an analysis of comparable market data as of the effective date of the appraisal, or indicate that the comparable market data reveals no buyer resistance to the hazard; - make appropriate adjustments in the overall analysis of the property's value; and - make the appraisal "subject to" inspection by a qualified professional. <p>Fannie Mae expects the appraiser to consider and use comparable market data from the same affected area because the sales prices of settled sales, the contract sales prices of pending sales, and the current asking prices for active listings will reflect any negative effect on value and marketability of the subject property.</p> <p>Note: Fannie Mae does not consider the appraiser to be an expert in the field of environmental hazards. The typical residential real estate appraiser is neither expected nor required to be an expert in this specialized field. The appraiser, however, has a responsibility to note in the appraisal report any apparent environmental conditions that were observed during the inspection of the subject property or information that they became aware of through the normal research involved in performing an appraisal. (SB4-1.4-08; 6/4/2025)</p> <p>"Fannie Mae purchases or securitizes mortgage loans secured by properties affected by environmental conditions if the effect of the condition is</p>	<p>The appraisal report must identify any known environmental issues, such as Contaminated Sites, Hazardous Substances or other adverse conditions, that affect the subject property or are within the vicinity of the property. The appraisal report must include adjustments to reflect any impact on market value and commentary on any effect to the marketability of the subject property. Examples of conditions that require analysis and commentary include, but are not limited to:</p> <ul style="list-style-type: none"> •Hazardous Above Ground Storage Tank •Hazardous Substances •Landfill •Radon •Slush Pit •Soil Contamination •Superfund Site •Underground Storage Tank •Water Contamination (5605.4; 11/2/26) <p>For purchase transactions, the Seller must provide the Borrower with information regarding environmental hazards that directly impact the subject property and have not been mitigated or remediated, unless the Borrower already has notice of such hazard(s) through the purchase contract or property inspection. If at any time before the Note Date the Seller becomes aware of a hazard that adversely affects the market value, condition or marketability of the subject property, including the existence of a Contaminated Site, Hazardous Substance or other environmental condition that has not been mitigated or remediated, the Seller must disclose to the Borrower all information known to the Seller about the hazard</p>	<p>Align to Fannie Mae</p>	<p>High</p>

Appendix B to Joint Trade Response to MPR RFI: Minimum Property Requirements Comparison Grid

Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Environmental: Soil Contamination</p>	<p>The Appraiser must check readily observable evidence of Soil Contamination and hazardous substances in the soil. The Appraiser must report the proximity to dumps, landfills, industrial sites or other sites that could contain hazardous wastes that may have a negative influence on the marketability and/or value of the subject Property. (pg. 823)</p>	<p>The appraiser must report and consider the effect on value of any apparent indication of a potential environmental problem.</p> <p>Examples include, but are not limited to:</p> <ul style="list-style-type: none"> • underground storage tanks, • slush pits, • oil and gas wells (operating or abandoned), • hydrogen sulfide gas emitted from petroleum product wells, • chemical contamination (including methamphetamine) or • soil contamination from sources on or off the property. <p>Ch. 12 pg. 39</p>	<p>When the appraiser has knowledge of any hazardous condition, whether it exists in or on the subject property or on any site within the vicinity of the property, including but not limited to, the presence of hazardous wastes, toxic substances, asbestos-containing materials, urea-formaldehyde insulation, or radon gas, the appraiser must</p> <ul style="list-style-type: none"> • Note the hazardous condition in the appraisal report; • Comment on any influence the hazard has on the property's value and marketability, if it is measurable through an analysis of comparable market data as of the effective date of the appraisal, or indicate that the comparable market data reveals no buyer resistance to the hazard; • Make appropriate adjustments in the overall analysis of the property's value; and • Make the appraisal "subject to" inspection by a qualified professional. <p>Fannie Mae expects the appraiser to consider and use comparable market data from the same affected area because the sales prices of settled sales, the contract sales prices of pending sales, and the current asking prices for active listings will reflect any negative effect on value and marketability of the subject property.</p> <p>(SB4-1.4-08; 6/4/2025)</p> <p>An environmental hazard assessment is required for condo and co-op projects if an environmental problem is identified by the lender through performance of its project underwriting or due diligence. If environmental problems are identified, the problems must be determined to be acceptable. A Phase II assessment provides a more detailed review of the site. It includes specific physical sampling for each hazard that was not acceptable under the Phase I assessment, as well as a review of historical records. It determines the presence or absence of specific environmental liabilities (such as asbestos or leaking underground storage tanks) or quantifies the extent of an observed or suspected environmental liability (such as soil or groundwater contamination).</p> <p>(B4-2.1-04; 6/3/2020)</p>	<p>If the Seller knows of the existence of a Contaminated Site in the Neighborhood, the Seller must inform the appraiser of the Contaminated Site when ordering the appraisal.</p> <p>(5605.4; 11/2/26)</p> <p>The appraisal report must identify any known environmental issues, such as Contaminated Sites, Hazardous Substances or other adverse conditions, that affect the subject property or are within the vicinity of the property. The appraisal report must include adjustments to reflect any impact on market value and commentary on any effect to the marketability of the subject property.</p> <p>Examples of conditions that require analysis and commentary include, but are not limited to:</p> <ul style="list-style-type: none"> • Hazardous Above Ground Storage Tank • Hazardous Substances • Landfill • Radon • Slush Pit • Soil Contamination • Superfund Site • Underground Storage Tank • Water Contamination <p>(5605.4; 11/2/26)</p> <p>If the Seller knows of the existence of a Contaminated Site in the Neighborhood where the property is located, it must document in the Mortgage file:</p> <ul style="list-style-type: none"> • A description of the Contaminated Site • The location relative to the property • The Seller's opinion on the impact the site may have on whether the Mortgage is an Investment Quality Mortgage <p>(4201.14; 4/2/25)</p>	<p>Change the requirement to report the proximity to if the proximity negatively affects the property</p>	<p>High</p>

Appendix B to Joint Trade Response to MPR RFI: Minimum Property Requirements Comparison Grid

Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Environmental: Stationary Storage Tanks</p>	<p>If the subject property line is located within 300 feet of an aboveground, stationary storage tank with a capacity of more than 1,000 gallons of flammable or explosive material, then the Property is ineligible for FHA insurance, and the Appraiser must notify the Mortgagee of the deficiency of MPR or MPS. (pg. 818)</p>	<p>If the property is located within 300 feet of an above-ground or subsurface stationary storage tank with a capacity of 1,000 gallons or more containing flammable or explosive material, the appraiser must report this information in the appraisal. This includes storage tanks for domestic and commercial uses as well as automotive service station tanks. Ch. 12 pg. 39</p>	<p>When the appraiser has knowledge of an apparent environmental condition that impacts the value and marketability of the property, whether it exists onsite, offsite, or on a bordering site (including but not limited to, the presence of hazardous substances, soil or water contamination, radon, underground storage tanks, or a superfund site), the appraiser in the site influence table within the Site section of the Uniform Residential Appraisal Report (URAR) must</p> <ul style="list-style-type: none"> • Identify the apparent environmental condition(s); • Identify if the apparent environmental condition is onsite, offsite, or bordering the subject site • Provide the approximate distance to the environmental condition, as measured from the closest point of the apparent environmental condition to the subject property line (e.g., number of feet, miles, etc.); • Identify whether the impact to the property is adverse, beneficial, or neutral; and • Comment on the nature of the apparent environmental condition, and its impact on value or marketability. In addition, the appraiser must make appropriate adjustments in the overall analysis of the property's value and make the appraisal "subject to" inspection by a qualified professional. Fannie Mae expects the appraiser to consider and use comparable data from the same affected market area because the sales prices of settled sales, the contract sales prices of pending sales, and the current asking prices for active listings will reflect any negative effect of the apparent environmental condition on value and marketability of the subject property. <p>(SB4-1.4-08; 6/4/2025)</p>	<p>The appraisal report must identify any known environmental issues, such as Contaminated Sites, Hazardous Substances or other adverse conditions, that affect the subject property or are within the vicinity of the property. The appraisal report must include adjustments to reflect any impact on market value and commentary on any effect to the marketability of the subject property. Examples of conditions that require analysis and commentary include, but are not limited to:</p> <ul style="list-style-type: none"> • Hazardous Above Ground Storage Tank • Hazardous Substances • Landfill • Radon • Slush Pit • Soil Contamination • Superfund Site • Underground Storage Tank • Water Contamination <p>(5605.4; 11/2/26)</p>	<p>Align to Fannie Mae</p>	<p>High</p>

Appendix B to Joint Trade Response to MPR RFI: Minimum Property Requirements Comparison Grid

Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Mechanical: Alternative Energy Equipment</p>	<p>Solar collectors must be located where they will be free from natural or man-made obstructions to the sun. Special Energy Systems not part of the real estate must not be included in the appraised value.</p> <p>The Appraiser must analyze and report the local market acceptance of special energy related building components and equipment, including solar energy components, high-energy efficiency housing features and components, geothermal systems, and wind powered components. (pg. 869)</p>	<p>The appraiser must analyze the market acceptance of special energy-related building components and equipment, including solar energy components, high energy efficiency housing features and components, geothermal systems, and wind powered components. Ch. 12 pg. 29</p>	<p>Fannie Mae will purchase or securitize a mortgage loan on a property with solar panels. If the borrower is, or will be, the owner of the solar panels (meaning the panels were a cash purchase, were included in the home purchase price, were otherwise financed and repaid in full, or are secured by the existing first mortgage), our standard requirements apply (for example, appraisal, insurance, and title). (SB2-3-04; 12/10/2025)</p> <p>Lenders are responsible for ensuring the appraiser has accurate information about the ownership structure of the solar panels and that the appraisal report appropriately addresses any impact to the property's value. Separately financed solar panels must not contribute to the value of the property unless the related documents indicate the panels cannot be repossessed in the event of default on the associated financing. Any contributory value for owned or financed solar panels must comply with Energy Efficiency Improvements in SB4-1.3-05, Dwelling Exterior, Unit Interior, and Outbuilding Sections of the Appraisal Report. (SB2-3-04; 12/10/2025)</p> <p>...for Properties with Solar Panels that are Leased or Covered by a Power Purchase Agreement...The property must maintain access to an alternate source of electric power that meets community standards. (SB2-3-04; 12/10/2025)</p> <p>Special energy-saving items must be recognized in the appraisal process and noted on the appraisal report within the Energy Efficient and Green Features sections. The nature of these items and their contribution to value will vary throughout the country because of climactic conditions, differences in utility costs, and overall market reaction to the cost of the feature. Some examples of energy-efficient and green features may include, but are not limited to, energy-efficient ratings or certifications, programmable thermostats, solar photovoltaic systems, solar panels, low-e windows, insulated ducts, and tank-less water heaters. (SB4-1.3-05; 12/10/2025)</p> <p>Appraisers must compare energy-efficient features of the subject property to those of comparable properties in the Sales Comparison Approach adjustment grid. Appraisers may augment the Sales Comparison Approach in evaluating any impact (either positive or negative) to the value of energy efficiency items with either the income or cost approach; however,</p>	<p>Freddie Mac purchases Mortgages secured by properties with energy-efficient improvements and properties with solar panels as specified below. (5601.4; 11/2/26)</p>	<p>Retain FHA policy accept remove "Solar collectors must be located where they will be free from natural or man-made obstructions to the sun.</p>	<p>High</p>

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Alignment Recommendation

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<p>Mechanical: Electrical System</p>	<p>The Appraiser must notify the Mortgagee of the deficiency of MPR or MPS if the electrical system is not adequate to support the typical functions performed in the dwelling without disruption, including appliances adequate for the type and size of the dwelling.</p> <p>The Appraiser must examine the electrical system to ensure that there is no visible frayed wiring or exposed wires in the dwelling, including garage and basement areas, and report if the amperage and panel size appears inadequate for the Property. The Appraiser must operate a sample of switches, lighting fixtures, and receptacles inside the house and garage, and on the exterior walls, and report any deficiencies. The Appraiser is not required to insert any tool, probe or testing device inside the electrical panel or to dismantle any electrical device or control. (pg. 831)</p>	<p>Each living unit must have electricity for lighting and for necessary equipment.</p> <p>Any visible frayed or exposed electrical wires must be repaired. Ch. 12 pg. 17</p>	<p>The improvements should conform to the market area in terms of age, type, design, and materials used for their construction. If there is market resistance to a property due to the improvements not being compatible with the requirements of the competitive market because of adequacy of plumbing, heating, or electrical services; design; quality; size; condition; or any other reason directly related to market demand, the appraiser must address the impact to the value and marketability of the subject within the Functional Obsolescence section. (SB4-1.3-05; 12/10/25)</p>	<p>Freddie Mac will purchase eligible Mortgages secured by residential properties in urban, suburban and rural Market Areas provided the Mortgaged Premises is adequate collateral for the Mortgage transaction based on the value, condition and marketability of the property. The Mortgaged Premises must:</p> <ul style="list-style-type: none"> • Be located in a State • Be primarily residential in nature based on the characteristics of the property • Be an attached, semi detached or detached dwelling unit(s) located on an individual lot, in a Planned Unit Development (PUD), in a Condominium Project or in a Cooperative Project. See Section 5605.4 for special requirements for two or more parcels. See Chapter 5701 for special requirements for condominiums. See Chapter 5705 for special requirements for cooperatives. • Be sound and have structural integrity. See Section 5605.5 for acceptable overall condition ratings and indications of unacceptable collateral conditions. • Be complete or comply with the conditions in Section 5601.3 for eligible incomplete improvements • Represent the highest and best use of the property as improved (or as proposed per plans and specifications) • Have an eligible zoning compliance in accordance with Section 5605.4(a)(i) • Have legal access (ingress and egress) (see Section 5605.4(a)(iv)) • Be suitable for year-round occupancy regardless of the location, except as specifically permitted otherwise in Section 4201.12 for certain second homes • Have utilities that meet community standards (see Section 5605.4(a)(iii)) • Have mechanical systems that meet community standards • Have adequate property insurance coverage that meets Freddie Mac's requirements, including coverage for hazards specific to the location of the property • Not be subject to a pending legal proceeding for condemnation in whole or in part (5601.1; 11/2/26) <p>Freddie Mac allows an appraisal report to be completed ""as is"" for an existing property when there are minor defects, damages or deficiencies. The appraisal report must reflect adjustments for these conditions in the appraisal report, when necessary. Examples of acceptable minor defects,</p>	<p>Align to Fannie Mae</p>	<p>High</p>

Appendix B to Joint Trade Response to MPR RFI: Minimum Property Requirements Comparison Grid

Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Mechanical: Heating and Cooling System</p>	<p>The Appraiser must examine the heating system to determine if it is adequate for healthful and comfortable living conditions, regardless of design, fuel or heat source. The Appraiser must notify the Mortgagee of the deficiency of MPR or MPS if the permanently installed heating system does not:</p> <ul style="list-style-type: none"> • automatically heat the living areas of the house to a minimum of 50 degrees Fahrenheit in all GLAs, as well as in non-GLAs containing building or system components subject to failure or damage due to freezing; • provide healthful and comfortable heat or is not safe to operate; • rely upon a fuel source that is readily obtainable within the subject's geographic area; • have market acceptance within the subject's marketplace; and 	<p>Heating must be permanently installed and maintain a temperature of at least 50 degrees Fahrenheit in areas with plumbing.</p> <p>In areas with a mild climate, heating may not be required (see Topic 1, Subsection h of this Chapter).</p> <p>Air conditioning is not required, but if installed, must be operational. If any needed repairs to the air conditioning equipment are apparent, the appraiser must prepare the appraisal subject to the repair of the air conditioning system by a licensed heating/air conditioning contractor. Ch. 12 pg. 28</p>	<p>If there is market resistance to a property due to the improvements not being compatible with the requirements of the competitive market because of adequacy of plumbing, heating, or electrical services; design; quality; size; condition; or any other reason directly related to market demand, the appraiser must address the impact to the value and marketability of the subject within the Functional Obsolescence section. (SB4-1.3-05; 12/10/2025)</p>	<p>A Mortgaged Premises with deficiencies consistent with an "as is" condition rating of C5 or C6 is not acceptable collateral to secure a Mortgage sold to Freddie Mac... Examples of defects, damages or deficiencies that are consistent with a C5 or C6 condition rating include, but are not limited to:...</p> <ul style="list-style-type: none"> • A mechanical system that is non-functional, or <p>(5605.5; 11/2/26)</p>	<p>Align to Fannie Mae</p>	<p>High</p>
<p>Mechanical: High Pressure Gas and Liquid Petroleum Pipelines</p>	<p>The Appraiser must notify the Mortgagee of the deficiency of MPR or MPS if the dwelling or related property improvement is not located more than 10 feet from the nearest boundary of the pipeline Easement. (pg. 817)</p>	<p>No part of any residential structure may be located within a high-pressure gas or liquid petroleum pipeline easement.</p> <p>Any detached improvements, even partially in the pipeline easement will not receive value for VA purposes.</p> <p>If the property is within 100 feet from the nearest boundary of a high-pressure gas or liquid petroleum pipeline easement, the appraiser must comment in the appraisal. Ch. 12 pg. 42</p>	<p><i>Not explicitly addressed in policy</i></p>	<p><i>Not explicitly addressed in Policy</i></p>	<p>Align to Fannie Mae by replacing niche, topic-specific FHA guidance with a general hazard framework for material hazards, deficiencies, and environmental factors—requiring appraisers to identify, assess, disclose, and reflect material hazards/defects in the valuation, and to recommend inspections, specialist evaluation, or remediation when warranted</p>	<p>High</p>

