

OVERVIEW- PREPARING FOR YOUR PROPERTY FOR USDA / RURAL DEVELOPMENT LOAN REQUIREMENTS

(NOTICE: This document contains paraphrasing, interpretation & plain English descriptions & does not claim to be the entire original document from USDA/HUD/RD. Compiled by Home Inspection Solutions Missoula MT., 2016)

Here are the types of things that may be noted in an inspection report:

1. **Safety Hazards** : Safety Hazards are listed in their own category & are considered serious defects even if they are easily corrected.

The inspector shall identify health, safety concerns. The property must be free of hazards which may adversely affect the health and safety of the occupants or the structural soundness of the improvements or which may impair the customary use and enjoyment of the property by the occupants (HUD 4905.1, 2-13) .

2. **Required Repairs**: Major maintenance items & items not working are labeled as being required to be repaired or replaced. This also includes items that if not corrected would devalue, contribute to the escalation of decay, or reduce the full enjoyment and usefulness of the property. In our report these may be labeled Major, Moderate or Minor concerns depending on the seriousness of the defect & the difficulty of correcting them. For example : Downspouts that are missing may be labeled as Minor because they are very easy to fix but in need of correction because if neglected, can cause water damage to the structure.

3. **Recommended Repairs**: These items are minor in nature and their lack of repair will not contribute to the deterioration or usefulness of the property. In our report they may be labeled as “**Minor**” or they may be listed as “**Cosmetic Defects**” or “**Observations**”. These items will be identified so as to inform the lender and the applicant of the recommended repairs. In some cases loan funds may be used for financing these repairs.

4. **Repair Standards**: If replacement or initial installation of an item is required, work must be in compliance with the 2000 International Residential Code and 1999 National Electric Code and local municipal codes and ordinances. If more than one provision is applicable in any given situation, the more restrictive requirement shall apply.



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Definitions used in our reports:

Each item has been assigned a quality rating based on the observations recorded by the inspector. The quality ratings are automatically assigned based on the observations made.



Not working Was not working or was abandoned at the time of the inspection.



Satisfactory No material issues have been observed. One or more cosmetic issues may exist.



Marginal The item is working, but has at least one concern that is beyond cosmetic.



Safety Hazard Has conditions that make operation of the item unsafe and is in need of Immediate Correction.



Poor Is operating, but has at least one major material defect concern with its operation.



Not Inspected Was not inspected. The reason is typically indicated.

USDA /RD Minimum Requirements

(overviews & paraphrasing for easier reading)

1. Termites/Pests:

a.

Termite/Carpenter Ant Inspection/Certification: Inspection and certification is required. Treatment is required if an active infestation is found. Inspection, certification and treatment must be by a licensed professional .

(Reference - HUD 4150.2, 3-6.A.6)

b.

Termite/Carpenter Ant Damage: Both structural and aesthetic damage requires repair or replacement.

c.

Pests: If infested with roaches, ants, fleas, silverfish, rats, mice, or other pests, treatment is required and damage must be repaired. Areas of frequent entry by pests are required to be Caulked, filled, or eliminated.

2. Site:

a.

Unacceptable Locations: Sites that are adjacent to or so close to hazardous conditions, noxious odors, offensive sights, excessive noise (above 65-75 decibels) , or other adverse conditions that would threaten the health, safety, or reduce the quality of life, environment, or enjoyment of the property by the applicant are not acceptable. [i.e. electrical substations or high voltage lines, sewage treatment & compost facilities, airports, industrial areas, high traffic areas (Reference - HUD 4150.2, 2-2) .

b.

Flood Plain: Sites within a flood plain or in a flood hazard area are required to be insured by the National Flood Insurance Program (Reference - HUD 4150.2, 2-2.L)

For More Local Info. See Missoula County Flood Regs & Maps -

<http://www.ci.missoula.mt.us/DocumentCenter/View/22432>

<http://www.ci.missoula.mt.us/2064/Floodplain-Maps>

c.

Access Road: The property must be accessible from a publicly maintained hard surfaced road typical for the area and in compliance with local requirements (gravel road is acceptable if well maintained and typical for the area) .

d.

Site Drainage: Grading & slopes must provide positive, rapid drainage away from the house and prevent pooling of water (Reference - HUD 4150.2, 3-6.A.4). Optimally, provide 6” of slope away from house in the first 10’-0”. There must NOT be pooling water and low areas next to house or sloping toward house.

e.

Finish Grade: Ground or mulch immediately adjacent to the house must be 6” below the bottom of the siding. Soil & vegetation Should NOT be in contact with siding.

f.

Utilities: The property must be serviced by safe dependable utilities with proper easements.

g.

Driveway/Walk: Must be concrete if typical for neighborhood and in good usable condition (may have minor cracks or separations as long as there are no areas that are hazardous for pedestrians) .

h.

