Appraisal and Property Requirements ATL-HOC Tip Zone Information

A: Requiring reports and Treatment: Wood destroying insects and other organisms can cause serious problems in the wood structural components of a house and may go undetected for a long period of time. FHA requires inspection only if there is evidence of active infestation, if mandated by the state or local jurisdiction, if customary to the area, or at the lender's discretion. Please see: **Mortgagee Letter 2005-48** for more information.

1. Termite infestation Probability Zones (TIP Zones) - Based on maps published in the IRC (International Residential Code), CABO One-and Two-Family Dwelling Code, Permanent Foundations Guide for Manufactured Housing, Appendix H-10 and/or the US Department of Agriculture's Bulletin 64, the Atlanta Homeownership Center (ATL-HOC) has identified the states in its jurisdiction where potential damages by termites is considered very significant. These states and the TIP zoning are identified as follows:

a. Termite Infestation Probability Zone #1 (TIP Zone 1 – **"VERY HEAVY"**) consists of the States of Alabama, Florida, Georgia, Mississippi, South Carolina and Puerto Rico.

b. Termite Infestation Probability Zone #2 (TIP Zone 2 – **"MODERATE to HEAVY"**) consists of the States of Illinois, Indiana, Kentucky, North Carolina and Tennessee

2. New Construction: New Construction = Proposed construction, under construction and existing less than 1 year old.

The Department's policy concerning the requirement for a builder's warranty against termite infestation in new homes is outlined in Mortgagee Letters: 1999-03, **2001-04** and **2003-11**. The Department has determined that if the property meets requirements in the International Residential Code (IRC) by the International Code Council (ICC) on protection against subterranean termites, (specifically Sections R323 and R324) they will satisfy the requirements of HUD's minimum property standards.

In all ATL-HOC jurisdictional states (TIP Zones 1 & 2) the acceptable treatment methods for protection include chemical soil treatment, pressure preservatively treated wood (in accordance with AWPA standards), naturally termite-resistant wood, physical barriers (such as metal or plastic termite shields), bait systems, or any combination of these methods.

The builder must complete the HUD-NPMA-99-A form and indicate that one of the following accepted treatment methods was used:

a. **HUD-NPMA-99-A** - (Subterranean Termite Builders Certification and Guarantee) Completed by the builder as indicated in Mortgagee Letters 1999-03 and **2001-04**, providing a 1 year guarantee indicating one of the following treatments was used:

I. Bait system, OR

II. Wood (pressure preservative treated wood as outlined in **Mortgagee Letter 2001-04**) - Under "type of Treatment", check the box titled "wood" and add statement "Complies with Mortgagee Letter 2001-04 for use of preservative treated wood", OR

III. Soil (Chemical Soil treatment) - **HUD-NPMA-99-B** is to be used with form **HUD-NPMA-99-A** only if the property is treated with a soil termiticide. The licensed pest control company is responsible for completing form **HUD-NPMA-99-B**, as appropriate, and providing it to the builder.

- The builder is responsible for attaching the forms together and distributing the completed forms to the lender.

- Lenders must provide one copy to the buyer at closing and include a copy in the HUD endorsement binder. Please see: Mortgagee Letter 1999-03. OR

IV. Buildings using steel, masonry or concrete building components (with only minor interior wood trim and roof sheathing.) - Under "Type of Treatment" on form the Builder is to add in the space to the right of the box titled "Soil" the statement "Masonry (steel, or concrete) construction, no treatment needed. Complies with **Mortgagee Letter 2001-04**."

b. The use of post-construction soil treatment where a chemical termiticide is applied only around the perimeter of the foundation is NOT acceptable.

Note: All chemical soil treatments, bait systems, and chemical wood treatment must be approved by the Environmental Protection Agency (EPA) and applied in accordance with the EPA label instructions.

3. Existing (over 1 year old): (Please see: **Mortgagee Letter 2005-48**) Appraisers are to indicate on the appraisal form if there was evidence of infestation of wood boring insects in the house and/or other structures within the legal boundaries of the property.

- Further inspection is required when any of the following apply:

  - At Lender's discretion;

  - When it is required by local and/or state laws - FHA does not require the lender to submit evidence or documentation in the case binder that the state or local jurisdiction does or does not require a test or inspection;

  - When it is customary to the area;
  - There is evidence of:
    - Decay
    - Pest infestation
    - Suspicious damage

- When a clear inspection report is required on an existing property seeking FHA mortgage insurance:

  - The National Pest Management Association form **NPMA-33**, Wood Destroying Insect Inspection Report must be completed. Or if the property is located in a state having a mandated wood infestation form, then the State mandated form must be used. At this time the following States have their own

mandated form for wood destroying insect infestation and the use of the **NPMA-33** is NOT required: Alabama, Arizona, California, Florida, Georgia, Hawaii, Louisiana, Maryland, Mississippi, Nevada, North Carolina, Oklahoma, South Carolina and Texas.

- When a clear report is required, all improvements within the property lines must be inspected and be free of active infestation. The validity period is 90 days from the initial date of inspection. (Please See **Mortgagee Letter 95-33**. Form **NPMA-33** replaced form NPCA-1 effective January 1, 2005).

  (The use of a bait/monitoring system is acceptable when used in conjunction with an applied liquid chemical treatment.)

4. Condominiums: A condominium is subject to the same inspection requirements as stated in the section titled "Existing (over 1 year old)" The inspection is to include the unit, attached and/or detached garage, and other structures that are a part of the subject.

- If an inspection reveals problems with sections of the condo held in common with other owners a letter from the homeowners association listing the date of scheduled repairs, name of the contractor awarded the work, and acknowledgment that the funds necessary to pay for those repairs have already been budgeted and/or collected should be in the insuring binder.

B: Appraiser's Observations: Appraisers are to observe all areas of the house and other structures/areas within the legal boundaries of the property that have potential for infestation by termites and other wood destroying organisms. Appraisers are to record any condition that might be active infestation.

C: Sectioned Reports and Condition Clearance: The following are guidelines for clearance of termite report conditions in states where section termite reports are provided. On these reports each finding/recommendation will be noted in either Section I or Section II, or the equivalent.

a. Section I: contains items where there is evidence of active infestation, infection or conditions that have resulted in or from infestation or infection.

b. Section II: items are conditions deemed likely to lead to infestation or infection, but where no visible evidence of such was found. The Structural Pest Control Board has advised that Section II items will probably be major items that have not become infestations/infections, but possibly will become in the future.

Please see: **HOC's Procedures for Clearing Sectioned Pest Reports**