Appendix B to Joint Trade Response to MPR RFI: Minimum Property Requirements Comparison Grid

Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Mechanical: Plumbing System</p>	<p>The Appraiser must notify the Mortgagee of the deficiency of MPR or MPS if the plumbing system does not function to supply water pressure, flow and waste removal. The Appraiser must flush the toilets and operate a sample of faucets to observe water pressure and flow, to determine that the plumbing system is intact, that it does not emit foul odors, that faucets function appropriately, that both cold and hot water run, and that there are no readily observable evidence of leaks or structural damage under fixtures.</p> <p>The Appraiser must examine the water heater to ensure that it has a temperature and pressure-relief valve with piping to safely divert escaping steam or hot water. (pg. 831)</p> <p>If the Property has a septic system, the Appraiser must visually observe it for any signs of failure or surface evidence of malfunction. If there are readily observable deficiencies, the Appraiser must require repair or further inspection. (pg. 832)</p>	<p>See Public Water Supply System</p>	<p>When the appraisal indicates the existence of minor conditions or deferred maintenance (defect, damage, or deficiency) that do not affect the soundness or structural integrity of the property, these items must be reflected in the appraiser's opinion of value and the appraisal report must be completed ""as-is."" Items meeting these criteria require the appraiser to report and comment on the effect these items may have on the subject property's value and marketability. The lender will then evaluate and determine if any additional course of action is required to comply with Fannie Mae's soundness and structural integrity requirements. Minor conditions and deferred maintenance items include, but are not limited to, worn floor finishes or carpet, minor plumbing leaks, holes in window screens, missing handrails, or cracked window glass and are typically due to normal wear and tear. The lender is not required to ensure that the borrower has had these items repaired prior to sale of the loan to Fannie Mae when the appraisal is completed ""as-is." (SB4-1.2-05;12/10/2025)</p> <p>If there is market resistance to a property due to the improvements not being compatible with the requirements of the competitive market because of adequacy of plumbing, heating, or electrical services; design; quality; size; condition; or any other reason directly related to market demand, the appraiser must address the impact to the value and marketability of the subject within the Functional Obsolescence section. (SB4-1.3-05; 12/10/2025)</p> <p>Lenders must review the appraisal and/or the property data collection to ensure the property does not have a defect, damage, or deficiency affecting the soundness or structural integrity of the subject property. Any defect, damage, or deficiency must be itemized within the appropriate section of the URAR or property data collection...</p> <p>When an appraisal is required and there are: defects, damages, or deficiencies affecting the soundness or structural integrity of the dwelling including, but not limited to...plumbing fixtures... the appraisal must be ""subject to"" completion of the specific repairs or incomplete items... In all cases, the lender must verify completion before the loan is sold to Fannie Mae. (SB4-1.2-05, ; 12/10/2025)</p>	<p>Freddie Mac allows an appraisal report to be completed ""as is"" for an existing property when there are minor defects, damages or deficiencies. The appraisal report must reflect adjustments for these conditions in the appraisal report, when necessary. Examples of acceptable minor defects, damages or deficiencies and deferred maintenance items include, but are not limited to:...</p> <ul style="list-style-type: none"> Minor plumbing leaks that do not cause damage (such as dripping faucets)... (5605.5; 11/2/26) <p>A Mortgaged Premises with deficiencies consistent with an ""as is"" condition rating of C5 or C6 is not acceptable collateral to secure a Mortgage sold to Freddie Mac... Examples of defects, damages or deficiencies that are consistent with a C5 or C6 condition rating include, but are not limited to:...</p> <ul style="list-style-type: none"> complete construction or remodel (including missing or severely damaged cabinets or countertops, missing plumbing fixtures in the kitchen or bathroom(s), etc.)... Standing water in the property, water seepage/intrusion or significant plumbing leaks... (5605.5; 11/2/26) 	<p>Align to Fannie Mae by replacing niche, topic-specific FHA guidance with a general hazard framework for material hazards, deficiencies, and environmental factors—requiring appraisers to identify, assess, disclose, and reflect material hazards/defects in the valuation, and to recommend inspections, specialist evaluation, or remediation when warranted</p>	<p>High</p>

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Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Mechanical: Utility Services</p>	<p>If utilities are not located on Easements that have been permanently dedicated to the local government or appropriate public utility body, the Mortgagee must confirm that this information is recorded on the deed record. (pg. 184)</p> <p>Utilities – Mechanical Components (02/16/2021) The Appraiser must notify the Mortgagee if mechanical systems do not appear: <ul style="list-style-type: none"> • to have reasonable future utility, durability, and economy; • to be safe to operate; • to be protected from destructive elements; or • to have adequate capacity. (pg. 830)</p> <p>The Appraiser must notify the Mortgagee of the deficiency of MPR or MPS if the subject Property is an attached, detached, or manufactured Single Family dwelling and the utilities are not independent for each living unit. This does not apply to ADUs.</p> <p>(A) Multiple Living Units Under Single Ownership A Property may contain multiple living units under a single Mortgage or ownership (two- to four-family Properties) that utilize common services, such as water, sewer, gas and electricity and is served by one meter in</p>	<p>Utility services must be independent for each living unit, except</p> <ul style="list-style-type: none"> • units in a two to four-unit property may share water, sewer, gas, or electricity as long as there are separate service shut-offs for each unit, and • units under separate ownership may share connections from the main to the building line when those connections are protected by an easement and a maintenance agreement acceptable to VA. <p>Individual utilities serving one living unit shall not pass over, under, or through another living unit unless there is a legal provision for a permanent right of access for maintenance and repair of the utilities without trespass on adjoining properties. Ch. 12 pgs. 17 & 18</p>	<p>For loans to be eligible for purchase or securitization, the utilities of the property must meet community standards. If public sewer and/or water facilities, those that are supplied and regulated by the local government, are not available, community or private well and septic facilities must be available and utilized by the subject property. (SB4-1.3-04; 6/4/2025)</p> <p>The mortgaged premises must be ... • served by utilities that meet community standards (see SB4-1.3-04, Property Site, Disaster Mitigation, and Highest Best Use)... (SB2-3-01; 12/10/25)</p>	<p>The appraisal report must describe the utilities that are permanently connected to the site and the impact of the utilities on the value and marketability of the subject property. The utilities that serve the subject property must meet community standards. The comparable sales should have utilities that are similar to the subject property's utilities. When differences exist between the utilities that serve subject property and those that serve the comparable sales, any adjustments or lack of adjustments to the comparable sales must be explained in the appraisal report. (5605.4; 11/2/26)</p>	<p>Align to Fannie Mae</p>	<p>High</p>

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Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Structure: Attic</p>	<p>The Appraiser must visually observe the interiors of attic spaces to the extent these areas are safely accessible. The Appraiser is not required to disturb insulation or move items that obstruct access or visibility. (pg. 832)</p> <p>If the observation reveals evidence of a deficient condition (such as a water-stained ceiling, insufficient ventilation, or smell of mold, etc.), the Appraiser must report this condition, and render the appraisal subject to inspection or subject to repairs in compliance with the Repair Requirements.</p> <p>The Appraiser must report when the attic space is not safely accessible. The Appraiser must complete the appraisal subject to inspection by a qualified third party only if further observation of inaccessible attic area(s) is necessary to determine compliance with MPR and MPS. (pg. 833)</p>	<p>Fee appraisers must view the interior of readily accessible attic spaces. The appraiser is not required to climb into the attic. The appraiser is not required to move insulation or personal items that may hinder visibility. If there is no scuttle or other access to the attic, there is no requirement to provide access.</p> <p>If a deficient condition (for example, a water-stained ceiling or insufficient ventilation) is apparent, the appraiser must prepare the appraisal subject to the repair. Ch. 12 pg. 31</p>	<p><i>Not explicitly addressed in policy</i></p>	<p><i>Not explicitly addressed in Policy</i></p>	<p>Align to Fannie Mae by replacing niche, topic-specific FHA guidance with a general hazard framework for material hazards, deficiencies, and environmental factors—requiring appraisers to identify, assess, disclose, and reflect material hazards/defects in the valuation, and to recommend inspections, specialist evaluation, or remediation when warranted</p>	<p>High</p>

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Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Structure: Basement</p>	<p>The Appraiser must notify the Mortgagee of the deficiency of MPR or MPS if the basement is not free of dampness, wetness, or obvious structural problems that might affect the health and safety of occupants or the soundness of the Structure.</p> <p>The Appraiser must notify the Mortgagee of the deficiency of MPR or MPS if the sump pump is not properly functioning at the time of appraisal. A sump pump may be hardwired by an acceptable wiring method or may have a factory electrical cord that is to be connected to a receptacle suitable for such use. (pg. 833)</p>	<p>The appraiser must report any dampness, or obvious structural problems that might affect the health and safety of occupants or the soundness of the structure.</p> <p>If a sump pump is present, the appraiser must recommend repair if it is not hard-wired by an acceptable wiring method or equipped with a factory electrical cord that is connected to a suitable receptacle. Ch. 12 pg. 33</p>	<p><i>Not explicitly addressed in policy</i></p>	<p><i>Not explicitly addressed in Policy</i></p>	<p>Align to Fannie Mae by replacing niche, topic-specific FHA guidance with a general hazard framework for material hazards, deficiencies, and environmental factors—requiring appraisers to identify, assess, disclose, and reflect material hazards/defects in the valuation, and to recommend inspections, specialist evaluation, or remediation when warranted</p>	<p>High</p>

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Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Structure: Crawl Space</p>	<p>The Appraiser must visually observe areas of the crawl space to the extent these areas are safely accessible. The Appraiser is not required to disturb insulation or move items that obstruct access or visibility. If the observation reveals evidence of a deficient condition (such as excessive dampness, insufficient ventilation, or smell of mold, etc.), the Appraiser must render the appraisal subject to inspection or subject to repairs, in compliance with the Repair Requirements. The Appraiser must report when the crawl space is not safely accessible. The Appraiser must complete the appraisal subject to inspection by a qualified third party only if further observation of inaccessible crawl space area is necessary to determine compliance with MPR and MPS. (pg. 833)</p>	<p>Fee appraisers are required to view, but not enter, the crawl space.</p> <p>The crawl space must:</p> <ul style="list-style-type: none"> •have adequate access, •be clear of debris, and •be properly vented. <p>The floor joists must be sufficiently above the highest level of the ground to provide access for maintenance and repair of ductwork and plumbing.</p> <p>Any excessive dampness or ponding of water must be corrected.</p> <p>Not all houses with a vacant area beneath the flooring are considered to have a crawl space particularly if no mechanical systems are present, and there is no reason for access. If the area is properly vented and free of moisture, this condition is acceptable. Ch. 12 pg. 32</p>	<p><i>Not explicitly addressed in policy</i></p>	<p><i>Not explicitly addressed in Policy</i></p>	<p>Align to Fannie Mae by replacing niche, topic-specific FHA guidance with a general hazard framework for material hazards, deficiencies, and environmental factors—requiring appraisers to identify, assess, disclose, and reflect material hazards/defects in the valuation, and to recommend inspections, specialist evaluation, or remediation when warranted</p>	<p>High</p>

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Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Structure: Defective Conditions</p>	<p>If the Appraiser cannot determine that a Property meets HUD’s MPR or MPS, an inspection by a qualified individual or entity may be required. Conditions that require an inspection by qualified individuals or entities include:</p> <ul style="list-style-type: none"> • standing water against the foundation and/or excessively damp basements; • hazardous materials on the site or within the improvements; • faulty or defective mechanical systems (electrical, plumbing or heating/cooling); • evidence of possible structural failure (e.g., settlement or bulging foundation wall, unsupported floor joists, cracked masonry walls or foundation); • evidence of possible pest infestation; • leaking or worn-out roofs; or • any other condition that in the professional judgment of the Appraiser warrants inspection. <p>(pg. 811)</p>	<p>Conditions which impair the safety, sanitation, or structural soundness of the dwelling will cause the property to be unacceptable until the defects or conditions have been remedied and the probability of further damage eliminated. The integrity of the envelope of the structure must not be compromised.</p> <p>Appraisals must be prepared “subject to” the repair of any defective conditions with the contributory value of the completed repair included in value.</p> <p>Examples of defective conditions include:</p> <ul style="list-style-type: none"> •defective construction, •poor workmanship, •evidence of continuing settlement, •excessive dampness, •leakage, •decay, and •termites. <p>Minor hairline cracks due to expansion or normal settlement that are common in the market area do not typically require repair.</p> <p>Ch. 12 pg. 26</p>	<p>The appraiser must identify and explain any apparent defect, damage, or deficiency, including • items that require immediate repair; and • items where maintenance may have been deferred, which may or may not require immediate repair.</p> <p>(SB4-1.3-06; 6/4/2025)</p> <p>A dwelling in C6 condition is not useable or functional in its current state, and will require immediate repairs, rehabilitation, or replacement of key components. Examples include, but are not limited to: • Active roof leaks • Damaged or missing exterior components that allow weather intrusion into the dwelling with resultant structural impact or damage • Damaged or failing foundation • No functional kitchen or bathrooms</p> <p>(SB4-1.3-06; 6/4/2025)</p> <p>The appraiser must report any significant items and associate any defect, damage, or deficiency with the most appropriate section of the Uniform Residential Appraisal Report (URAR). These items have at least one of the following characteristics • Rise to the level of recommending repair, replacement, or inspection by an individual with expertise in the specific field, • Negatively affect the integrity / composition of the site itself, • Negatively affect the soundness or structural integrity of the improvements, • Measurably impact the marketability or value of the property, or • Require completion. The appraisal report must identify and describe physical deficiencies that could affect a property’s soundness or structural integrity. If the appraiser has identified any of these deficiencies, the property must be appraised “subject to” completion of the specific repairs or alterations. In instances related to the dwelling(s), the dwelling condition and quality ratings must reflect the condition and quality of the dwelling based on the hypothetical condition that the repairs or alterations have been completed. All items affecting soundness and structural integrity must be identified in the Defects, Damages, Deficiencies table(s) of the appropriate section.</p> <p>(SB4-1.3-06; 6/4/2025)</p> <p>When an appraisal is required and there are: • defects, damages, or deficiencies affecting the soundness or structural integrity of the dwelling including, but not limited to, foundation settlement, water seepage, infestation, active roof leaks, worn roof shingles, inadequate electrical service, or plumbing fixtures, etc., or • incomplete items including, but not limited to, remodeling or renovation(s) (e.g., unfinished kitchen, bathroom(s) or addition(s)), the appraisal must be “subject to” completion of the</p>	<p>Freddie Mac allows an appraisal report to be completed “as is” for an existing property when there are minor defects, damages or deficiencies. The appraisal report must reflect adjustments for these conditions in the appraisal report, when necessary. Examples of acceptable minor defects, damages or deficiencies and deferred maintenance items include, but are not limited to:</p> <ul style="list-style-type: none"> •Worn floor finishes or coverings •Minor cracks in windows •Minor damage to interior walls •Damaged or missing interior doors •Damaged or missing window screens or cabinetry doors •Missing handrails •Damaged or deteriorating countertops •Missing hardware (such as handles) •Missing light fixtures, electrical panel/breaker box covers, electrical switches or faceplates •Damaged or missing trim •Minor plumbing leaks that do not cause damage (such as dripping faucets) •Deteriorated sidewalks <p>(5605.5; 11/2/26)</p> <p>If there are property conditions that require further investigation, the appraisal report must be completed “subject to” an inspection by an appropriately licensed professional or another person trained in the particular field of concern.</p> <p>Examples of conditions that may require an inspection include, but are not limited to, observations of:</p> <ul style="list-style-type: none"> •Severe cracks in foundations or walls •Evidence of infestation, or •Potentially contaminated water source <p>(5605.5; 11/2/26)</p> <p>“...the appraisal report must include: ...A description of all defects, damages, or deficiencies that impact the subject property. Defects, damages and deficiencies are items that:</p> <ul style="list-style-type: none"> •Rise to the level of recommending repair, replacement, or inspection by an individual with expertise in the industry, •Negatively affect the integrity or composition of the site itself, 	<p>Align to Freddie Mac</p>	<p>High</p>

