

II. ORIGINATION THROUGH POST-CLOSING/ENDORSEMENT

A. Title II Insured Housing Programs Forward Mortgages

8. Programs and Products - New Construction

i. New Construction

i. Definitions

New Construction refers to Properties that are Proposed, Under Construction, or were completed within one year as defined below:

- Proposed Construction refers to a Property where no concrete or permanent material has been placed. Digging of footing and placement of rebar is not considered permanent.
- Under Construction refers to the period from the first placement of permanent material to 100 percent completion with no Certificate of Occupancy (CO) or equivalent.
- Existing for Less than One Year refers to a Property that is 100 percent complete and has been completed less than one year from the date of the issuance of the CO or equivalent. The Property must have never been occupied.

Pre-Approval refers to Properties that are less than one year old and meet one of the following requirements:

- the Property was appraised and the Mortgagee issued form [HUD-92800.5B](#), *Conditional Commitment Direct Endorsement Statement of Appraised Value*, before construction started;
- a building permit or its equivalent has been issued by a local jurisdiction (not applicable to Manufactured Housing); or
- the Mortgagee issued an Early Start Letter.

Early Start Letter refers to the document issued by the Mortgagee in response to a builder's request to start construction before the appraisal is completed. The Early Start Letter indicates the Mortgagee's approval of the Property before issuance of form [HUD 92800.5B](#) and without affecting the maximum mortgage amount. The Mortgagee can issue the Early Start Letter if local jurisdiction has issued a building permit and a case number has been assigned.

Ten-year warranty refers to an agreement between the Borrower and a plan issuer which contains warranties regarding the construction and structural integrity of the Borrower's dwelling securing the FHA-insured Mortgage. The plan must be a [HUD-accepted insured ten-year protection plan](#).

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ii. Inspections or Warranties for Maximum Financing

(A) Site Built Housing and Condominiums (By Construction Status at Time of Appraisal)

(1) Proposed Construction

The Mortgagee must obtain one of the following:

- copies of the building permit and CO (or equivalent);
- three inspections (footing, framing and final) performed by an FHA Roster Inspector on form [HUD-92051](#), *Compliance Inspection Report* (for Modular Housing, footing and final only);
- three inspections (footing, framing and final) performed by the local authority with jurisdiction over the Property (for Modular Housing, footing and final only); or
- a 10-year warranty and final inspection issued by the local authority with jurisdiction over the Property or an FHA Roster Inspector.

(2) Under-Construction

The Mortgagee must obtain:

- copies of the building permit and CO (or equivalent); or
- a 10-year warranty and final inspection issued by the local authority with jurisdiction over the Property or an FHA Roster Inspector.

(3) Existing for Less than One Year (100 Percent Complete)

The Mortgagee must obtain:

- copies of the building permit and CO (or equivalent); or
- a 10-year warranty and final inspection issued by the local authority with jurisdiction over the Property or an FHA Roster Inspector; or
- an appraisal evidencing Property is 100 percent complete.

(B) Manufactured Housing (By Construction Status at Time of Appraisal) Inspection Requirements for Maximum Financing

(1) Proposed Construction

The Mortgagee must obtain:

- two inspections (initial and final) performed by an FHA Roster Inspector;
or
- two Inspections (initial and final) performed by the certifying engineer or architect; or
- a 10-year warranty and final inspection issued by an FHA Roster Inspector or certifying engineer or architect.

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(2) Under Construction

The Mortgagee must obtain a 10-year warranty and final inspection issued by the FHA Roster Inspector or certifying engineer or architect.

(3) Existing for Less than One Year (100 Percent Complete)

The Mortgagee must obtain a 10-year warranty and final inspection issued by the FHA Roster Inspector or certifying engineer or architect.

HUD will only accept inspections by a local building authority on Manufactured Housing Properties if there are no FHA Roster Inspectors available to perform these inspections. The Mortgagee must document efforts to obtain an FHA Roster Inspector.

iii. Required Documentation for Maximum Financing

The Mortgagee must obtain and include the following documents in the case binder:

- Form [HUD-92541](#), *Builder's Certification of Plans, Specifications, and Site*;
- Form [HUD-92544](#), *Warranty of Completion of Construction*;
- Evidence that the Property was pre-approved or the 10-year warranty plan:
 - Evidence of pre-approval is the Early Start Letter or copy of building permit issued by local authority prior to start of construction.
 - For a 10-year warranty plan, evidence of acceptance or enrollment in the plan is required; the application alone is not acceptable.
- Required inspections;
- Wood Infestation Report, unless the Property is located in an area of no to slight infestation as indicated on HUD's "[Termite Treatment Exception Areas](#)" list:
 - Form [HUD-NPMA-99-A](#), *Subterranean Termite Protection Builder's Guarantee*, is required for all New Construction. If the building is constructed with steel, masonry or concrete building components with only minor interior wood trim and roof sheathing, no treatment is needed. The Mortgagee must ensure that the builder notes on the form that the construction is masonry, steel, or concrete.
 - Form [HUD-NPMA-99-B](#), *New Construction Subterranean Termite Service Record*, is required when the proposed Property is treated with a soil chemical termiticide. The Mortgagee must reject the use of post construction soil treatment when the termiticide is applied only around the perimeter of the foundation.
- Local Health Authority well water analysis and/or septic report, where required by the local jurisdictional authority.

iv. Financing LTV Limit

Properties that are Under Construction or Existing for Less than One Year are limited to a 90 percent LTV unless they meet the [Pre-Approval requirements](#) or are covered with a

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[HUD-accepted insured ten-year protection plan](#), and they meet the [Required Documentation for Maximum Financing](#).