Sump Pump: Drain outlet for sump pump must drain away from the house and daylighted to ditch or collection area.

3. Foundations:

a.

Frostline: Footings must be below frostline (36" typically unless otherwise designated by the local municipality) .

b.

Foundation: Must be solid foundation walls of concrete (concrete block is acceptable for crawl space foundation walls) .

Cracks or damage to foundation must be minor or repairable. Unstable conditions or structural damage is not acceptable.

c.

Crawl Spaces: Must be dry or made to be dry, and have a minimum uniform clearance height of 18" from the ground or adequate clearance for repair and inspection access and they must have adequate ventilation. They must provide a vapor barrier over all exposed earth, lap edge must be 6" minimum. Must also have cross ventilation as required by code.

d.

Basement: May have wall cracks that are minimal and sealed with epoxy to prevent seepage. Exterior basement stairwells must have an adequate & clear drain with raised strainer or other device to prevent flooding of the well and seepage into the basement. Concrete block basements are highly susceptible to damage and in some cases may not be acceptable.

e.

Wet Basements or Crawl Spaces are Not Acceptable: Sump pump or drainage correction/alteration and repair of areas where water enters basement or crawl space **must be accomplished prior to closing!**

The crawl space and basement must be dry and clear of moisture or dampness prior to the closing of the loan!

4. Exterior:

a.

Wood Siding: Must be solid, tight, and have good paint or sealant cover.

b.

Vinyl Siding: Must be in good condition with no holes or cracks.

c.

Masonry: Brick veneer or masonry that is not plumb, has cracked, or shows damaged should be repaired.

d.

Trim: Must be free from rot and excessive splits.

e.

Windows: Must be dual paned or if single paned they must have a storm window. Windows must have an insect screen in good repair. Windows must caulked around frame and all glass must be free of cracks, breaks, or broken seals that cause fogging. Each window must be open-able and lockable.

f.

Exterior Doors: Insulated steel or solid core wood. If the door is hollow core it must have storm door (not screen-only door) . Each door must have a keyed lock. The doors and all hardware must be in good condition.

g.

Porches/Decks: Concrete porches should be level, free of wide cracks or variations in height, and be structurally sound. Decks may be of treated wood, Redwood, or Cedar and must be free of rot. **All porches and steps 30" above grade must have handrails and/or guardrails as required by IRC.**

h.

Gutters: **Should be** adequate in size, in good condition, properly sloped and anchored. They should have sufficient downspouts and splash blocks or extensions to ensure rapid and positive drainage away from the house.

I.

Roofing: Roof covering is structurally sound, water tight, and a life of 5 years or more without replacement or repair. All roofing should be properly installed, flashed, and have a drip edge. When re-shingling is needed, roofs consisting of 2 layers of shingles need to have all old shingles removed prior to re-roofing.

(Reference - HUD 4905.1, 2-12) . **Roofs that can not be repaired or are in a poor state of repair are not acceptable.**

If located in "Hail Counties", shall have all roofing removed regardless of number of layers of existing roofing, as per the 2000 IRC.

j.

Chimneys or Flues: Metal chimneys must be well supported and have proper clearances from all combustibles.

Exposed metal chimneys in areas such as closets will need to be enclosed with fire break materials. Masonry flues need to be plumb, free of cracks and have tight mortar joints (lining the flue is recommended) .

5. Ventilation:

a.

Attic Ventilation: Must have a ratio of 1:150, including eaves (standard 8"x 16" soffit vents have approximately 56 square inches of net vent area) . Ventilation can be reduced to 1:300 if 50%-80% of ventilation is located at or near the ridge with the remaining ventilation at the soffit. **Air chutes should be installed between rafters if the insulation is deep enough to restrict air flow through soffits. Exhaust fans shall not vent into attic space or traverse soffits.**

6. Garage:

a.

Garage Floor: Must be 12" above the street or a special drainage system is in place that prevents water from flowing into the garage. Garage door must be operable and in good condition with a functional lock.

b.

Attached Garages: Garage ceiling and interior wall must be covered with **1/2" thick** taped drywall. Garage attic space should be separated from house attic space by a wall of **1/2" thick** taped drywall. **Basement garages** must be separated from other basement areas, the garage ceiling must be covered with **1/2 inch gyp. bd. c.** and walls must be finished with **1/2" thick** drywall on all sides. The door to the interior should be **1 3/8 inch solid core door or steel insulated door.**

c.

Exterior Door: Garage door to exterior shall be in good repair with functional lock. Back of door is free of mold and mildew. Overhead garage door should be in good repair & pass reversing sensor safety test.

7. Interior:

a.

Space Requirements: Space necessary to assure suitable living, sleeping, cooking and dining without

sacrificing safety, reasonable privacy, function, and sanitary conditions.

b.