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Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Structure: Minimum Requirements for Living Unit</p>	<p>The Mortgagee must confirm that each living unit contains:</p> <ul style="list-style-type: none"> • a continuing and sufficient supply of safe and potable water under adequate pressure and of appropriate quality for all household uses; • sanitary facilities and a safe method of sewage disposal. Every living unit must have at least one bathroom, which must include, at a minimum, a water closet, lavatory, and a bathtub or shower; • space adequate for healthful and comfortable living conditions; • heating adequate for healthful and comfortable living conditions; • domestic hot water; • electricity adequate for lighting and for mechanical equipment used in the living unit; and • kitchen facilities adequate for the preparation and cooking of food. Every living unit must have at least one area with kitchen facilities, which must include, at a minimum, a sink with potable running water and a stove utility hookup. <p>The Mortgagee must ensure that Appliances that are to remain and that contribute to the market value opinion are operational. (pg. 183)</p>	<p>Each living unit must have sufficient space for:</p> <ul style="list-style-type: none"> • living, • sleeping, • cooking and dining, and • sanitary facilities. <p>Ch. 12 pg. 6</p>	<p>The mortgaged premises must be</p> <ul style="list-style-type: none"> • Residential in nature as defined by the characteristics of the property and surrounding market area (see SB4-1.3-03, Market Section of the Uniform Residential Appraisal Report); • Secured by an interest in real property within the meaning of the Internal Revenue Code as such term is defined in 26 C.F.R. § 1.856-3; • Sound and structurally secure (see SB4-1.3-06, Dwelling Condition and Quality of Construction); UAD 3.6 Policy UAD 3.6 Policy • The highest and best use of the property as improved (or as proposed per plans and specifications), and the use of the property must be legal or legal non-conforming (see SB4-1.3-04, Property Site, Disaster Mitigation, and Highest and Best Use); • Readily accessible by roads that meet local standards (see SB4-1.3-04, Property Site, Disaster Mitigation, and Highest and Best Use); • Served by utilities that meet community standards (see SB4-1.3-04, Property Site, Disaster Mitigation, and Highest Best Use); and • Suitable for year-round use. <p>(SB2-3-01; 12/10/25)</p>	<p>Freddie Mac will purchase eligible Mortgages secured by residential properties in urban, suburban and rural Market Areas provided the Mortgaged Premises is adequate collateral for the Mortgage transaction based on the value, condition and marketability of the property. The Mortgaged Premises must:</p> <ul style="list-style-type: none"> • Be located in a State • Be primarily residential in nature based on the characteristics of the property • Be an attached, semi detached or detached dwelling unit(s) located on an individual lot, in a Planned Unit Development (PUD), in a Condominium Project or in a Cooperative Project. See Section 5605.4 for special requirements for two or more parcels. See Chapter 5701 for special requirements for condominiums. See Chapter 5705 for special requirements for cooperatives. • Be sound and have structural integrity... • Be complete or comply with the conditions in Section 5601.3 for eligible incomplete improvements • Represent the highest and best use of the property as improved (or as proposed per plans and specifications) • Have an eligible zoning compliance in accordance with Section 5605.4(a)(i) • Have legal access (ingress and egress)... • Be suitable for year-round occupancy regardless of the location, except as specifically permitted otherwise in Section 4201.12 for certain second homes • Have utilities that meet community standards... • Have mechanical systems that meet community standards • Have adequate property insurance coverage that meets Freddie Mac's requirements, including coverage for hazards specific to the location of the property • Not be subject to a pending legal proceeding for condemnation in whole or in part <p>(5601.1; 11/2/26)</p>	<p align="center">Align to Fannie Mae</p>	<p align="center">High</p>

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Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Structure: Paint</p>	<p>If the dwelling or related improvements were built in or after 1978, the Appraiser must report all defective paint surfaces on the exterior and require repair of any defective paint that exposes the subsurface to the elements. Unpainted surfaces intended to withstand the elements, such as stained or pressure-treated wood, do not require repair. (pg. 832)</p>	<p>Defective paint on a dwelling built in 1978 or later is normally considered cosmetic.</p> <p>If the dwelling was built before 1978, the presence of lead-based paint must be presumed. Any defective lead-based paint is a safety hazard that must be remediated. The appraiser must clearly identify the location of any defective paint. Economic feasibility is not an acceptable reason for waiver of a repair involving lead-based paint.</p> <p>Any defective lead-based paint must receive adequate treatment to prevent the ingestion of contaminated paint. Either:</p> <ul style="list-style-type: none"> •the surface requiring treatment must be thoroughly washed, scraped, wire brushed or otherwise cleaned to remove all cracking, scaling, peeling, chipping, and loose paint, and then repainted with two coats of a suitable nonlead paint, or •the paint shall be completely removed or the surface covered with a suitable material such as gypsum wallboard, plywood, or plaster before any painting is undertaken if the integrity of the surface needing treatment cannot be maintained. <p>Ch. 12 pgs. 35 & 36</p>	<p><i>Not explicitly addressed in policy</i></p>	<p><i>Not explicitly addressed in Policy</i></p>	<p>Align to Fannie Mae</p>	<p>High</p>

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Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Water: Individual Water Supply System/ Minimum Property Requirements for Existing Construction</p>	<p>The following tables provide the minimum distance required between wells and sources of pollution for Existing Construction: Property line/10 feet Septic tank/50 feet Drain field/100 feet Septic tank drain field reduced to 75 feet if allowed by local authority</p> <p>If the subject Property line is adjacent to residential Property then local well distance requirements prevail. If the subject Property is adjacent to nonresidential Property or roadway, there needs to be a separation distance of at least 10 feet from the property line. (pgs. 185 & 186)</p>	<p><i>Silent</i></p>	<p>For loans to be eligible for purchase or securitization, the utilities of the property must meet community standards. If public sewer and/or water facilities, those that are supplied and regulated by the local government, are not available, community or private well and septic facilities must be available and utilized by the subject property. The owners of the subject property must have the right to access those facilities, which must be viable on an ongoing basis. Private well or septic facilities must be located on the subject site, unless the subject property has the right to access off-site private facilities and there is an adequate, legally binding agreement for access and maintenance. If there is market resistance to an area because of environmental hazards or any other conditions that affect well, septic, or public water facilities, the appraisal report must address the effect of the hazards on the value and marketability of the subject property (see SB4-1.4-08, Apparent Environmental Conditions). (SB4-1.3-04; 6/4/25)</p>	<p>The appraisal report must describe the utilities that are permanently connected to the site and the impact of the utilities on the value and marketability of the subject property. The utilities that serve the subject property must meet community standards. The comparable sales should have utilities that are similar to the subject property's utilities. (5605.4; 11/2/26)</p>	<p>Align to Freddie Mac</p>	<p>High</p>

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Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Water: Individual Water Supply Systems (Wells)</p>	<p>When an Individual Water Supply System is present, the Mortgagee must ensure that the water quality meets the requirements of the health authority with jurisdiction. If there are no local (or state) water quality standards, then water quality must meet the standards set by the EPA, as presented in the National Primary Drinking Water regulations in 40 CFR §§ 141–142. If the subject Property has a water source that includes a mechanical chlorinator or is served by springs, lakes, rivers, sand-point wells, or artesian wells, the Property is not eligible for FHA mortgage insurance.</p> <p>A well water test is required for, but not limited to, Properties:</p> <ul style="list-style-type: none"> • that are newly constructed; • where an Appraiser has reported deficiencies with a well or the well water; • where water is reported to be unsafe or known to be unsafe; or • located in close proximity to dumps, landfills, industrial sites, farms (pesticides) or other sites that could contain hazardous wastes. (pg. 185) 	<p>Water quality for an individual water supply must meet the requirements of the health authority having jurisdiction. If the local authority does not have specific requirements, the guidelines established by the Environmental Protection Agency (EPA) will apply.</p> <p>All testing must be performed by a disinterested third party. This includes collecting and transporting the water sample from the water supply source. The sample may be collected and tested by the local health authority, a commercial testing laboratory, a licensed sanitary engineer, or other party that is acceptable to the local health authority. At no time will the Veteran or other interested party collect and/or transport the sample.</p> <p>The appraiser must comment in the appraisal and the Veteran must acknowledge awareness in writing when the water to the property is:</p> <ul style="list-style-type: none"> •supplied by dug wells, cisterns, or holding tanks used in conjunction with water purchased and hauled to the site, •provided with a mechanical chlorinator, •provided through springs, lakes, rivers, sand-point or artesian wells, or •supplied with a rainwater catchment system. <p>Ch. 12 pg. 20</p>	<p>For loans to be eligible for purchase or securitization, the utilities of the property must meet community standards. If public sewer and/or water facilities, those that are supplied and regulated by the local government, are not available, community or private well and septic facilities must be available and utilized by the subject property. The owners of the subject property must have the right to access those facilities, which must be viable on an ongoing basis. Private well or septic facilities must be located on the subject site, unless the subject property has the right to access off-site private facilities and there is an adequate, legally binding agreement for access and maintenance. If there is market resistance to an area because of environmental hazards or any other conditions that affect well, septic, or public water facilities, the appraisal report must address the effect of the hazards on the value and marketability of the subject property (see SB4-1.4-08, Apparent Environmental Conditions). (SB4-1.3-04; 6/4/25)</p>	<p>The appraisal report must describe the utilities that are permanently connected to the site and the impact of the utilities on the value and marketability of the subject property. The utilities that serve the subject property must meet community standards. The comparable sales should have utilities that are similar to the subject property's utilities. (5605.4; 11/2/26)</p>	<p>Align to Fannie with <i>one addition</i> to address shared wells.</p> <p>For loans to be eligible for purchase or securitization, the utilities of the property must meet community standards. If public sewer and/or water facilities, those that are supplied and regulated by the local government, are not available, community, <i>shared</i>, or private well and septic facilities must be available and utilized by the subject property.</p>	<p>High</p>

Appendix B to Joint Trade Response to MPR RFI: Minimum Property Requirements Comparison Grid

Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Water: Public Water Supply System</p>	<p>The Mortgagee must confirm that a connection is made to a public or Community Water System whenever feasible and available at a reasonable cost. If connection costs to the public or community system are not reasonable, the existing onsite systems are acceptable, provided they are functioning properly and meet the requirements of the local health department. When a public water supply system is present, the water quality is considered to be safe and potable and to meet the requirements of the health authority with jurisdiction unless:</p> <ul style="list-style-type: none"> • the Appraiser indicates deficiencies with the water or notifies the Mortgagee that the water is unsafe; or • the health authority with jurisdiction issues a public notice indicating that the water is unsafe. <p>(pgs. 184 & 185)</p>	<p>The property must have:</p> <ul style="list-style-type: none"> •a continuous supply of safe and potable water for drinking, bathing, showering and sanitary uses, •hot water, •sanitary facilities, and •a safe method of sewage disposal. <p>Given the importance of safe drinking water, appraisers must ensure that accurate water supply information is reported in the appraisal and the Staff Appraisal Reviewer (SAR) must condition the NOV appropriately. If the appraiser is aware of any issues regarding the water supply, the appraiser must comment in the appraisal.</p> <p>Appraisers must comment and adjust for any market reaction discovered as a result of water contamination, as well as any environmental stigma.</p> <p>Proper mitigation of lead contaminated water must include a central filtering system which filters all water that could serve the property’s occupants. When public water must be filtered, the requirements for individual water filtering under Topic 17, Subsection d of this Chapter including a Veteran’s acknowledgement, must be applied.</p> <p>If public water or sewer is available and the local authority mandates connection, the appraiser must prepare the appraisal “subject to” connection.</p> <p>Ch. 12 pgs. 18 & 19</p>	<p>For loans to be eligible for purchase or securitization, the utilities of the property must meet community standards. If public sewer and/or water facilities, those that are supplied and regulated by the local government, are not available, community or private well and septic facilities must be available and utilized by the subject property. The owners of the subject property must have the right to access those facilities, which must be viable on an ongoing basis. Private well or septic facilities must be located on the subject site, unless the subject property has the right to access off-site private facilities and there is an adequate, legally binding agreement for access and maintenance. If there is market resistance to an area because of environmental hazards or any other conditions that affect well, septic, or public water facilities, the appraisal report must address the effect of the hazards on the value and marketability of the subject property (see SB4-1.4-08, Apparent Environmental Conditions).</p> <p>(SB4-1.3-04; 6/4/25)</p>	<p>The appraisal report must describe the utilities that are permanently connected to the site and the impact of the utilities on the value and marketability of the subject property. The utilities that serve the subject property must meet community standards. The comparable sales should have utilities that are similar to the subject property’s utilities.</p> <p>(5605.4; 11/2/26)</p>	<p>Align to Fannie Mae</p>	<p>High</p>

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Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Water: Sewage System</p>	<p>The Mortgagee must confirm that a connection is made to a public or community sewage disposal system whenever feasible and available at a reasonable cost. If connection costs to the public or community system are not reasonable, the existing Onsite Sewage Disposal Systems are acceptable provided they are functioning properly and meet the requirements of the local health department. When the Onsite Sewage Disposal System is not sufficient and an off-site system is available, the Mortgagee must confirm connection to an off-site sewage system.</p> <p>When the Onsite Sewage Disposal System is not sufficient and an off-site system is not available, the Mortgagee must reject the Property unless the Onsite Sewage Disposal System is repaired or replaced and complies with local health department standards. (pgs. 193 & 194)</p>	<p>An individual sewage disposal system must adequately dispose of all domestic wastes in a sanitary manner which will not create a nuisance, or in any way endanger the public health.</p> <p>Individual pit privies are acceptable where such facilities are customary and installed in accordance with the recommendations of the local health authority.</p> <p>On proposed construction cases, or new or existing construction cases where the appraiser notes a problem, or if the area is known to have soil percolation problems, health authority approval of the individual sewage disposal system is required.</p> <p>If public sewer is available and the local authority mandates connection, connection is required. Ch. 12 pg. 22</p>	<p>For loans to be eligible for purchase or securitization, the utilities of the property must meet community standards. If public sewer and/or water facilities, those that are supplied and regulated by the local government, are not available, community or private well and septic facilities must be available and utilized by the subject property. The owners of the subject property must have the right to access those facilities, which must be viable on an ongoing basis. Private well or septic facilities must be located on the subject site, unless the subject property has the right to access off-site private facilities and there is an adequate, legally binding agreement for access and maintenance. If there is market resistance to an area because of environmental hazards or any other conditions that affect well, septic, or public water facilities, the appraisal report must address the effect of the hazards on the value and marketability of the subject property (see SB4-1.4-08, Apparent Environmental Conditions). (SB4-1.3-04; 6/4/25)</p>	<p>The appraisal report must describe the utilities that are permanently connected to the site and the impact of the utilities on the value and marketability of the subject property. The utilities that serve the subject property must meet community standards. The comparable sales should have utilities that are similar to the subject property's utilities. (5605.4; 11/2/26)</p>	<p>Align to Fannie Mae</p>	<p>High</p>

