



June 26, 2026

Regulations Division
Office of General Counsel
U.S. Department of Housing and Urban Development
451 7th Street SW, Room 10276
Washington, DC 20410

Re: Docket No. FR-6609-N-01

To Whom It May Concern:

On behalf of the undersigned organizations representing real estate appraisal professionals across the country, we write to thank you for the opportunity to comment on the Federal Housing Administration's ("FHA") Request for Information regarding Single Family Minimum Property Requirements ("MPRs").

We support the FHA's efforts to modernize its property requirements in a manner that preserves consumer protections, supports sound collateral risk management, and promotes consistency and efficiency throughout the mortgage process. In our view, many of the concerns associated with MPR compliance stem not from the existence of the standards themselves, but from ambiguity in how certain requirements are interpreted and applied. FHA's recent efforts to streamline documentation requirements and clarify observation protocols demonstrate that meaningful burden reduction can be achieved while preserving the underlying safety, soundness, and security objectives of the program.

Question 1. Advantages and Disadvantages Compared with Other Programs

FHA's MPR framework provides a clearly articulated standard focused on safety, soundness, and security. This framework helps establish consistent expectations for borrowers, lenders, underwriters, and appraisers while providing important protections for both homeowners and the Mutual Mortgage Insurance Fund.

A significant advantage of FHA's approach is that it provides a defined baseline property standard that is generally more transparent than the principles-based condition standards used in some conventional lending programs. Given FHA's mission and borrower profile, which frequently includes first-time homebuyers and households with more limited financial reserves, these protections remain important.

At the same time, FHA's more prescriptive requirements can create additional transaction friction relative to some conventional financing options. In our view, however, much of this burden results from inconsistent interpretation and application of MPR requirements rather than from the standards themselves. Modernization efforts should therefore focus on improving clarity and consistency rather than weakening fundamental borrower protections.

Question 2. Protection of Borrowers and the Mutual Mortgage Insurance Fund

We believe the current MPR framework continues to provide meaningful protection for both FHA borrowers and the Mutual Mortgage Insurance Fund.

The safety, soundness, and security standard remains an appropriate framework for identifying property conditions that may materially affect health and safety, structural integrity, security, value, or marketability. The primary challenge is ensuring that these standards are applied consistently across markets and transactions.

Accordingly, modernization efforts should focus on improving predictability and consistency while preserving the underlying borrower-protection and collateral-risk functions that the MPRs serve.

Question 3. Requirements No Longer Necessary

FHA should continue evaluating opportunities to eliminate outdated procedural requirements, excessive documentation requirements, and other provisions that do not materially contribute to borrower protection or collateral risk assessment.

Our organizations support FHA's recent efforts to modernize appraisal-related requirements, including the 2023 removal of the minimum "head and shoulders" access language for attic and crawl space observations and the June 2025 rescission of certain photo and documentation requirements under Mortgagee Letter 2025-18. While these changes reduced some administrative burden, they also highlight lingering uncertainty regarding the appraiser's role in observing attics and crawl spaces. Although FHA no longer prescribes a specific observation standard and no longer requires photographs of these areas, appraisers are still expected to view them when deemed accessible and safe. This has created confusion regarding the scope and purpose of the observation requirement and whether it remains aligned with the limited, non-invasive nature of the appraisal process.

Accordingly, FHA should continue evaluating whether attic and crawl space observation requirements remain necessary or whether alternative approaches could better achieve program objectives while maintaining appropriate borrower and collateral protections. Similar modernization efforts can improve consistency, reduce unnecessary burden, and enhance efficiency without compromising the safety, soundness, and security objectives of the FHA program.

Requirements addressing health and safety concerns, structural integrity issues, significant security deficiencies, or other conditions that materially affect collateral risk should remain an important component of the MPR framework.

Question 4. Opportunities for Post-Closing Repair Flexibility

We support consideration of additional flexibility for addressing non-critical property conditions through repair escrows, holdbacks, or similar post-closing mechanisms where appropriate.

Such flexibility may reduce transaction delays and costs while preserving borrower protections and collateral quality. However, any expansion of post-closing flexibility should not alter the appraiser's responsibility to identify and report material property conditions. These policies should address the timing of repairs rather than whether conditions are disclosed and considered during the underwriting process.