Structurally Sound: Walls, roof, and all structural components are plumb, straight, and structurally sound throughout. Any weakened, rotted, or damaged components need to be reinforced or replaced.

c.

Interior Surfaces: Walls and ceilings are in good repair and have good paint covering or wallpaper. Peeling paint or wall paper or discolored walls from smoking need to be properly prepared and painted.

d.

Smoke Detectors & CO Alarms: Shall be A/C, D/C and installed in accordance with manufacturer's instructions in each bedroom, outside each bedroom area in the hall and on each level of the house (to include the basement, even if unfinished).

e.

Bedroom Windows and Basements with Habitable Rooms: Must have an operable window sash capable of **providing emergency egress**. The sash must be operable without key or tool. From top of sill to bottom a clear opening high within 44" of floor; a clear opening (24" min. high, 20" min. wide) with a total square footage of 5.7 SF net clearance area for floors above grade level or 5.0 at grade level (w/in 44" of grade).

f.

Doors: Doors and trim are properly aligned, secure in their frames, finished, and in good repair. Defaced, broken, punctured, or damaged doors or hardware shall be replaced.

g.

Door Stops: Each door has a base type door stop (hinge stops not acceptable due to typical puncturing)

h.

Sub-flooring: Must be properly nailed, free of moisture and rot, and must not be excessively squeaky, flex or moan. **Unleveled floors should be repaired, if economically possible.** Floors that are not level or not in good repair so as to **indicate substantial settling or structural problems may not be acceptable.**

i.

Floor Covering: Carpet or flooring that is heavily worn, damaged, or stained should be replaced. Carpet should be clean, stretched taut and in good condition.

j.

Kitchen Cabinets: Kitchen countertop frontage should be at least 7' (excluding range and sink frontage). Countertops and cabinets should be in good condition with all doors and drawers in good working order.

Space must be provided for a stove and refrigerator. Storage should be adequate for food and cooking utensils.

k.

Bathrooms: Must be accessible to bedrooms without passing through other living areas and of adequate size to provide a standard bathtub, lavatory and commode (1/2 baths excluded). Fixtures should be in good repair and not defiled or unpleasant in appearance. Wall and ceiling paint should be glossy or impervious to moisture.

l.

Bathroom & Kitchen Exhaust Vents: Kitchen vent hoods should be vented to the exterior, non vented may be acceptable provided they are UL approved. Bathrooms must have a vent fan vented to the exterior or a window operable to the exterior.

j.

Stairs: Stairways must be, at minimum, 3 feet ' . **All stairs must have a handrail** – single risers between rooms need not have a handrail. **A guardrail is required if the floor or landing level or rise of stairs is 30" or more above adjacent floor or grade.** Stairs built after 2000 must have 10" tread minimum (with nosing), treads on existing pre-IRC 2000 stairs may be 9" minimum and a 7 3/4" riser maximum (risers on existing pre-IRC 2000 stairs may be 8" maximum). Handrail and stairs must in good sturdy condition.

k.

Water Heater: Must be in good working condition; 30 gallon capacity minimum; life expectancy of 5 years; a pressure/temperature relief valve with 3/4" drain pipe is extended to within 6" of concrete floor or direct into floor drain if wood subflooring (or through floor).

l.

Fireplace: Must be in good repair, have an operable damper. Proof of recent chimney & fire place Inspection may be helpful.

8. HVAC:

a.

Heating: Heat supplied directly to each finished room is required. **Floor or wall furnaces are not acceptable.**

b.

HVAC Equipment: Must be safe to operate, have adequate capacity and quality, be protected from destructive elements, have reasonable future utility, durability and economy so as to last 5 years without replacement or major repairs. Installation of new furnace shall comply with 2000 IRC building code. Proof of recent HVAC service & inspection records may be helpful.

c.

Gas: Furnace, water heater, range or other gas appliances should be inspected by gas company or person specializing in repairing and servicing gas appliances prior to activating gas appliances. Proof of recent HVAC service & inspection may be helpful.

d.

Gas fueled Equipment located in the garage must be installed 18” above the garage floor level. Proof of recent HVAC/water heater service & inspection may be helpful.

9. Plumbing:

a.

Plumbing: All piping must be in good repair with no evidence of leaks, excessive corrosion/mineral deposits, or potential problems (especially basement ceiling or crawl space plumbing or hose bib connections) .

b.

Sinks: Kitchen and bathroom sinks and faucets and bathtubs should be typical and in good repair.

Shut-off Valves: Should be provided for each plumbing fixture, if feasible.

c.

If repairs are necessary, a valve will be installed on the repaired fixture.

d.

Wells: Individual wells and the water they supply must be inspected and approved by the Montana Department of Health. A safe drinking water sample must be obtained.

e.