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Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Water: Shared Wells</p>	<p>The Mortgagee must confirm that a Shared Well:</p> <ul style="list-style-type: none"> • serves Properties that cannot feasibly be connected to an acceptable public or Community Water supply System; • is capable of providing a continuous supply of water to involved Dwelling Units so that each Existing Construction Property simultaneously will be assured of at least three gallons per minute (five gallons per minute for Proposed Construction) over a continuous four-hour period. (The well itself may have a lesser yield if pressurized storage is provided in an amount that will make 720 gallons of water available to each connected existing dwelling during a continuous four-hour period or 1,200 gallons of water available to each proposed dwelling during a continuous four-hour period. The shared well system yield must be demonstrated by a certified pumping test or other means acceptable to all agreeing parties.); • provides safe and potable water. An inspection is required under the same circumstances as an individual well. This may be evidenced by a letter from the health authority having jurisdiction or, in the absence of local health department standards, by a certified water quality analysis demonstrating that the well water complies with the EPA’s National Interim Primary Drinking Water Regulations; • has a valve on each dwelling service line as it leaves the well so that water 	<p>A shared well refers to a well that serves two or more properties. The shared well must be:</p> <ul style="list-style-type: none"> •capable of providing a continuing supply of safe and potable water to each property simultaneously, so that each dwelling will be assured a sufficient quantity for all domestic purposes, •protected by a permanent easement, which allows for maintenance and repair, and •maintained under a well-sharing agreement containing provisions for the cost of repairs that is binding on the signatory parties and successors in title and has been recorded in public records. <p>The appraiser must report that that the property is served by a shared well and note any readily apparent deficiencies.</p> <p>The lender must obtain the shared well agreement and review the agreement to determine eligibility.</p> <p>The water quality must meet the requirements for individual wells described in Topic 17 of this Chapter. Ch. 12 pg. 23</p>	<p><i>Not explicitly addressed in policy</i></p>	<p><i>Not explicitly addressed in Policy</i></p>	<p>Align to Fannie with <i>one addition</i> to address shared wells.</p> <p>For loans to be eligible for purchase or securitization, the utilities of the property must meet community standards. If public sewer and/or water facilities, those that are supplied and regulated by the local government, are not available, community, <i>shared</i>, or private well and septic facilities must be available and utilized by the subject property.</p>	<p>High</p>

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Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Water: Water Well Minimum Property Standards for New Construction</p>	<p>The following provides the minimum requirements for water wells:</p> <p>Lead-free piping If no local chemical and bacteriological water standards, state standards apply Connection of public water whenever feasible Wells must deliver a continuous water flow of five gallons per minute over at least a four-hour period (pg. 186)</p> <p>The Mortgagee must ensure that new wells are drilled and are no less than 20 feet deep and cased. Casing should be steel or other casing material that is durable, leak-proof, and acceptable to either the local health authority or the trade or profession licensed to drill and repair wells in the local jurisdiction. A well located within the foundation walls of New Construction is not acceptable except in arctic or subarctic regions. (pg. 476)</p>	<p>All testing must be performed by a disinterested third party. This includes collecting and transporting the water sample from the water supply source. The sample may be collected and tested by the local health authority, a commercial testing laboratory, a licensed sanitary engineer, or other party that is acceptable to the local health authority. At no time will the Veteran or other interested party collect and/or transport the sample (Ch. 12 pg. 22)</p> <p><i>VA does not distinguish between exiting and new construction. Original guidance cited is if there are known EPA issues.</i></p>	<p><i>Not explicitly addressed in policy; however, expectation to address if issue identified or suspected:</i></p> <p>The lender must make the final decision about the need for inspections and the adequacy of the property as security for the loan. For example, because Fannie Mae requires the appraiser to comment on the effect of an environmental condition on the value and marketability of the subject property, the appraiser would have to note when there is market resistance to an area because of an environmental condition or any other conditions that affect the well, septic, or public water facilities. When the lender has reason to believe the private well water on or available to a property might be contaminated as a result of the proximity of the well to a hazardous waste site, the lender is exercising sound judgment if it obtains a “well certification” to determine whether the water meets community standards. (SB4-1.4-08; 6/4/25)</p>	<p><i>Not explicitly addressed in Policy</i></p>	<p>Align to Fannie Mae by replacing niche, topic-specific FHA guidance with a general hazard framework for material hazards, deficiencies, and environmental factors—requiring appraisers to identify, assess, disclose, and reflect material hazards/defects in the valuation, and to recommend inspections, specialist evaluation, or remediation when warranted</p>	<p>High</p>
<p>Water: Water Wells Minimum Property Requirements for Existing Construction</p>	<p>The following provides the minimum requirements for water wells:</p> <p>Existing wells must deliver a continuous water flow at a minimum of three gallons per minute No exposure to environmental contamination Continuing supply of safe and potable water Domestic hot water Water quality must meet requirements of local jurisdiction or the EPA if no local standard (pg. 186)</p>	<p>All testing must be performed by a disinterested third party. This includes collecting and transporting the water sample from the water supply source. The sample may be collected and tested by the local health authority, a commercial testing laboratory, a licensed sanitary engineer, or other party that is acceptable to the local health authority. At no time will the Veteran or other interested party collect and/or transport the sample (Ch. 12 pg. 22)</p> <p><i>VA does not distinguish between exiting and new construction. Original guidance cited is if there are known EPA issues.</i></p>	<p><i>Not explicitly addressed in policy</i></p>	<p><i>Not explicitly addressed in Policy</i></p>	<p>Align to Fannie Mae</p>	<p>High</p>

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Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Environmental: Airport Noise and Hazards</p>	<p>The Appraiser must identify if the Property is affected by noise and hazards of low flying aircraft because it is near an airport. The Appraiser must review airport contour maps and analyze accordingly. The Appraiser must determine and report the marketability of the Property based on this analysis</p> <p>If the Property is New Construction and is located within a Runway Clear Zone (also known as a Runway Protection Zone) at a civil airport or Clear Zone military airfield, the Appraiser must note that the Property is ineligible for FHA insurance and notify the Mortgagee.</p> <p>The Appraiser must identify if the Property is located within a Runway Clear Zone (also known as a Runway Protection Zone) at a civil airport or Clear Zone military airfield and consider the effect of the airport hazards on the marketability when valuing the subject Property.</p> <p>For Properties located in an Accident Potential Zone 1 (APZ 1) at military airfields, including New Construction, the Appraiser must report the hazard and consider the effect on the marketability when valuing the subject Property and must require compliance with the Department of Defense (DoD) Guidelines. (pg. 816)</p>	<p>Whenever a property is located near an airport, appraisers must consider the effect on value of any airport noise and select comparable sales, if available, with the same airport influence.</p> <p>Proposed construction located in a Clear Zone (also known as a Runway Protection Zone) is not eligible. The appraiser must stop working on the appraisal and notify the lender immediately.</p> <p>For existing or new construction located in a Clear Zone, the following Veteran’s acknowledgement must be required on the NOV and signed by the Veteran: “I am aware that the property being purchased is located near the end of an airport runway and this may have an effect upon livability, safety, value and marketability of the property.”</p> <p>For all properties located in an accident potential zone, the following Veteran’s acknowledgement must be required on the NOV and signed by the Veteran: “I am aware that the property being purchased is located in an accident potential zone and this may have an effect upon the livability, safety, value, and marketability of the property.” Ch. 12 pg. 42 & 43</p>	<p>The appraiser must consider the influence of market forces, including economic, governmental, and environmental factors on property values in the market area....Environmental forces that must be considered include, among other things, the existence of a hazardous waste site on or near the property, the proximity of a property to an airport, or the Federal Emergency Management Agency (FEMA) designated flood zone in which the property is located (SB4-1.3-03, 6/4/2025)</p>	<p><i>Not explicitly addressed in Policy</i></p>	<p>Align to Fannie Mae</p>	<p>Medium</p>
<p>Environmental: Externalities</p>	<p>The Appraiser must report the presence of Externalities so that the Mortgagee can determine eligibility (pg. 816)</p>	<p><i>Silent</i></p>	<p>When different land uses and property types are present, the appraiser should take it into consideration when developing an analysis and defining the market area boundaries. This will help determine any positive or negative effects of mixed land uses. The appraiser should select comparable sales from within the same market area whenever possible to minimize any land use differences affecting value or marketability. If this is not possible, the appraiser may need to make a market supported location adjustment in the Sales Comparison Approach for sales that do not share the same characteristic(s) or externalities. (SB4-1.3-03, 6/4/2025)</p>	<p><i>Not explicitly addressed in Policy</i></p>	<p>Align to Fannie Mae</p>	<p>Medium</p>

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Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
Environmental: Grading and Drainage	<p>The Appraiser must check for readily observable evidence of grading and drainage problems. Proper drainage control measures may include gutters and downspouts or appropriate grading or landscaping to divert the flow of water away from the foundation.</p> <p>The Appraiser must make the appraisal subject to repair if the grading does not provide positive drainage away from the improvements. The Appraiser must note any readily observable evidence of standing water adjacent to the foundation that indicates improper drainage. The Appraiser must report this in the "Site" section of the report, if the standing water is problematic. (pg. 819)</p>	<p>The site must be graded so that it</p> <ul style="list-style-type: none"> •provides positive, rapid drainage away from the perimeter walls of the dwelling, and •prevents ponding of water on the site. Ch. 12 pg. 9 	<p><i>Not explicitly addressed in policy</i></p>	<p><i>Not explicitly addressed in Policy</i></p>	<p>Align to Fannie Mae</p>	<p>Medium</p>
Environmental: Heavy Traffic	<p>The Appraiser must analyze and report if close proximity to heavily traveled roadways or railways has an effect on the marketability and value of a site because of excess noise and safety issues. (pg. 816)</p>	<p><i>Silent</i></p>	<p><i>Not explicitly addressed in policy</i></p>	<p><i>Not explicitly addressed in Policy</i></p>	<p>Align to Fannie Mae</p>	<p>Medium</p>
Environmental: Onsite Hazards and Nuisances	<p>The Mortgagee must require corrective work to mitigate potential adverse effects from any onsite hazards or nuisances reported by the Appraiser. (pg. 182)</p>	<p>The property must be free of hazards which may:</p> <ul style="list-style-type: none"> •adversely affect the health and safety of the occupants, •adversely affect the structural soundness of the dwelling and other improvements to the property, or •impair the customary use and enjoyment of the property by the occupants. Ch. 12 pg. 25 	<p><i>See Environmental: Hazards</i></p>	<p><i>See Environmental: Hazards</i></p>	<p>Remove FHA policy specific requirement; addressed within each requirement</p>	<p>Medium</p>

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Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Environmental: Topography</p>	<p>The Appraiser must notify the Mortgagee of the deficiency of MPR or MPS if the surface and subsurface water is not diverted from the dwelling to ensure positive drainage away from the foundation.</p> <p>The Appraiser must make the appraisal subject to an inspection by a qualified individual or entity if the sales contract or any other documentation indicates, or if the Appraiser observes dampness because of a foundation issue.</p> <p>The Appraiser must report to the Mortgagee any danger due to topographic conditions (e.g., earth and mudslides from adjoining properties, falling rocks and avalanches) to the subject Property or the adjoining land. (pg. 819)</p>	<p>For new or proposed construction properties, in areas that have a history of geological or soil instability, the builder must submit either:</p> <ul style="list-style-type: none"> •a certification that to the best of the builder’s knowledge and belief, any geological or soil-related hazard has been compensated for in the engineering design of the improvements and no portion of the construction will rest on fill, or •evidence from a qualified geologist or engineer that the subject site either does not present unusual geological soils-related hazards or such hazards have been compensated for in the engineering design of the improvements. (Qualified geologists are state licensed or are a member of a national or state organization which requires responsibility, experience, education and demonstrated ability in the field of engineering geology.) <p>Ch. 12 pg. 11</p> <p>The appraiser must report any danger due to topographic conditions, such as mudslides from adjoining properties, falling rocks, or avalanches.</p> <p>Ch. 12 pg. 9</p>	<p>The property site should be of a size, shape, and topography that is generally conforming and acceptable in the market area.</p> <p>(SB4-1.3-04; 6/4/25)</p>	<p>The “Site” section of the appraisal report must accurately describe the characteristics of the site, such as size, number of parcels, property access, site influences, view, site features, and utilities. The appraisal report must identify any impact the site features or view have on the value and marketability of the subject property.</p> <p>(5605.4; 11/2/26)</p>	<p>Align to Freddie Mac</p>	<p>Medium</p>

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Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Legal Requirements: Real Estate Entity</p>	<p>The Appraiser must contact the Mortgagee if the subject Property is not a single, marketable real estate entity, and/or does not consist of a primary plot with a secondary plot contributing to the use and marketability of the Property as a single marketable real estate entity. (pg. 811)</p>	<p>The property must be a single, readily marketable, real estate entity. Ch. 12 pg. 5</p>	<p>The mortgaged premises must be: residential in nature as defined by the characteristics of the property and surrounding market area (see SB4-1.3-03, Market Section of the Uniform Residential Appraisal Report); secured by an interest in real property within the meaning of the Internal Revenue Code as such term is defined in 26 C.F.R. § 1.856-3; (SB2-3-01;12/10/2025) Fannie Mae purchases or securitizes first-lien mortgages that are secured by residential properties when the dwelling consists of one to four units. Under some circumstances, Fannie Mae limits the number of dwelling units for certain types of mortgages or transactions....Note: A property with one primary dwelling and an accessory dwelling unit (ADU) is classified as a one-unit property and must meet all one-unit requirements, unless otherwise specified. For guidance on the number of ADUs allowed on one-, two-, and three-unit properties, refer to the Accessory Dwelling Units section in SB2-3-04, Special Property Eligibility Considerations. (SB2-3-01;12/10/2025)</p>	<p>The Mortgaged Premises must:.... - Be primarily residential in nature based on the characteristics of the property (5601.1; 11/2/26)</p>	<p>No recommendation</p>	<p>Medium</p>
<p>Structure: Burglar Bars</p>	<p>The Appraiser must report when the Property has security bars on bedroom windows or doors. (pg. 825)</p>	<p>If a property has burglar bars, at least one window per bedroom must have a quick-release mechanism, unless there is an exterior door from the bedroom providing rapid egress. If the appraiser is not able to confirm that quick release mechanisms are in good working order, the appraiser should prepare the appraisal subject to removal of the burglar bars as a safety consideration. Ch. 12 pg. 35</p>	<p><i>Not explicitly addressed in policy</i></p>	<p><i>Not explicitly addressed in Policy</i></p>	<p>Align to VA</p>	<p>Medium</p>