For a Mortgage with an LTV of 90 percent or less, the Mortgagee must obtain:

- Form [HUD-92541](#), *Builder's Certification of Plans, Specifications, and Site*;
- Final inspection or appraisal, if the Property is 100 percent complete;
- Wood Infestation Report, unless the Property is located in an area of no to slight infestation as indicated on HUD's "[Termite Treatment Exception Areas](#)" list:
 - Form [HUD-NPMA-99-A](#), *Subterranean Termite Protection Builder's Guarantee*, is required for all New Construction. If the building is constructed with steel, masonry or concrete building components with only minor interior wood trim and roof sheathing, no treatment is needed. The Mortgagee must ensure that the builder notes on the form that the construction is masonry, steel, or concrete.
 - Form [HUD-NPMA-99-B](#), *New Construction Subterranean Termite Service Record*, is required when the proposed Property is treated with a soil chemical termiticide. The Mortgagee must reject the use of post construction soil treatment when the termiticide is applied only around the perimeter of the foundation.
- Local Health Authority well water analysis and/or septic report, where required by the local jurisdictional authority.

v. Documents to be Provided to Appraiser at Assignment

The Mortgagee must provide the Appraiser with a fully executed form [HUD-92541](#), signed and dated no more than 30 Days prior to the date the appraisal was ordered.

For Properties 90 percent completed or less, the Mortgagee must provide a copy of the floor plan, plot plan, and any other exhibits necessary to allow the Appraiser to determine the size and level of finish of the house they are appraising.

For Properties greater than 90 percent but less than 100 percent completed, the Mortgagee must provide the Appraiser with a list of components to be installed or completed after the date of inspection.

vi. Property Considerations

New Construction must meet HUD Minimum Property Requirements (MPR) and Minimum Property Standards (MPS).

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vii. Mortgagee Review of Appraisal

(A) Site Considerations

(1) Environmental

The Mortgagee must require corrective work to mitigate any condition that arises during construction that may affect the health and safety of the occupants, the Property's ability to serve as collateral, or the structural soundness of the improvements.

(2) Operating Oil or Gas Wells

If a proposed or newly constructed dwelling is located within 75 feet of an operating oil or gas well, the Mortgagee must reject the Property unless mitigation measures are completed.

(3) Slush Pits

If a Property is Proposed Construction near an active or abandoned Slush Pit, the Appraiser must require a survey to locate the pit. The Mortgagee is to assess any impact on the subject Property.

(4) Special Airport Hazards

If a proposed or newly constructed Property is located within Runway Clear Zones (also known as Runway Protection Zones) at civil airports or within Clear Zones at military airfields, the Mortgagee must reject the Property for insurance.

A proposed or newly constructed Property located in Accident Potential Zone I at military airfields may be eligible for FHA mortgage insurance provided that the Mortgagee determines that the Property complies with Department of Defense guidelines.

(5) Flood Hazard Areas

If any portion of the property improvements (the dwelling and related Structures/equipment essential to the value of the Property and subject to flood damage) is located within a Special Flood Hazard Area (SFHA), the Mortgagee must reject the Property, unless:

- a final Letter of Map Amendment (LOMA) or final Letter of Map Revision (LOMR) that removes the Property from the SFHA is obtained from the Federal Emergency Management Agency (FEMA); or
- the Mortgagee obtains a FEMA National Flood Insurance Program (NFIP) Elevation Certificate ([FEMA Form 81-31](#)), that documents that the lowest floor (including the basement) of the residential building and all related improvements/equipment essential to the value of the Property, is built at

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or above the 100-year flood elevation in compliance with the NFIP criteria. The Mortgagee must ensure that the flood elevation certificate is prepared by a licensed engineer or surveyor and completed based on finished construction.

The Mortgagee must include the LOMA, LOMR, or flood elevation certificate with the case when it is submitted for endorsement.

The Mortgagee must ensure that insurance under the NFIP is obtained when a flood elevation certificate documents that the Property remains located within an SFHA.

(6) Individual Water Supply Systems (Wells)

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 sub-arctic regions.

The following tables provide the minimum distance required between wells and sources of pollution:

Water Well location Minimum Property Standards for New Construction 24 CFR § 200.926d(f)(3)(iv)*	
1	Property line/10 feet
2	Septic tank/50 feet
3	Absorption field/100 feet
4	Seepage pit or cesspool/100 feet
5	Sewer lines with permanent water tight joints/10 feet
6	Other sewer lines/50 feet
7	Chemically poisoned soil/25 feet (reduced to 15 feet where ground surface is protected by impervious strata of clay, hardpan or rock)
8	Dry well/50 feet
9	Other – refer to local health authority minimums
* distance requirements of local authority prevail if greater than stated above	

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The following provides the minimum standards for Individual Water Supply Systems (wells):

Individual Water System Minimum Property Standards for New Construction 24 CFR § 200.926d(f)(1) and (2)	
1	Lead-free piping
2	If no local chemical and bacteriological water standards, state standards apply
3	Connection of public water whenever feasible
4	Wells must deliver water flow of five gallons per minute over at least a four-hour period

(7) Shared Well

A Shared Well is permitted only if the Mortgagee obtains evidence that:

- it is not feasible to serve the housing by an acceptable public or Community Water System; and
- the housing is located in an area other than in an area where local officials have certified that installation of public or adequate Community Water Systems and sewer systems are economically feasible.

(B) Sales Comparison Approach: Comparable Selection

For Properties in new subdivisions, the selected comparable sales must include at least one sale outside the subdivision or project and at least one sale from within the subdivision or project.

viii. Completion of Construction

Regardless of the inspection process used, the Mortgagee must certify on form [HUD-92900-A](#), *HUD/VA Addendum to Uniform Residential Loan Application*, that the Property is 100 percent complete and meets HUD's MPR and MPS.