Waste Water Treatment Systems: Septic, lagoon, or other type of on-site sewage treatment systems must be inspected by a qualified professional and in working order.

10. Electrical:

a.

GFCI Receptacles (outlets): must have (GFCI) ground fault circuit interrupters in these areas: All bathroom receptacles; all kitchen counter top receptacles (to include bar or island); all receptacles in an unfinished basement, garage, carport & exterior of house (except those receptacles that are dedicated to major appliances or sump pumps). Receptacles on exterior of house should also have weatherproof covers.

b.

Lights: Lighting fixtures to be in good order with bulbs, lenses, shades, and all parts intact and working.

c.

Wiring: Exposed wiring in attic, crawl space, and basement ceiling must be safe and in good repair. Exposed wiring where there is the potential for human contact, in basement or closets etc., must be enclosed in conduit. Splices must be contained in junction boxes & must be covered with appropriate materials. Switches, receptacles, and service plugs must have proper covers, any broken items must be replaced. Must have adequate electrical service entry & overhead service line must have weather-head to meet the requirements of the servicing electrical utility. Underground service line must meet requirements of the servicing electrical utility.

d.

Panel: Existing electrical breaker or fuse box must be 100 amp minimum for small houses. 200 amp panel may be necessary for electric heat and/or central air. Panel must be safe, in good working order and easily accessed. Proof of recent electrical service & inspection may be helpful.

11. Repairs:

a.

Longevity: No major repairs or replacement should be expected for next 5 years on: the roof, structure, plumbing, electrical, or heating systems. At applicant's request, leniency may be used in the guaranteed program.

b.

Code Compliance: All repair or replacement work shall be in accordance with the 2000 International Residential Code and the 1999 National Electric Code and as amended by State and local authorities with the most stringent requirement taking precedence.

12. Prohibited Items:

a.

Defective Conditions: Defective construction, poor workmanship, evidence of continuing settlement, excessive dampness, leakage, decay, termites, or other conditions impairing the safety, sanitation or structural soundness of the dwelling shall render the property unacceptable until the defects or conditions have been remedied and the probability of further damage eliminated (Reference - HUD 4905.1, 2-8) .

b.

Excess Land: Excess land that is not needed or typical for a single family residence is to be excluded from the mortgage security.

c.

Pools: In-ground swimming pools, saunas, hot tubs, or over-improvements that exceed modest criteria are not permitted under RD Direct loans without RD waiver.

13. Warnings:

a.

Lead Paint: For houses constructed prior to 1978, any chipped, flaking, chalky or peeling paint should be tested for lead. If lead is present, the defective paint should be removed and then the clean surface repainted (or covered/encapsulated with another building material siding, paneling, drywall, etc.). Painting over the lead-based paint is not a solution to the problem! (Reference - HUD 4150.2).

b.

The applicant must be provided with a copy of the lead paint warning pamphlet: "**Protect your Family from Lead in your Home**". All laws and regulations regarding the safe removal or altering of lead based paints must be followed.

c.

Asbestos: Older houses containing Transite siding, original roofing shingles, pipe or boiler insulation, and original resilient flooring may contain asbestos. Asbestos containing building materials present a hazard if broken, sanded, scrapped, drilled, or otherwise damaged so as to release asbestos fibers into the air. Category I and II non-friable asbestos in a residential building can be removed by

knowledgeable individuals (consult with Missouri Department of Natural Resources, Division of Environmental Quality, Air Pollution Control Program, 573-751-4817, prior to beginning any work that requires altering or removal. Asbestos containing building materials that are not in good condition or friable are required to be removed by a licensed asbestos abatement contractor .

Asbestos containing materials must be disposed of legally which may require disposing of at a permitted sanitary landfill. Rural Development suggests that the applicant sign a statement acknowledging the potential asbestos containing building materials and the potential health risks and added costs that may be attributed to the removal or altering of these materials. The applicant must be provided with a copy of MO DNR Division of Environmental Quality, Technical Bulletin: **"Asbestos"**, which describes the hazards and the requirements that must be met for the removal or altering of asbestos containing building materials.

A house can not be turned down solely because it has suspected asbestos containing building materials.

Our Disclaimers:

- a. **Checklist Limitations:** This checklist is not inclusive of all the inspection criteria that is required and only refers to specific information that applies to USDA\Rural Development at the time of its publication. Items on this check list may note contain recent changes made by USDA\Rural Development.
- b. **Conflicting Requirements:** If more than one code requirement is applicable in any given situation, the more stringent requirement shall apply.
- c. **Interpretation :** This list is an interpretation & is compiled in good faith as an overview for convenience & is not a replacement to the official USDA\Rural Development list of requirements. If you have questions or concerns please contact you Rural Development Area Office.



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