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Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Structure: Encroachment</p>	<p>The Mortgagee must ensure the subject's dwelling, garage, or other improvements do not encroach onto an adjacent Property, right-of-way, utility Easement, or building restriction line. The Mortgagee must also ensure a neighboring dwelling, garage, or other improvements do not encroach onto the subject Property. Encroachment by the subject or adjacent Property fences is acceptable provided such Encroachment does not affect the marketability of the subject Property. (pg. 182)</p>	<p>The appraiser must report any apparent encroachments of the subject's dwelling, garage, or other improvements onto an adjacent property, right-of-way, utility easement, or building restriction line and any apparent encroachments of a neighboring dwelling, garage, or other property. Ch. 12 pg. 9</p>	<p>Title for a property that secures a conventional loan is acceptable even though it may be subject to the following conditions, which Fannie Mae considers minor impediments:...</p> <ul style="list-style-type: none"> •Encroachments of one foot or less on adjoining property by eaves or other overhanging projections or by driveways, as long as there is at least a ten-foot clearance between the buildings on the security property and the property line affected by the encroachment; •Encroachments on adjoining properties, as long as those encroachments consist only of hedges or removable fences; (B7-2-05; 07/06/2022) <p>Because amenities, easements, and encroachments may either detract from or enhance the marketability of a site, the appraiser must reflect them in the analysis and evaluation. The appraiser must comment if the site has adverse conditions or if there is market resistance to a property because the site is not compatible with the market area or the requirements of the competitive market, and assess the effect, if any, on the value and marketability of the property. (SB4-1.3-04; 6/4/25)</p>	<p>The following exceptions to the title insurance policy or to the attorney opinion of title letter are acceptable:...</p> <p>(g) Encroachments on the Mortgaged Premises by improvements on adjoining property</p> <p>Exceptions for encroachments on the Mortgaged Premises by improvements on adjoining property are acceptable provided that the following conditions are met:</p> <ul style="list-style-type: none"> - The encroachment must not touch any improvements on the Mortgaged Premises - The encroachment must not interfere with the use and enjoyment of any improvements on the Mortgaged Premises nor with the use and enjoyment of the Mortgaged Premises not occupied by improvements (4702.4; 4/2/25) <p>"The following exceptions to the title insurance policy or to the attorney opinion of title letter are acceptable:...</p> <p>(h) Encroachments on adjoining property</p> <p>Exceptions for encroachments on adjoining property by eaves or other projections attached to improvements on the Mortgaged Premises, or by structures such as tool sheds, or by a driveway appurtenant to the Mortgaged Premises, are acceptable provided that there is an endorsement to the title insurance policy whereby the policy affirmatively insures against loss suffered by reason of the entry of a decree or court order requiring the removal of the encroachment. (4702.4; 4/2/25)</p> <p>"The following exceptions to the title insurance policy or to the attorney opinion of title letter are acceptable:...</p> <p>(c) Encroachments on public utility easements</p> <p>Exceptions for encroachments on easements for public utilities by a garage, tool shed or similar structure that is not attached to, or a portion of, the dwelling structure are acceptable provided that the encroachments do not interfere with the use and enjoyment of the easements or the exercise of rights of repair and maintenance in connection therewith. (4702.4; 4/2/25)</p>	<p align="center">Align to Fannie Mae</p>	<p align="center">Medium</p>
<p>Structure: Nonstandard House Styles</p>	<p>The Appraiser must provide a comment that the nonstandard house style appears structurally sound and readily marketable and must apply appropriate techniques for analysis and evaluation. In order for such a Property to be fully marketable, the Appraiser must demonstrate that it is located in an area of other similar types of construction and blend in with the landscape. (pg. 825)</p>	<p>Non-standard house styles which may be unique in a market area, for example, log houses, earth sheltered houses, dome houses, and houses with lower than normal ceiling heights, must meet any local building codes. The appraiser must consider the marketability of the home in the appraisal. Ch. 12 pg. 6</p>	<p>Unique Housing Types In the appraisal and appraisal report review processes, special consideration must be given to properties that represent unique housing for the subject market area. Loans secured by unique or nontraditional types of housing, including, but not limited to, earth houses, geodesic domes, and log houses, are eligible for sale to Fannie Mae provided the appraiser has adequate information to develop a reliable opinion of market value. It is not necessary for one or more of the comparable sales to be of the same design and appeal as the property that is being appraised, although appraisal accuracy is enhanced by using comparable sales that are the most similar to the subject property. On a case-by-case basis, both the appraiser and the underwriter must independently determine whether there is sufficient information available to develop a reliable opinion of market value. This will depend on the extent of the differences between the special or unique property and the more traditional types of houses in the market area and the number of such properties that have already been sold in the</p>	<p>When the subject property does not conform to its Neighborhood in terms of type, design, age, materials or techniques used in its construction, the appraisal report must reflect the effect of the nonconformance on the property's value and marketability.</p> <p>Mortgages secured by non-traditional types of properties are eligible for delivery to Freddie Mac. Examples of non-traditional or unique property types include, but are not limited to:</p> <ul style="list-style-type: none"> - "Barndominiums" (barn conversions or barn-style buildings) - "Shouses" (living-space and work/storage combinations) - Berm homes - Log homes - Geodesic dome dwellings - Container homes <p>The appraisal report must include comparable sales that demonstrate the subject property's dwelling type or style is marketable. Additional analysis</p>	<p align="center">Align to Fannie Mae</p>	<p align="center">Medium</p>

Appendix B to Joint Trade Response to MPR RFI: Minimum Property Requirements Comparison Grid

Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
Structure: Roof Covering	<p>The Appraiser must notify the Mortgagee of the deficiency of MPR or MPS if the roof covering does not prevent entrance of moisture or provide reasonable future utility, durability and economy of maintenance and does not have a remaining physical life of at least two years. (pg. 832)</p>	<p>The roof covering must:</p> <ul style="list-style-type: none"> •prevent entrance of moisture, and •provide reasonable future utility, durability, and economy of maintenance. <p>When a defective roof with three or more layers of shingles must be replaced, all old shingles must first be removed. Ch. 12 pg. 30</p>	<p><i>Not explicitly addressed in policy</i></p>	<p><i>Not explicitly addressed in policy</i></p>	<p>Align to VA</p>	<p>Medium</p>
Environmental: Coastal Barrier Resource System	<p>The Appraiser must stop work and notify the Mortgagee of the deficiency of MPR or MPS if the Property is located within a Coastal Barrier Resources System (CBRS) designated area.</p> <p>The Appraiser must review the FEMA FIRM to determine if a Property is located within a CBRS. The FIRM will identify CBRS boundaries through patterns of backward-slanting diagonal lines, both solid and broken. If it appears that the Property is located in a CBRS, the Appraiser must review CBRS location maps to confirm (pg. 831)</p>	<p>Properties located in Coastal Barrier Resources System (CBRS) areas are not eligible for an appraisal.</p> <p>Appraisers who perform appraisals for VA near the Atlantic Ocean, the Great Lakes, the Gulf of Mexico, or the Caribbean Sea must be familiar with any CBRS areas. If the appraiser finds that a property on which an appraisal has been ordered is located in a CBRS area, the appraiser must stop work and promptly notify the lender (Ch. 12 pg. 14)</p>	<p>Fannie Mae will not purchase or securitize a loan secured by a property that is subject to certain land-use regulations, such as coastal tideland or wetland laws, that create setback lines or other provisions that prevent the reconstruction or maintenance of the property improvements if they are damaged or destroyed. The intent of these types of land-use regulations is to remove existing land uses and to stop land development, including the maintenance or construction of seawalls, within specific setback lines. (SB4-1.3-04;6/3/26)</p>	<p>A Mortgage is ineligible for sale to Freddie Mac if the Mortgage is secured by property that is subject to coastal tideland, wetland or setback laws or regulations that prevent the rebuilding or maintenance of the property improvements if they are damaged or destroyed. (5604.4; 11/2/26)</p>	<p>Align to Fannie Mae</p>	<p>Low</p>

Appendix B to Joint Trade Response to MPR RFI: Minimum Property Requirements Comparison Grid

Alignment Recommendation

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<p>Environmental: Dangerous Subsidence or Sinkholes</p>	<p>See land subsidence</p>	<p>The appraiser must report any probable or imminent danger of subsidence or sinkholes. Depending on the extent of the problem, it could be considered a hazard which would make the property ineligible. The appraiser must notify the lender promptly when a hazardous condition is found (Ch. 12 pg. 11)</p>	<p><i>Not explicitly addressed in policy</i></p>	<p>(ii) Detrimental conditions The appraisal report must identify the presence of detrimental conditions, such as expansive soils, underground mines or subsidence, in the immediate area or on the subject property site. If the detrimental condition(s) is located on the subject property site, the appraisal report must be made “subject to” an inspection by an appropriately licensed professional or another person trained in the particular field of concern to determine if a repair or alteration is required.</p> <p>The appraiser must consider the effect the condition(s) may have on the subject property’s market value and marketability.</p> <p>For any appraisal report that is made subject to an inspection(s) due to a detrimental condition(s), the Seller must include in the Mortgage file evidence of repair, alteration or an inspection report indicates the condition does not require or alteration. (See Section 5605.9 for additional information related to appraisal reports completed “subject to” and inspection.) (5605.4; 11/2/2026)</p>	<p>Align to Freddie Mac</p>	<p>Low</p>
<p>Environmental: Land Subsidence and Sinkholes</p>	<p>The dwelling must be free of probable or imminent danger of Land Subsidence (pg. 829)</p>	<p>The appraiser must report any probable or imminent danger of subsidence or sinkholes. Depending on the extent of the problem, it could be considered a hazard which would make the property ineligible. The appraiser must notify the lender promptly when a hazardous condition is found (Ch. 12 pg. 11)</p>	<p><i>Not explicitly addressed in policy</i></p>	<p>(ii) Detrimental conditions The appraisal report must identify the presence of detrimental conditions, such as expansive soils, underground mines or subsidence, in the immediate area or on the subject property site. If the detrimental condition(s) is located on the subject property site, the appraisal report must be made “subject to” an inspection by an appropriately licensed professional or another person trained in the particular field of concern to determine if a repair or alteration is required.</p> <p>The appraiser must consider the effect the condition(s) may have on the subject property’s market value and marketability.</p> <p>For any appraisal report that is made subject to an inspection(s) due to a detrimental condition(s), the Seller must include in the Mortgage file evidence of repair, alteration or an inspection report indicates the condition does not require or alteration. (See Section 5605.9 for additional information related to appraisal reports completed “subject to” and inspection.) (5605.4; 11/2/2026)</p>	<p>Align to Freddie Mac</p>	<p>Low</p>

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Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Environmental: Lava Zones</p>	<p>When a Property is located in Hawaii, the Appraiser must review the U.S. Geological Survey (USGS) Lava Flow Hazard Zone maps. The Appraiser must notify the Mortgagee of the deficiency of MPR or MPS if the Property is located in Zones 1 or 2.</p> <p>The Appraiser must report in the "Comments" section that the Property is in the Lava Flow Hazard Zone and provide the Zone Number. (pg. 822)</p>	<p>Properties in Zones 1 and 2 are not eligible for appraisal. If the appraiser finds that a property on which an appraisal has been ordered is located in Zone 1 or 2, the appraiser must stop work and promptly notify the lender.</p> <p>If the property is in a Lava Flow Hazard Zone other than Zone 1 or 2, the appraiser must report the zone information in the appraisal and analyze the effect on market value. Ch. 12 pg. 14</p>	<p>Fannie Mae will only purchase or securitize mortgage loans secured by properties that are located within lava zones 3 through 9 on the island of Hawaii. Properties in lava zones 1 and 2 are not eligible due to the increased risk of property destruction from lava flows within these areas. (B2-3-04; 10/08/2025)</p>	<p>If the subject property is in a hazard zone (i.e., flood zone, lava zone), the appraiser must include that information in the appraisal report. (5605.4; 11/02/2026)</p> <p>If the Seller/Service becomes aware of localized perils (i.e., sinkhole, mine subsidence, volcanic eruption, landslides) that are not covered by standard property insurance, then the Seller/Service must require the Borrower to obtain appropriate insurance coverage in accordance with the terms of the Security Instrument and applicable law. (4703.7; 06/10/2020)</p>	<p>Align to Fannie Mae</p>	<p>Low</p>
<p>Environmental: Underground Storage Tanks</p>	<p>The Appraiser must note any readily observable surface evidence of residential underground storage tanks, such as fill pipes, pumps, ventilation caps, etc. If there is readily observable evidence of leakage or onsite contamination, the Appraiser must make a requirement for further inspection (pg. 832)</p>	<p>The appraiser must report and consider the effect on value of any apparent indication of a potential environmental problem with the existence of an underground storage tank.</p> <p>The appraisal report must be prepared subject to correction of the problem in accordance with any local, state, or federal requirements, or documentation from the appropriate local, state, or federal authority that the condition is acceptable (Ch. 12. pg. 43)</p>	<p>When the appraiser has knowledge of an apparent environmental condition that impacts the value and marketability of the property, whether it exists onsite, offsite, or on a bordering site (including but not limited to, the presence of hazardous substances, soil or water contamination, radon, underground storage tanks, or a superfund site), the appraiser in the site influence table within the Site section of the Uniform Residential Appraisal Report (URAR) must</p> <ul style="list-style-type: none"> • identify the apparent environmental condition(s); • identify if the apparent environmental condition is onsite, offsite, or bordering the subject site • provide the approximate distance to the environmental condition, as measured from the closest point of the apparent environmental condition to the subject property line (e.g., number of feet, miles, etc.); • identify whether the impactor the property is adverse, beneficial, or neutral; and • comment on the nature of the apparent environmental condition, and its impact on value or marketability. <p>In addition, the appraiser must make appropriate adjustments in the overall analysis of the property's value and make the appraisal "subject to" inspection by a qualified professional. Fannie Mae expects the appraiser to consider and use comparable data from the same affected market area because the sales prices of settled sales, the contract sales prices of pending sales, and the current asking prices for active listings will reflect any negative effect of the apparent environmental condition on value and marketability of the subject property. Note: Fannie Mae does not consider the appraiser to be an expert in the field of environmental hazards. The typical residential real estate appraiser is neither expected nor required to be an expert in this specialized field. The appraiser, however, has a responsibility to note in the appraisal report any apparent environmental conditions that were observed during the inspection of the subject property or information that they became aware of through the normal research involved in performing an appraisal. Lender Requirements</p>	<p>If the Seller knows of the existence of a Contaminated Site in the Neighborhood, the Seller must inform the appraiser of the Contaminated Site when ordering the appraisal.</p> <p>The appraisal report must identify any known environmental issues, such as Contaminated Sites, Hazardous Substances or other adverse conditions, that affect the subject property or are within the vicinity of the property. The appraisal report must include adjustments to reflect any impact on market value and commentary on any effect to the marketability of the subject property. Examples of conditions that require analysis and commentary include, but are not limited to:</p> <ul style="list-style-type: none"> - Hazardous Above Ground Storage Tank - Hazardous Substances - Landfill - Radon - Slush Pit - Soil Contamination - Superfund Site - Underground Storage Tank - Water Contamination <p>5605.4; 11/2/26)</p>	<p>Align to Fannie Mae</p>	<p>Low</p>

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Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Environmental: Wood Destroying Insects/Fungus/Dry Rot</p>	<p>For existing Properties, the Property must be free of wood destroying insects and organisms. If the appraisal is made subject to inspection by a qualified pest control specialist, the Mortgagee must obtain such inspection and evidence of any required treatment to confirm the Property is free of wood destroying insects and organisms (pg. 195)</p>	<p>Appraisers must report any apparent evidence of wood destroying insect infestation, fungus growth or dry rot. The appraisal must be prepared subject to a wood destroying insect inspection if any infestation or damage is apparent, and all damage must be repaired.</p> <p>If the property is located in an area on the Termite Infestation Probability Map where the probability of termite infestation is "very heavy" or "moderate to heavy" on origination appraisals, a wood destroying insect inspection report must be required on the NOV</p> <p>A termite inspection is not required on units in high-rise condominiums (units are stacked vertically) (Ch. 12 pgs. 40-41)</p>	<p>Infestation, Dampness, or Settlement</p> <p>If the appraisal indicates evidence of infestation (such as wood-boring insects), dampness, or abnormal settlement, the appraisal must comment on the effect on the value and marketability of the subject property. The lender must either provide satisfactory evidence that the condition was corrected or submit a professionally prepared report indicating, based on an inspection of the property, that the condition does not pose any threat of structural damage to the improvements. The appraisal should be made "subject to" repairs, or "subject to" an inspection by a qualified professional. (SB4-1.3-06; 6/4/25)</p>	<p>Appraisal reports completed "subject to" an inspection</p> <p>If there are property conditions that require further investigation, the appraisal report must be completed "subject to" an inspection by an appropriately licensed professional or another person trained in the particular field of concern.</p> <p>Examples of conditions that may require an inspection include, but are not limited to, observations of:</p> <p>Severe cracks in foundations or walls Evidence of infestation, or Potentially contaminated water source</p> <p>The Seller must include in the Mortgage file evidence of the repair or an inspection report that indicates the condition does not require repair. See Section 5605.8 for additional information related to appraisal reports completed "subject to" an inspection. (5605.5; 11/2/26)</p>	<p>Align to Fannie Mae</p>	<p>Low</p>
<p>Flood: Elevation for New Construction</p>	<p>The lowest floor of the residential building, including the basement, and all related Structures or equipment essential to the Property Value are built at or above the 100-year flood elevation in compliance with the NFIP criteria (pg. 163)</p>	<p><i>Silent</i></p>	<p><i>Not explicitly addressed in policy</i></p>	<p><i>Not explicitly addressed in Policy</i></p>	<p>No Change</p>	<p>Low</p>

