



FHA, Meth Labs, and Due Diligence

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The epidemic of clandestine drug labs in America goes straight to the heart of FHA's three S's: Safety, Security, and Soundness. Environmental hazards or other conditions affecting the health and safety of occupants, collateral security or structural soundness of the dwelling must be identified in the appraisal report.

Determination of Defective Conditions Definition

Defective Conditions refer to defective construction, evidence of continuing settlement, excessive dampness, leakage, decay, termites, environmental hazards or other conditions affecting the health and safety of occupants, collateral security or structural soundness of the dwelling. Standard the Appraiser must identify readily observable defective conditions.

(Excerpt from Single-Family Housing Policy Handbook, 4000.1)

Meth is an equal opportunity environmental and safety hazard that can impact any property, no matter what price range or location. Meth labs have been discovered in just about any city, large or small, can be found nearly anywhere, in uber-expensive lofts, storage sheds, apartment buildings, upscale middle-class neighborhoods, etc.

Toxic waste and residue from these labs can contaminate all surfaces of a property where cooking took place including walls and ceilings, carpeting and floors, and even appliances. Meth cooks often pour leftover chemicals and by-product down household drains and nearby storm drains, or directly onto the ground. This contaminates drinking water, wells, and soil.

Solvents and other toxic by-products used to make meth pose long-term hazards because they can persist in soil and groundwater for years. Cleanup costs are expensive because solvent contaminated soil generally must be incinerated.

One source of information regarding the prevalence of Methamphetamine labs is the National Clandestine Laboratory Register, published by the U.S. Drug Enforcement Agency, at www.justice.gov/dea/seizures. It is also worth the time to contact local law enforcement agencies; they may have information that has not been shared with the DEA.

The production of methamphetamine is alarmingly simple, composed of readily available, household items. The resulting chemical cocktail permeates nearly every surface of the

home and property, exposure to which can lead to cancer, organ damage and numerous other health problems, particularly to children. The effects on homes and property are long-lasting and cleanup requires a hazardous materials team. Remediation, as it's called is typically in the tens of thousands of dollars frequently eclipsing \$40,000 per house. The final cost depends upon the severity of the contamination. After the cleanup is completed stigma continues.

In recent years, there has been a dramatic increase in the abuse of recreational drugs such as methamphetamine. For instance, in the state of Colorado, the number of methamphetamine lab busts has increased from 31 in 1998 to 454 in 2002 (13 in Boulder County).

These labs have significant health impacts to all local communities where they exist.

- Colorado Police estimate that only 1 out of 10 Meth Labs are busted. (This is consistent with information from DEA, Drug Enforcement Agency, nationally.)
- For every 1 pound of Methamphetamine, 5 pounds of waste are produced. Busted labs have gross chemicals removed by the police.
- Meth labs can be found in rental properties, garages, cars, even in boxes.

The following maps were produced by DEA based on the number of clandestine drug labs discovered in 2013 and 2014. **Multiply these numbers by 10 and divide that number by 124.6 million households in America and you will have a fraction indicating the likelihood of discovering one. Depending on the year, 7 to 10 houses out of every 10,000 homes may have been used as clandestine drug labs. The odds of you encountering a clandestine drug lab during your career as an appraiser are much greater than you winning at Las Vegas!**

Calendar Year 2014
Total: 9,338

Total of All Meth Clandestine Laboratory Incidents
Including Labs, Dumpsites, Chem/Glass/Equipment



Source: El Paso Intelligence Center
(EPIC)/National Seizure System (NSS)

U.S. Drug Enforcement Administration

<https://www.dea.gov/resource-center/meth-lab-maps.shtml>

Calendar Year 2013
Total: 12,050

Total of All Meth Clandestine Laboratory Incidents
Including Labs, Dumpsites, Chem/Glass/Equipment



Methamphetamine Contamination

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.

Site conditions: Methamphetamine Contaminated Property

If the Mortgagee notifies the Appraiser or the Appraiser has evidence that a Property is contaminated by the presence of methamphetamine (meth), either by its manufacture or by consumption, the Appraiser must render the appraisal subject to the Property being certified safe for habitation. If the effective date of the appraisal is prior to certification that the Property (site and dwelling) is safe for habitation, the Appraiser will complete the appraisal subject to certification that the Property is safe for habitation. If the effective date of the appraisal is after certification that the Property (site and dwelling) is safe for habitation, and the Mortgagee has provided a copy of the certification by the certified hygienist, the Appraiser must include a copy of the certification in the appraisal report. The

Appraiser must analyze and report any long-term stigma caused by the Property's contamination by meth and the impact on value or marketability. (Excerpt from Single-Family Housing Policy Handbook, 4000.1)

How to Identify a Methamphetamine (Meth) Lab

In some states, like Colorado, a clandestine drug laboratory becomes an emergency immediately upon discovery. Call 911 immediately or the Regional Drug Task Force.

There are many possible ways to identify a methamphetamine (meth) lab. Check with your state to determine what responsibilities you have.

WARNING: Never open a trash bag to try to identify the contents! Inhaling the toxic gasses associated with Meth lab waste can be very dangerous, even fatal.

Unusually Strong Odors

- Cat urine
- Ether
- Ammonia, acetone, other chemicals, or strong scent of fuel

Suspicious Behavior

- Windows blacked out
- Payment in cash
- Lots of traffic (at unusual times, night time)
- Excessive trash, including beakers, duct tape, or neon-stained coffee filters
- Large amounts of over-the-counter drug containers, including products containing ephedrine or Pseudoephedrine such as Sudafed. This is usually evident by the number of empty blister packs in the trash.
- Unusual amount of clear glass containers

Damage to Property

- Discoloration of walls, especially brown iodine stains
- Corroded gas canisters.
- Excessive amount of trash that includes numerous Coleman fuel or HEET containers

Reduce Your Risk

- Do not enter an apartment or other structure that may house a meth lab. Meth labs are very hazardous, potentially explosive environments.
- Do not approach tenants or occupants if you suspect they are producing meth. Use of or exposure to meth may cause paranoia and violent behavior.
- Do not open trash or other containers that may contain meth materials. A bag of meth by-products can be fatal if inhaled directly.

The Appraisal Report

If you do encounter a clandestine drug lab follow the advice above. If you encounter a residential property that has suffered from methamphetamine contamination you may consider the following as you develop your appraisal report.

The appraisal would be a "subject to" appraisal based on the hypothetical condition that the needed clean-up (a.k.a. remediation) was completed. Also, state that the hypothetical condition might affect the opinion of value.

"HYPOTHETICAL CONDITION: a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis."

The appraisal must include an extraordinary assumption. Something like, "The opinion of value is based on the extraordinary assumption that the value is not affected by the former presence of methamphetamine contamination and the opinion of value may differ if this is not the case. Even if the remediation is successful, the market may not fully accept the

property. The hypothetical condition is based on the clean up being successfully completed. “

"EXTRAORDINARY ASSUMPTION: an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions."

Stay safe, good luck and do good work.

Rich