Question 5. Balancing Protection and Burden

As FHA evaluates modernization opportunities, it should recognize that clarity and consistency often reduce burden while simultaneously improving borrower protection.

Ambiguous requirements frequently result in inconsistent outcomes, additional reviews, disputes, and transaction delays. Clear standards benefit all participants in the mortgage process and promote more predictable outcomes.

FHA should also recognize that many FHA borrowers have limited financial capacity to absorb unexpected post-closing repair expenses. As a result, maintaining appropriate property-condition safeguards remains an important consumer protection function.

Question 6. Clarity of MPR Requirements

Our organizations believe there is an opportunity to improve clarity regarding the distinction between conditions that warrant corrective action and conditions that represent cosmetic issues, normal wear and tear, or deferred maintenance that do not materially affect safety, soundness, security, value, or marketability.

One potential approach would be the development of a standardized framework distinguishing between material deficiencies and non-material conditions, accompanied by practical examples of commonly encountered property conditions. Such guidance would promote greater consistency among appraisers, lenders, underwriters, and other market participants.

Improved guidance in this area would likely reduce unnecessary repairs, reinspections, and disputes while enhancing confidence in the application of FHA requirements.

Question 7. Streamlining and Simplification

We encourage FHA to consider consolidating MPR guidance into a more streamlined and user-friendly format. A consolidated quick-reference guide, decision matrix, or similar resource could help improve consistency in the interpretation and application of MPR requirements.

In addition, providing examples of common property conditions and how they should be evaluated under FHA standards could significantly reduce uncertainty and improve consistency among appraisers, lenders, and underwriters.

Finally, FHA should consider allowing lenders or Direct Endorsement (DE) underwriters to clear appraisal conditions without requiring the appraiser to return to the property for a subsequent site visit. Eliminating unnecessary return visits could significantly reduce transaction timelines while maintaining appropriate safeguards. In appropriate circumstances, lenders should be permitted to rely on photographs provided by the seller, buyer, or real estate agent, together with invoices, contractor certifications, or other documentation sufficient to verify that the required repairs or conditions have been satisfied.

Modernization efforts should prioritize simplification and consistency while preserving the underlying objectives of the MPR framework.

Question 8. Appraiser Scope of Work and Modern Appraisal Practice

Our organizations believe FHA's current approach appropriately recognizes that appraisers perform property observations rather than home inspections. Appraisers are not home inspectors, nor should appraisal assignments be expanded into comprehensive inspection services.

At the same time, appraisers play an important role in identifying and reporting readily observable conditions that may affect health and safety, structural integrity, security, value, marketability, or collateral risk. Maintaining this role supports informed lending decisions and helps preserve confidence in the collateral securing FHA-insured mortgages.

While home inspections frequently provide an additional layer of consumer protection in purchase transactions, inspections are generally not required in refinance and reverse mortgage transactions. In many such transactions, the appraiser's observations may represent one of the few independent assessments of a property's visible condition conducted during the lending process. For that reason, we believe FHA should preserve the appraiser's role in observing and reporting readily observable property conditions relevant to collateral risk and borrower protection.

We also believe that property-condition observations and valuation analysis are most effective when performed within an integrated valuation process. Determining whether an observed condition is material to value, marketability, collateral risk, or FHA requirements requires professional judgment informed by valuation expertise. As FHA evaluates modernization opportunities, it should carefully consider any approach that would separate property-condition observations from valuation analysis.

Question 9. General Suggestions

We encourage FHA to continue modernizing its MPR framework through clearer standards, reduced documentation burdens, greater consistency, and enhanced flexibility for addressing non-critical conditions.

At the same time, FHA should preserve the core principles that have long supported the program's success, including the safety, soundness, and security framework, independent collateral valuation, and the appraiser's role in identifying and reporting readily observable conditions that may affect collateral risk or borrower protection.

Conclusion

We appreciate FHA's efforts to review and modernize its Minimum Property Requirements. We believe meaningful improvements can be achieved through greater clarity, consistency, and efficiency while preserving the borrower-protection and collateral-risk functions that remain central to the FHA program.

We look forward to continuing to work with FHA as it evaluates potential reforms and appreciates the opportunity to provide these comments.

Sincerely,

Appraisal Institute

American Society of Appraisers

American Society of Farm Managers and Rural Appraisers

MBREA