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Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Flood: Property Eligibility in Special Flood Hazard Areas</p>	<p>The Appraiser must review the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM) and make appropriate notations on the applicable appraisal reporting form. If the Property appears to be located within a Special Flood Hazard Area (SFHA), the Appraiser must attach a copy of the flood map panel to the appraisal report. The Appraiser must enter the FEMA zone designation on the reporting form, and identify the map panel number and map date. If the Property is not shown on any map, the Appraiser must enter "not mapped." The Appraiser must quantify the effect on value, if any, for Properties situated within a designated SFHA (pg. 830)</p> <p>Eligibility for New Construction in SFHAs If any portion of the dwelling and related Structures, or equipment essential to the Property Value is located in an SFHA, the Property is not eligible for FHA mortgage insurance, unless the Mortgagee:</p> <ul style="list-style-type: none"> • obtains a FEMA-issued final LOMA or LOMR that removes the Property from the SFHA; or • obtains a FEMA NFIP Elevation Certificate (FEMA Form FF-206-FY-22-152). The Elevation Certificate must document that the lowest floor of the residential building, including the basement, and all related Structures or equipment essential to the Property 	<p>Properties located in a FEMA Special Flood Hazard Area (SFHA) must be covered by a flood insurance policy. Properties located in a SFHA are not eligible if flood insurance is not available (Ch. 12 pg. 13)</p> <p>Based on the appraiser's knowledge of the market area, properties that are subject to regular flooding are not eligible, whether or not the area has been designated an SFHA (Ch. 12 pg. 13)</p>	<p>Hazard Zone(s)</p> <p>The appraiser must report all hazard zones that impact the subject property, including but not limited to, a Flood Hazard Zone that is identified on the Federal Emergency Management Agency's (FEMA) Flood Insurance Rate Maps or a lava flow zone, based on a United States Geological Survey. For additional information concerning Fannie Mae's policies on flood insurance, see Selling Guide B7-3-06, Flood Insurance Requirements for All Property Types and for Hawaiian lava flow zones, see SB2-3-04, Special Property Eligibility Considerations. (SB4-1.3-04; 6/3/25)</p>	<p>(d) Hazard zones</p> <p>If the subject property is in a hazard zone (i.e., flood zone, lava zone), the appraiser must include that information in the appraisal report.</p> <p>If the flood zone determination is made by another party other than the appraiser, such as a non-appraiser on the staff of the Seller, a surveyor or a specialized flood zone determination company, the flood hazard section of the appraisal report is not required to be completed.</p> <p>If the property is in a "Special Flood Hazard Area" (SFHA) as identified by the Federal Emergency Management Agency (FEMA) through the National Flood Insurance Program (NFIP), the appraisal report must describe any impacts of the SFHA on the subject property's value or marketability.</p> <p>See Section 4703.3 for flood zone determination and flood insurance requirements. (5605.4; 11/2/26)</p>	<p>Align to Fannie Mae</p>	<p>Low</p>

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Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Legal Requirements: Leasehold Interest</p>	<p>A Mortgage secured by real estate under Leasehold requires a renewable lease with a term of not less than 99 years, or a lease that will extend not less than 10 years beyond the maturity date of the Mortgage. (pg. 813)</p>	<p><i>Silent</i></p>	<p>{Several Requirements, including appraisal related below}</p> <ul style="list-style-type: none"> •The lease must not be in default under any provision of the lease and the lessor must not have claimed any such default. •The lease must be recorded in the appropriate land records. •The lease must provide protection of the lender's financial interests in the event of a condemnation or similar taking proceeding. Note: If the lease provisions are silent or insufficient, the lender may rely on applicable state law or other written agreement that provides substantially the same protections. •The lease must not include any default provisions that could result in forfeiture or termination of the lease, unless the lease provides the lender with: <ul style="list-style-type: none"> •The right to receive notice of any lessee default under the lease, and •at least 30 days, at the lender's option, to either cure the default, take over the lessee's rights under the lease, or commence foreclosure. <p>Note: If the property is located in Maryland, it is exempt from this requirement if applicable state law provides for the registration of residential leases with the state and requires the lessor to send written notice of default under the lease to the lender at least 30 days prior to the lessor filing an action for possession. (SB2-3-03; 6/4/2025)</p> <p>The lender must ensure the terms of the lease address all of the following:</p> <ul style="list-style-type: none"> •The lease must have an unexpired term that exceeds the maturity date of the loan by five (5) years or more. •The lease must not preclude the borrower's membership or voting rights in the HOA or co-op corporation, as applicable. •If the loan is secured by a sublease, a default under the master lease will not automatically result in the termination of the sublease. (SB2-3-03; 6/4/2025) <p>The appraisal requirements for leasehold interest properties are as follows:</p> <ul style="list-style-type: none"> •Appraisers must comment and provide a clear, detailed and thorough explanation of the terms, restrictions, and conditions regarding lease agreements or ground leases and include this information within the appropriate section of the Uniform Residential Appraisal Report (URAR). •Appraisers must discuss what effect, if any, the terms, restrictions, and 	<p>The Seller must ensure that the following lease requirements are met:</p> <ul style="list-style-type: none"> - The lease must permit assignments, transfers, mortgaging and subletting of the leasehold (or subleasehold) estate, including any improvements on the leasehold estate - The lease must provide that for a notice of lessee's default (monetary or non-monetary) to be valid, the lessor must send written notice of the lessee's default to the leasehold mortgagee not more than 30 days after such default. - The lease is not required to include a notice of default provision if the Mortgaged Premises is located in Maryland and applicable State law provides for all lessors to register residential leases with the State and requires the lessor to send written notice of default to the leasehold mortgagee no less than 30 days prior to the lessor filing an action of possession. - The lease must provide for the right of the leasehold mortgagee, in its sole discretion, to cure a default for the lessee's (or sublessee, if applicable) account within the time permitted to lessee or take over the rights under the lease (sublease) -The lease cannot contain default provisions allowing forfeiture or termination of the lease for non-monetary default - The lease must provide for protection of the mortgagee's interests, including an insurable interest in the subject property (unless otherwise required by law) and interest in the lease, ground lease community and leasehold estate - The lease may, but is not required to, include an option for the Borrower to purchase the fee interest; however, there can be no time limit on when the option must be exercised, and the lease and option to purchase must be assignable (5704.1; 6/4/25) <p>The Seller must ensure that the following eligibility requirements are met:</p> <ul style="list-style-type: none"> - The leasehold estate and property improvement must: Constitute real property, Be covered by a title insurance policy that complies with the applicable requirements in Chapter 4702 - The lease (and any sublease including all amendments) must be: Recorded in the appropriate land records, In full force and effect, and, Binding and enforceable against the lessor (and sublessor) - The leasehold estate and Mortgage must not be impaired by any merger of the fee interest and leasehold interest in the event the same person or entity acquires both interests 	<p>No recommendation</p>	<p>Low</p>

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<p>Mechanical: Mechanical Systems</p>	<p>Utilities – Mechanical Components (02/16/2021) The Appraiser must notify the Mortgagee if mechanical systems do not appear: • to have reasonable future utility, durability, and economy; • to be safe to operate; • to be protected from destructive elements; or • to have adequate capacity. The Appraiser must observe the physical condition of the plumbing, heating and electrical systems. The Appraiser must operate the applicable systems and observe their performance. If the systems appear to be damaged or do not appear to function properly, the Appraiser must condition the appraisal for repair or further inspection. (pg. 830)</p>	<p>Mechanical systems must be: • safe to operate, and • protected from destructive elements (Ch. 12. pg. 29)</p>	<p>When an appraisal is required and there are: • defects, damages, or deficiencies affecting the soundness or structural integrity of the dwelling including, but not limited to, foundation settlement, water seepage, infestation, active roof leaks, worn roof shingles, inadequate electrical service, or plumbing fixtures, etc., or • incomplete items including, but not limited to, remodeling or renovation(s) (e.g., unfinished kitchen, bathroom(s) or addition(s)), the appraisal must be "subject to" completion of the specific repairs or incomplete items. Incomplete items or physical deficiencies affecting soundness or structural integrity may also be identified through the property data collection process. See SB4-1.4-11, Value Acceptance + Property Data for more information. In all cases, the lender must verify completion before the loan is sold to Fannie Mae. See Completion Report and Completion Alternatives above for the specific requirements. (SB 4-1.2-05; 12/10/25) Conformity of Improvements The improvements should conform to the market area in terms of age, type, design, and materials used for their construction. If there is market resistance to a property due to the improvements not being compatible with the requirements of the competitive market because of adequacy of plumbing, heating, or electrical services; design; quality; size; condition; or any other reason directly related to market demand, the appraiser must address the impact to the value and marketability of the subject within the Functional Obsolescence section. (SB4-1.3-05; 12/10/25)</p>	<p>Freddie Mac will purchase eligible Mortgages secured by residential properties in urban, suburban and rural Market Areas provided the Mortgaged Premises is adequate collateral for the Mortgage transaction based on the value, condition and marketability of the property. The Mortgaged Premises must: [...] Have mechanical systems that meet community standards (5601.1(a); 11/2/26) A Mortgaged Premises with deficiencies consistent with an "as is" condition rating of C5 or C6 is not acceptable collateral to secure a Mortgage sold to Freddie Mac ...the reported condition rating must reflect the hypothetical condition that would exist if the repairs or alterations were completed. Examples of defects, damages or deficiencies that are consistent with a C5 or C6 condition rating include, but are not limited to:[...] A mechanical system that is non-functional, or A sanitary system with evidence of failure No functional kitchen or bathroom or the kitchen or all bathrooms in disrepair [...] (5605.5; 11/2/26)</p>	<p>Align to Fannie Mae</p>	<p>Low</p>
<p>Structure: Access to Living Unit</p>	<p>Access to the living unit must not pass through any other living unit or access to the rear yard must not pass through any other living unit. For attached dwellings, the access may be by means of alley, easement, common area or passage through the dwelling (pg. 833)</p>	<p>Each living unit must be accessible without passing through any other living unit or trespassing on adjoining properties. Any easements required must run with the land (Ch. 12 pg. 7)</p>	<p><i>Not explicitly addressed in policy</i></p>	<p><i>Not explicitly addressed in Policy</i></p>	<p>No recommendation</p>	<p>Low</p>

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Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Structure: Access to Property</p>	<p>The Property must be provided with a safe pedestrian access and Adequate Vehicular Access from a public or private street. Streets must either be dedicated to public use and maintenance, or retained as private streets protected by permanent recorded Easements.</p> <p>Private streets, including shared driveways, must be protected by permanent recorded Easements, ownership interest, or be owned and maintained by an HOA. Private streets and shared driveways do not require a joint maintenance agreement. (pg. 183)</p>	<p>Each property must be provided with a safe and adequate pedestrian or vehicular access from a public or private street with an all-weather surface.</p> <p>Private roads must be:</p> <ul style="list-style-type: none"> • protected by a permanent easement, and • maintained by a homeowners association or joint maintenance agreement. <p>Access to the backyard must be provided without passing through any other living unit. For a row-type dwelling, the access may be by means of</p> <ul style="list-style-type: none"> • an alley, • easement, or • passing through the subject dwelling. (Ch. 12 pgs. 7-8) 	<p>Property Access The appraisal report must identify the primary access (ingress and egress) to the subject property. The subject property should be accessed from a publicly dedicated and maintained street that meets community standards and is generally accepted by area residents. If the subject's primary access is not typical of other properties in the community, the appraiser must address the effect of that location on the value and marketability of the subject property. The presence of sidewalks, curbs and gutters, streetlights, and alleys depends on local customs. If they are typical in the community, they should be present on the subject site. The appraiser must comment on any adverse conditions and address their effect on the value and marketability of the subject property.</p> <p>Community-Owned or Privately Maintained Streets If the property is located on a community-owned or privately-owned and maintained street, an adequate, legally enforceable agreement or covenant for maintenance of the street is required. The agreement or covenant should include the following provisions and be recorded in the land records of the appropriate jurisdiction:</p> <ul style="list-style-type: none"> • responsibility for payment of repairs, including each party's representative share; • default remedies in the event a party to the agreement or covenant fails to comply with their obligations; and • the effective term of the agreement or covenant, which in most cases should be perpetual and binding on any future owners. <p>Note: If the property is located within a state that has statutory provisions that define the responsibilities of property owners for the maintenance and repair of a private street, no separate agreement or covenant is required.</p> <p>If the property is not located in a state that imposes statutory requirements for maintenance, and either there is no agreement or covenant for maintenance of the street, or an agreement or covenant exists but does not meet the requirements listed above, the lender may still sell the loan. However, the lender is required to indemnify Fannie Mae (as described in Selling Guide A2-1-03, Indemnification for Losses) against all losses incurred by Fannie Mae as a result of the physical condition of the street or in order</p>	<p>Property access The Mortgaged Premises must have legal ingress and egress by streets constructed and maintained in a manner that meets community standards. Refer to Section 4702.4(e) for requirements related to access provided by a private road, joint-driveway or easement.</p> <p>The appraisal report should contain comparable sales with street access, ownership, maintenance and materials similar to the subject property. (5605.4(a)(iii); 11/2/26) Mutual easement agreements Exceptions for mutual easement agreements of record that establish a joint driveway or a party wall are acceptable if such improvements are constructed in any of the following ways:</p> <p>Partly on the Mortgaged Premises and partly on adjoining property Wholly on the Mortgaged Premises, or Wholly on the adjoining property The easement agreement must allow all present and future owners and their heirs, successors and assigns forever, unlimited use and enjoyment of the driveway or party wall without any restriction other than restriction by reason of the mutual easement owners' rights in common and duties for joint maintenance. (4702.4(e); 4/2/25)</p>	<p>Align to Fannie Mae</p>	<p>Low</p>

Appendix B to Joint Trade Response to MPR RFI: Minimum Property Requirements Comparison Grid

Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Structure: Accessory Dwelling Unit</p>	<p>The ADU must comport with zoning requirements, which may include a legal nonconforming use (pg. 834)</p>	<p><i>Silent</i></p>	<p>Zoning for an ADU If it is determined that the property contains an ADU that is not allowed under zoning (where an ADU is not allowed under any circumstance), the property is eligible under the following additional conditions:</p> <ul style="list-style-type: none"> • The lender confirms that the existence will not jeopardize any future property insurance claim that might need to be filed for the property. • The illegal use conforms to the subject neighborhood and to the market. • The property is appraised based upon its current use. • The appraisal report states that the improvements represent a use that does not comply with zoning (“illegal” use). • The appraisal report demonstrates that the improvements are typical for the market through an analysis of at least two comparable sales with the same non-compliant zoning use. Aged, settled sale(s) with the same non-compliant zoning use are acceptable if recent sales are not available. At a minimum, the appraisal report must include a total of three settled sales. <p>See SB4-1.3-04, Property Site, Disaster Mitigation, and Highest and Best Use, for subject property zoning information. (SB4-1.3-05; 12/10/25)</p>	<p>Ineligible properties with ADUs Mortgages secured by the following ADU configurations are not eligible for purchase by Freddie Mac:</p> <p>A 2- or 3-unit property with an ADU that does not comply with zoning and land use requirements (illegal zoning) A 1-, 2- or 3-unit property with two or more ADUs A 4-unit property with an ADU (5601.2(b); 11/2/26)</p>	<p>No change</p>	<p>Low</p>
<p>Structure: Methamphetamine Contamination</p>	<p>If the Mortgagee or the Appraiser identifies a Property as contaminated by the presence of methamphetamine (meth), either by its manufacture or by consumption, the Property is ineligible due to this environmental hazard until the Property is certified safe for habitation (pg.185)</p>	<p>The appraiser must report and consider the effect on value of any apparent indication of a potential environmental problem with the existence of methamphetamine contamination</p> <p>The appraisal report must be prepared subject to correction of the problem in accordance with any local, state, or federal requirements, or documentation from the appropriate local, state, or federal authority that the condition is acceptable (Ch. 12. pg. 43)</p>	<p><i>Not explicitly addressed in policy</i></p>	<p><i>Not explicitly addressed in Policy</i></p>	<p>Align to Fannie Mae by replacing niche, topic-specific FHA guidance with a general hazard framework for material hazards, deficiencies, and environmental factors—requiring appraisers to identify, assess, disclose, and reflect material hazards/defects in the valuation, and to recommend inspections, specialist evaluation, or remediation when warranted</p>	<p>Low</p>

Appendix B to Joint Trade Response to MPR RFI: Minimum Property Requirements Comparison Grid

Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Structure: Structural Conditions</p>	<p>The Mortgagee must confirm that the Structure of the Property will be serviceable for the life of the Mortgage.</p> <p>The Mortgagee must confirm that all foundations will be serviceable for the life of the Mortgage and adequate to withstand all normal loads imposed. (pgs. 183 & 184)</p>	<p><i>Silent</i></p>	<p>When an appraisal is required and there are: • defects, damages, or deficiencies affecting the soundness or structural integrity of the dwelling including, but not limited to, foundation settlement, water seepage, infestation, active roof leaks, worn roof shingles, inadequate electrical service, or plumbing fixtures, etc., or • incomplete items including, but not limited to, remodeling or renovation(s) (e.g., unfinished kitchen, bathroom(s) or addition(s)), the appraisal must be "subject to" completion of the specific repairs or incomplete items. Incomplete items or physical deficiencies affecting soundness or structural integrity may also be identified through the property data collection process...In all cases, the lender must verify completion before the loan is sold to Fannie Mae. (SB4-1.2-05; 12/10/2025)</p>	<p>If there are property conditions that require further investigation, the appraisal report must be completed "subject to" an inspection by an appropriately licensed professional or another person trained in the particular field of concern.</p> <p>Examples of conditions that may require an inspection include, but are not limited to, observations of:</p> <ul style="list-style-type: none"> - Severe cracks in foundations or walls... <p>The Seller must include in the Mortgage file evidence of the repair or an inspection report that indicates the condition does not require repair. See Section 5605.8 for additional information related to appraisal reports completed "subject to" an inspection.</p> <p>(5605.5; 11/2/26)</p> <p>A Mortgaged Premises with deficiencies consistent with an ""as is"" condition rating of C5 or C6 is not acceptable collateral to secure a Mortgage sold to Freddie Mac... Examples of defects, damages or deficiencies that are consistent with a C5 or C6 condition rating include, but are not limited to:...</p> <ul style="list-style-type: none"> • Damaged or failing foundations... <p>(5605.5; 11/2/26)</p>	<p>Align to Fannie Mae</p>	<p>Low</p>

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Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Structure: Swimming Pools</p>	<p>The Mortgagee must confirm that any swimming pools comply with all local ordinances. (pg. 183)</p> <p>The Appraiser must report readily observable defects in a noncovered pool that would render the pool inoperable or unusable. If the pool water contains algae and is aesthetically unappealing, but the Appraiser has no evidence that the pool is otherwise contaminated, no cleaning is required. Swimming pools must be operational to provide full Contributory Value.</p> <p>The Appraiser must condition the appraisal report for pools with unstable sides or structural issues to be repaired or permanently filled in accordance with local guidelines, and the surrounding land regraded if necessary. (pgs. 829 & 830)</p>	<p>If the pool water contains algae or if the pool has been winterized, and the appraiser cannot determine if the pool equipment is in good working order, the appraiser may complete the appraisal under the extraordinary assumption that the pool and its equipment can be repaired at minimal cost without recommending any repairs.</p> <p>The appraiser must report readily observable defects including unstable sides and structural issues that would render the pool inoperable or unusable.</p> <p>Depending on the extent of the damage, the appraiser must prepare the appraisal report "subject to" the repair of the pool, and include the pool in value, or prepare the appraisal "subject to" permanently filling in the pool, in accordance with local guidelines, and re-grading the yard, if necessary.</p> <p>Swimming pools must be secured in accordance with any local requirements. Ch. 12 pg. 34</p>	<p>An over-improvement is an improvement that is larger or costlier than what is typical for the market area. For example, a 4,000 square foot home located in an area of homes where the typical home is 2,000 square feet, may be considered an over-improvement. Furthermore, a home with an in-ground pool in an area where pools are not typical may also be considered an over-improvement. The appraiser must comment on over-improvements and indicate their contributory value in the Sales Comparison Approach adjustment grid. (SB4-1.3-03; 6/4/2025)</p>	<p><i>Not explicitly addressed in Policy</i></p>	<p>Align to Fannie Mae</p>	<p>Low</p>

Appendix B to Joint Trade Response to MPR RFI: Minimum Property Requirements Comparison Grid

Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Water: Individual Residential Water Purification System</p>	<p>Water purification equipment must be approved by a nationally recognized testing laboratory acceptable to the local or state health authority. The Mortgagee must obtain a certification from a local or state health authority which certifies that:</p> <ul style="list-style-type: none"> • A point-of-entry or point-of-use water purification system is on the Property. If the system employs point-of use equipment, the purification system must be employed on each water supply source (faucet) serving the Property. Where point-of-entry systems are used, separate water supply systems carrying untreated water for flushing toilets may be constructed. • The system is sufficient to ensure an uninterrupted supply of safe and potable water adequate to meet household needs. • The water supply, when treated by the equipment, meets the requirements of the local or state health authority, and has been determined to meet local or state quality standards for drinking water. If neither state nor local standards are applicable, then quality must be determined in accordance with standards set by the Environmental Protection Agency (EPA) pursuant to the Safe Drinking Water Act in 40 CFR Parts 141–142. • A plan exists that provides for the monitoring, servicing, maintenance, and replacement of the water equipment, and the plan meets the service contract 	<p><i>Silent</i></p>	<p><i>Not explicitly addressed in policy</i></p>	<p><i>Not explicitly addressed in Policy</i></p>	<p>Align to Fannie Mae</p>	<p>Low</p>
<p>Water: Individual water Supply System Water Filtration System</p>	<p><i>Silent</i></p>	<p>If the property has a water filtration system, the Veteran must acknowledge in writing that the water must be continuously treated as required by the local health authority to be considered safe for human consumption and for this to be effective, the system must be inspected and maintained to include filter replacements per the manufacturers’ recommendations (Ch. 12 pg. 22)</p>	<p><i>Not explicitly addressed in policy</i></p>	<p><i>Not explicitly addressed in Policy</i></p>	<p>No recommendation</p>	<p>low</p>

Appendix B to Joint Trade Response to MPR RFI: Minimum Property Requirements Comparison Grid

Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Zoning</p>	<p>FHA requires the Property to comply with all applicable zoning ordinances (pg. 823)</p>	<p>The property must comply with all applicable zoning ordinances.</p> <p>If the property does not comply with current zoning ordinances, but is accepted by the local authority, the appraiser must describe the property as “Legal Non-Conforming” and comment on the property’s marketability and any adverse effect this classification may have on value. The appraiser must state whether or not the dwelling may be legally rebuilt if destroyed. (Ch. 12 pg. 17)</p>	<p>Subject Property Zoning The appraiser must identify the specific zoning classification code in the appraisal report, such as R-1 or R-2, and provide a general description as to what the zoning permits, such as single family or two-unit properties. The appraisal must also indicate whether the subject property presents</p> <ul style="list-style-type: none"> • a legal conforming use, • a legal non-conforming use, • an illegal use, or • no local zoning. <p>If the subject’s zoning compliance is illegal under the zoning regulations, the appraisal report must contain the reason(s) the site does not comply with the zoning regulations. Fannie Mae only purchases or securitizes loans on properties if the improvements constitute a legal conforming use of the land. However, Fannie Mae will purchase or securitize a loan for a property that constitutes a legal, non-conforming use of the land provided that the appraisal analysis reflects any adverse effect that the non-conforming use has on the value and marketability of the property. This requirement applies to all property types. Fannie Mae will not purchase or securitize a loan secured by a property that is subject to certain land-use regulations, such as coastal tideland or wetland laws, that create setback lines or other provisions that prevent the reconstruction or maintenance of the property improvements if they are damaged or destroyed. The intent of these types of land-use regulations is to remove existing land uses and to stop land development, including the maintenance or construction of seawalls, within specific setback lines.</p> <p>For information regarding accessory dwelling units that comply or do not comply with zoning, see SB4-1.3-05, Dwelling Exterior, Unit Interior, and Outbuilding Sections of the Appraisal Report. (SB4-1.3-04; 6/4/25)</p>	<p>(ii)</p> <p>Zoning The appraisal report must accurately describe:</p> <p>The zoning classification code as defined by the local governing authority (e.g., R-1, R-2) A description of the zoning classification code and the details of the classification code as used and defined by the local governing authority (e.g., residential single-family dwellings on 1-acre lots, residential 2-4 family dwellings) The level of compliance of the site or improvements with zoning regulations. Acceptable responses include: Legal use Legal non-conforming use (any illegal use that is grandfathered or allowed by special exception) Illegal use There is no zoning (A) Eligible zoning classification Freddie Mac does not limit Mortgage purchases to Mortgages secured by properties with specific zoning classifications; however, the Mortgaged Premises zoning classification is an important characteristic the Seller must consider when determining whether the Mortgage is eligible for sale to Freddie Mac.</p> <p>Example: If a property is zoned for agricultural use, the Seller must ensure the property is residential in nature, its residential use is a permissible use under the zoning classification and its use does not primarily involve commercial activities such as farming or ranching.</p> <p>(B) Eligible zoning compliance The zoning compliance must be either legal or legal non-conforming.</p>	<p>Align to Fannie Mae</p>	<p>Low</p>

Appendix B to Joint Trade Response to MPR RFI: Minimum Property Requirements Comparison Grid

Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
Zoning: Party or Line Lot Wall	A building constructed on or next to a property line must be separated from the adjoining building by a wall extending the full height of the building from the foundation to the ridge of the roof (pg. 822)	A building constructed on or next to a property line must be separated from the adjoining building by a wall extending the full height of the building from the foundation to the ridge of the roof (Ch. 12 pg. 8)	<i>Not explicitly addressed in policy</i>	<i>Not explicitly addressed in Policy</i>	Align to Fannie Mae by replacing niche, topic-specific FHA guidance with a general hazard framework for material hazards, deficiencies, and environmental factors—requiring appraisers to identify, assess, disclose, and reflect material hazards/defects in the valuation, and to recommend inspections, specialist evaluation, or remediation when warranted	Low
Environmental: Gas and Oil Wells	<p>If the Property contains any abandoned gas or oil wells, the Mortgagee must obtain a letter from the local jurisdiction or appropriate state agency stating that the subject well was permanently abandoned in a safe manner.</p> <p>If the Property contains any abandoned petroleum product wells, the Mortgagee must ensure that a qualified petroleum engineer has inspected the Property and assessed the risk, and that the appropriate state authorities have concurred on clearance recommendations. (pg. 184)</p> <p>For an operating well, the dwelling must not be located within 75 feet of an operating or proposed well (pg. 829)</p>	<p>The appraiser must report and consider the effect on value of any apparent indication of a potential environmental problem with the existence of oil and gas wells (operating or abandoned).</p> <p>The appraisal report must be prepared subject to correction of the problem in accordance with any local, state, or federal requirements, or documentation from the appropriate local, state, or federal authority that the condition is acceptable (Ch. 12. pg. 43)</p>	<i>Not explicitly addressed in policy</i>	<i>Not explicitly addressed in Policy</i>	Recommendation Forthcoming	Low

Appendix B to Joint Trade Response to MPR RFI: Minimum Property Requirements Comparison Grid

Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Environmental: Mineral, Oil, and Gas Reservations or Leases</p>	<p>The Appraiser must analyze and report the degree to which the residential benefits may be impaired or the Property damaged by the exercise of the rights set forth in oil, gas, and mineral reservations or leases.</p> <p>The Appraiser should consider the following:</p> <ul style="list-style-type: none"> • the infringement on the property rights of the fee owner caused by the rights granted by the reservation or lease; and • the hazards, nuisances, or damages that may arise or accrue to the subject Property from exercise of reservation or lease privileges on neighboring properties (pg. 831) 	<p>The appraiser must analyze and report the degree to which residential benefits may be impaired or the property damaged by the exercise of the rights set forth in oil, gas, and mineral reservations or leases.</p> <p>The appraiser should consider the following:</p> <ul style="list-style-type: none"> • the infringement on the property rights of the fee owner caused by the rights granted by the reservation or lease, and • the hazards, nuisances, or damages to the subject property from exercise of reservation or lease privileges on neighboring properties (Ch. 12 pg. 45) 	<p><i>Not explicitly addressed in policy</i></p>	<p>The "Ownership Rights" section of the appraisal report describes the ownership and property rights appraised for the subject property and must be reported as either fee simple or leasehold. The appraisal report must identify any property rights excluded from the valuation of the subject property (e.g., mineral rights, water rights). (5605.3; 11/2/26)</p>	<p>Recommendation Forthcoming</p>	<p>Low</p>

Appendix B to Joint Trade Response to MPR RFI: Minimum Property Requirements Comparison Grid

Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Environmental: Radon Gas</p>	<p><i>Silent</i></p>	<p>On proposed and new construction cases, the builder must certify that radon resistant construction techniques were used where applicable and construction meets any local or state building codes for radon control (Ch. 12 pg. 42)</p>	<p>When the appraiser has knowledge of any hazardous condition, whether it exists in or on the subject property or on any site within the vicinity of the property, including but not limited to, the presence of hazardous wastes, toxic substances, asbestos-containing materials, urea-formaldehyde insulation, or radon gas, the appraiser must</p> <ul style="list-style-type: none"> - note the hazardous condition in the appraisal report; - comment on any influence the hazard has on the property's value and marketability, if it is measurable through an analysis of comparable market data as of the effective date of the appraisal, or indicate that the comparable market data reveals no buyer resistance to the hazard; - make appropriate adjustments in the overall analysis of the property's value; and - make the appraisal "subject to" inspection by a qualified professional. <p>Fannie Mae expects the appraiser to consider and use comparable market data from the same affected area because the sales prices of settled sales, the contract sales prices of pending sales, and the current asking prices for active listings will reflect any negative effect on value and marketability of the subject property.</p> <p>Note: Fannie Mae does not consider the appraiser to be an expert in the field of environmental hazards. The typical residential real estate appraiser is neither expected nor required to be an expert in this specialized field. The appraiser, however, has a responsibility to note in the appraisal report any apparent environmental conditions that were observed during the inspection of the subject property or information that they became aware of through the normal research involved in performing an appraisal.</p> <p>(SB4-1.4-08; 6/4/2025)</p>	<p>If the Seller knows of the existence of a Contaminated Site in the Neighborhood, the Seller must inform the appraiser of the Contaminated Site when ordering the appraisal.</p> <p>The appraisal report must identify any known environmental issues, such as Contaminated Sites, Hazardous Substances or other adverse conditions, that affect the subject property or are within the vicinity of the property. The appraisal report must include adjustments to reflect any impact on market value and commentary on any effect to the marketability of the subject property.</p> <p>Examples of conditions that require analysis and commentary include, but are not limited to:</p> <ul style="list-style-type: none"> - Hazardous Above Ground Storage Tank - Hazardous Substances - Landfill - Radon - Slush Pit - Soil Contamination - Superfund Site - Underground Storage Tank - Water Contamination <p>5605.4; 11/2/26)</p>	<p>Recommendation Forthcoming</p>	<p>Low</p>

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Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Environmental: Slush Pits</p>	<p>If the Property has a Slush Pit, the Appraiser must make the appraisal subject to the removal of all unstable and toxic materials and the site made safe (pg. 830)</p>	<p>The appraiser must report and consider the effect on value of any apparent indication of a potential environmental problem with the existence of a slush pit. The appraisal report must be prepared subject to correction of the problem in accordance with any local, state, or federal requirements, or documentation from the appropriate local, state, or federal authority that the condition is acceptable (Ch. 12. pg. 43)</p>	<p><i>Not explicitly addressed in Policy</i></p>	<p>If the Seller knows of the existence of a Contaminated Site in the Neighborhood, the Seller must inform the appraiser of the Contaminated Site when ordering the appraisal. The appraisal report must identify any known environmental issues, such as Contaminated Sites, Hazardous Substances or other adverse conditions, that affect the subject property or are within the vicinity of the property. The appraisal report must include adjustments to reflect any impact on market value and commentary on any effect to the marketability of the subject property. Examples of conditions that require analysis and commentary include, but are not limited to: - Hazardous Above Ground Storage Tank - Hazardous Substances - Landfill - Radon - Slush Pit - Soil Contamination - Superfund Site - Underground Storage Tank - Water Contamination 5605.4; 11/2/26)</p>	<p>Recommendation Forthcoming</p>	<p>Low</p>
<p>Environmental: Smoke, Fumes, and Offensive or Noxious Odors</p>	<p>The Appraiser must notify the Mortgagee if excessive smoke, chemical fumes, noxious odors, stagnant ponds or marshes, poor surface drainage or excessive dampness threaten the health and safety of the occupants or the marketability of the Property (pg. 826)</p>	<p><i>Silent</i></p>	<p><i>Not explicitly addressed in policy</i></p>	<p><i>Not explicitly addressed in policy</i></p>	<p>Recommendation Forthcoming</p>	<p>Low</p>

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Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
Environmental: Suitability of Soil	<p>The Appraiser must consider the readily observable soil and subsoil conditions of the site, including the type and permeability of the soil, the depth of the water table, surface drainage conditions, compaction, rock formations and other physical features that affect the value of the site, or its suitability for development or support of the existing improvements.</p> <p>The Appraiser should also consider events and published reports regarding the instability of the soil and surface support of the land as related to the subject and proximate properties (pg. 828)</p>	<p>The appraiser must report any readily observable soil conditions of the site, and other physical features that affect the value of the site. The appraiser should also consider any published reports regarding the instability of the soil and surface support of the land concerning the subject and nearby properties (Ch. 12 pg. 11)</p>	<p><i>Not explicitly addressed in policy</i></p>	<p><i>Not explicitly addressed in policy</i></p>	<p>Recommendation Forthcoming</p>	<p>Low</p>
Legal Requirements: Planned Unit Development	<p>The Appraiser must identify the name of the PUD and indicate that the subject is located in a PUD by checking the PUD box on the appraisal form. The Appraiser must also enter the dollar amount of the HOA fee and mark the box indicating if the fees are paid “per year” or “per month.” (pg. 821)</p>	<p><i>Silent</i></p>	<p>Information Disclosed to the Appraiser... Property Information The list below includes items that must be disclosed, if applicable: • condo or PUD fees;... (SB4-1.1-05)</p>	<p><i>Not explicitly addressed in policy</i></p>	<p>Recommendation Forthcoming</p>	<p>Low</p>
Legal Requirements: Property Rights	<p>Property rights to be appraised must be on real estate held in Fee Simple or Leasehold that comply with HUD requirements (pg. 821)</p>	<p><i>Silent</i></p>	<p>The appraiser must also identify the property rights to be appraised. (SB4-1.3-02; 6/4/25)</p>	<p>The “Ownership Rights” section of the appraisal report describes the ownership and property rights appraised for the subject property and must be reported as either fee simple or leasehold. The appraisal report must identify any property rights excluded from the valuation of the subject property (e.g., mineral rights, water rights). (5605.3; 11/2/26)</p>	<p>Recommendation Forthcoming</p>	<p>Low</p>

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Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
Mechanical: High Voltage Electric Transmission Lines	<i>Silent</i>	No part of any residential structure may be located within a high voltage electric transmission line easement. Any detached improvements even partially in a transmission line easement will not receive value for VA purposes. If the property is within 100 feet from the nearest boundary of a high voltage electric transmission line easement, the appraiser must comment in the appraisal (Ch. 12 pg. 46)	<i>Not explicitly addressed in policy</i>	<i>Not explicitly addressed in policy</i>	Recommendation Forthcoming	Low
Mechanical: Overhead Electric Lines	Any Overhead Electric Power Transmission Lines must not pass directly over any dwelling, Structure or related property improvement, including pools. The power line must be relocated for a Property to be eligible for FHA-insured financing. The residential service drop line may not pass directly over any pool, spa or water feature. (pg. 183) The dwelling or property improvements within an easement must not be located within an unsafe distance of any power line or tower (pg. 826)	<i>Silent</i>	<i>Not explicitly addressed in policy</i>	<i>Not explicitly addressed in Policy</i>	Recommendation Forthcoming	Low
Structure: Bedrooms	Any Bedroom must be able to accommodate ingress or egress in the event of an emergency, regardless of location above or below grade (pg. 838)	<i>Silent</i>	<i>Not explicitly addressed in policy</i>	<i>Not explicitly addressed in Policy</i>	Recommendation Forthcoming	Low

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Alignment Recommendation

Topic	FHA	VA	Fannie Mae	Freddie Mac	Joint Trade Recommendation	Priority
<p>Water: Community Water Supply/Sewage Disposal</p>	<p>Community Water Systems (A)Definition A Community Water System refers to a central system that is owned, operated, and maintained by a private corporation or a nonprofit property owners' association.</p> <p>Acceptable Reporting Forms and Protocols (B) Standard A Community Water System must comply with local jurisdiction requirements.</p> <p>(C)Required Analysis and Reporting If the Property is on a Community Water System, the Appraiser must note the name of the water company on the appraisal report.</p> <p>Needs Citation (pg. 837)</p>	<p>The water supply must be sufficient in size for the project. Water quality must be approved by the local or state health authority. The sewage system must be adequate in size and properly operated and maintained to prevent it from becoming a menace to public health. The lender must obtain evidence of approval of the facilities by the local or state health authority. (Ch. 12 pg. 26)</p>	<p>For loans to be eligible for purchase or securitization, the utilities of the property must meet community standards. If public sewer and/or water facilities, those that are supplied and regulated by the local government, are not available, community or private well and septic facilities must be available and utilized by the subject property. The owners of the subject property must have the right to access those facilities, which must be viable on an ongoing basis. Private well or septic facilities must be located on the subject site, unless the subject property has the right to access off-site private facilities and there is an adequate, legally binding agreement for access and maintenance. If there is market resistance to an area because of environmental hazards or any other conditions that affect well, septic, or public water facilities, the appraisal report must address the effect of the hazards on the value and marketability of the subject property (see SB4-1.4-08, Apparent Environmental Conditions). (SB4-1.3-04; 6/4/25)</p>	<p>The appraisal report must describe the utilities that are permanently connected to the site and the impact of the utilities on the value and marketability of the subject property. The utilities that serve the subject property must meet community standards. The comparable sales should have utilities that are similar to the subject property's utilities. (5605.4; 11/2/26)</p>	<p>Recommendation Forthcoming</p>	<p>Low</p>

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<p>Zoning: Easements and Deed Restrictions</p>	<p>The Appraiser must note the presence of any Easements and Deed Restrictions to assist the Mortgagee in determining eligibility (pg. 824)</p>	<p><i>Silent</i></p>	<p>Because amenities, easements, and encroachments may either detract from or enhance the marketability of a site, the appraiser must reflect them in the analysis and evaluation. The appraiser must comment if the site has adverse conditions or if there is market resistance to a property because the site is not compatible with the market area or the requirements of the competitive market, and assess the effect, if any, on the value and marketability of the property. (SB4-1.3-04; 6/4/25)</p>	<p>If the appraisal report contains a metes and bounds legal description, it should comply with the following standards: [...] The subject property must not be divided into parcels unless serving a special purpose of the Mortgage; however:</p> <ul style="list-style-type: none"> • The subject property must be divided if the parcel is located on two sides of a public way • It is customary in many areas to describe an easement appurtenant to a fee simple parcel by using a separate parcel description <p>(5605.3) For properties subject to resale restrictions, the appraisal report must:</p> <ul style="list-style-type: none"> • Note the existence of any resale restrictions, and • Include an analysis that addresses any impact the resale restrictions have on the property's value or marketability <p>For Mortgages secured by properties subject to resale restrictions that survive foreclosure or recordation of a deed-in-lieu of foreclosure, the appraisal report must:</p> <ul style="list-style-type: none"> • Reflect the impact the resale restrictions have on the subject property's value, and • When available, be supported by comparable sales with similar resale restrictions <p>If recent comparable sales with similar resale restrictions are not available in the Market Area, the appraiser should:</p> <ul style="list-style-type: none"> • Use similarly restricted older comparable sales from the Market Area, or • Consider recent and older similarly restricted sales from competing Market Areas as comparable sales or as supporting market data <p>When comparable sales with similar resale restrictions are not available, as long as the appraiser can justify and support their use in the appraisal report, the appraiser may use comparable sales:</p> <ul style="list-style-type: none"> • With different resale restrictions, or • Without resale restrictions <p>For Mortgages secured by properties subject to resale restrictions that terminate upon foreclosure (or expiration of any applicable legally required foreclosure redemption period) or recordation of a deed-in-lieu of foreclosure, the appraisal report must reflect the market value of the property without resale restrictions by using comparable sales that are not resale restricted. The Seller, or any third party authorized by the Seller, must ensure that the</p>	<p>Recommendation Forthcoming</p>	<p>Low</p>

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<p>Zoning: Excess and Surplus Land</p>	<p>The Appraiser must include the highest and best use analysis in the appraisal report to support the Appraiser’s conclusion of the existence of Excess Land. The Appraiser must include Surplus Land in the valuation.</p> <p>If the subject of an appraisal contains two or more legally conforming platted lots under one legal description and ownership, and the second vacant lot is capable of being divided and/or developed as a separate parcel where such a division will not result in a nonconformity in zoning regulations for the remaining improved lot, the second vacant lot is Excess Land. The value of the second lot must be excluded from the final value conclusion of the appraisal and the Appraiser must provide a value of only the principal site and improvements under a hypothetical condition (pg. 833)</p> <p>See additional guidance on page 823 of 4000.1</p>	<p><i>Silent</i></p>	<p>Degree of Development When reviewing an appraisal on a property located in a rural or undeveloped area, the lender should focus on the characteristics of the property, zoning, and the present land use to determine whether the property should be considered residential in nature. For example, if the typical one-unit building site in a particular area (based on the zoning, the highest and best use of the land, and the present land use) is two acres in size, the loan will be eligible for purchase or securitization regardless of the percentage of the total appraised value of the property that the site represents, as long as the appraiser demonstrates through the use of comparable sales that the property is a typical residential property for that particular market area. Because Fannie Mae does not purchase or securitize loans secured by agricultural-type properties, undeveloped land, or land development-type properties, the lender must review the appraisal report for properties that have sites larger than those typical for residential properties in the market area. Special attention must be given to the appraiser’s description of the market area, zoning, the highest and best use determination, and the degree of comparability between the subject property and the comparable sales. If the subject property has a significantly larger site than the comparables used in the appraiser’s analysis, the subject property may not be a typical residential property for its market. (SB4-1.3-03; 6/4/25)</p> <p>The appraisal must include the actual size of the site and not a hypothetical portion of the site for the subject property. For example, the appraiser may not appraise only 5 acres of an unsubdivided 40–acre parcel. The appraised value must reflect the entire 40–acre parcel. If the appraiser developed an opinion of site value, then the appraiser must also include the method by which the site value is calculated. For the sales comparison, the land comparables used to develop the site value must be provided. The Reconciliation of Site Value commentary must include any additional details necessary to support the appraiser’s opinion of site value, such as date of sale, access, utilities, zoning, views, or site influences of the land comparables in relation to the subject property. (SB4-1.3-04; 6/4/25)</p>	<p>Freddie Mac does not limit Mortgage purchases based on the size of the subject property site. The appraisal report must identify the total area of the site. If the Mortgaged Premises is situated on more than one parcel, the appraisal report must identify whether the parcels have at least one common boundary or an object or element separates the parcels.</p> <p>When the Mortgaged Premises is situated on two or more parcels:</p> <ul style="list-style-type: none"> - The parcels must be adjoining. Exception: Parcels that would otherwise be adjoined but are separated by a road (e.g., a waterfront property where the parcel without the residence offers access to the water) are eligible if the parcel without the residence is non-buildable (but may include non-residential improvements such as a garage or dock) and the Mortgage file contains evidence that the parcel without the residence cannot be improved with a dwelling. - The Mortgaged Premises must contain only one residence. (An ADU is allowed on the parcel that contains the residence if the eligibility requirements of Section 5601.2 are met.) - The Mortgage must be a valid First Lien on each parcel - Each parcel must have the same basic zoning (e.g., residential, agricultural) - Each parcel must be conveyed in its entirety - The site description must accurately describe the land and any improvements included on each parcel - The residence or improvements may be situated across lot lines - non-residential improvements (e.g., garages, outbuildings) are acceptable on any parcel <p>(5605.4; 11/2/26)</p>	<p>Recommendation Forthcoming</p>	<p>Low</p>

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<p>Zoning: Local Housing/Planning Authority Code Enforcement</p>	<p><i>Silent</i></p>	<p>If the property is located in an area where specific local housing/planning authority code requirements are enforced in conjunction with the sale of homes, the appraiser must describe the requirements in the appraisal report</p> <p>If the appraiser is aware of any repairs that will be required due to local code enforcement, for example, the removal of unpermitted improvements, the appraiser must prepare the appraisal subject to these repairs. (Ch 12. pg. 18)</p>	<p><i>Not explicitly addressed in policy</i></p>	<p><i>Not explicitly addressed in policy</i></p>	<p>Recommendation Forthcoming</p>	<p>Low</p>
<p>Zoning: Nonresidential Use of Property</p>	<p>The nonresidential portion of the Total Floor Area may not exceed 49 percent. Any nonresidential use of the Property must be subordinate to its residential use, character and appearance. Nonresidential use may not impair the residential character or marketability of the Property. The nonresidential use of the Property must be legally permitted and conform to current zoning requirements. (pg. 823)</p>	<p>A property that has both a residential and business use may be eligible for loan guaranty if:</p> <ul style="list-style-type: none"> • the property is primarily for residential use, • the non-residential use does not impair the residential character, • the property contains no more than one business unit, and • the property is legally permitted and conforms to current zoning, or is a legal, non-conforming use that is accepted by the local authority. (Ch. 12 pg. 16) 	<p>Fannie Mae purchases or securitizes mortgages that are secured by properties that have a business use in addition to their residential use, such as a property with space set aside for a day care facility, a beauty or barber shop, or a doctor’s office.</p> <p>The following special eligibility criteria must be met:</p> <ul style="list-style-type: none"> • The property must be a one-unit dwelling that the borrower occupies as a principal residence. • The borrower must be both the owner and the operator of the business. • The property must be primarily residential in nature. • The dwelling may not be modified in a manner that has an adverse impact on its marketability as a resid (SB2-3-04; 12/10/2025) 	<p>Freddie Mac does not limit Mortgage purchases based on the size of the subject property site. The appraisal report must identify the total area of the site. If the Mortgaged Premises is situated on more than one parcel, the appraisal report must identify whether the parcels have at least one common boundary or an object or element separates the parcels.</p> <p>When the Mortgaged Premises is situated on two or more parcels:</p> <ul style="list-style-type: none"> - The parcels must be adjoining.Exception: Parcels that would otherwise be adjoined but are separated by a road (e.g., a waterfront property where the parcel without the residence offers access to the water) are eligible if the parcel without the residence is non-buildable (but may include non-residential improvements such as a garage or dock) and the Mortgage file contains evidence that the parcel without the residence cannot be improved with a dwelling. - The Mortgaged Premises must contain only one residence. (An ADU is allowed on the parcel that contains the residence if the eligibility requirements of Section 5601.2 are met.) - The Mortgage must be a valid First Lien on each parcel - Each parcel must have the same basic zoning (e.g., residential, agricultural) - Each parcel must be conveyed in its entirety - The site description must accurately describe the land and any improvements included on each parcel - The residence or improvements may be situated across lot lines - non-residential improvements (e.g., garages, outbuildings) are acceptable on any parcel (5605.4; 11/2/26) 	<p>Recommendation Forthcoming</p>	<p>Low</p>