FHA Single Family Housing Policy Handbook 4000.1, Part II — b. Minimum Property Requirements and Minimum Property Standards (08/19/2024)

b. Minimum Property Requirements and Minimum Property Standards (08/19/2024) MPR and MPS form the basis for identifying the deficiencies of the Property that the Appraiser must note within the appraisal report. i. Legal Requirements (A) Real Estate Entity The Appraiser must contact the Mortgagee if the subject Property is not a single, marketable real estate entity, and/or does not consist of a primary plot with a secondary plot contributing to the use and marketability of the Property as a single marketable real estate entity. (B) Property Rights (1) Definition Fee Simple refers to an absolute ownership unencumbered by any other interest or estate. Leasehold refers to the right to hold or use Property for a fixed period of time at a given price, without transfer of ownership, on the basis of a lease contract. (2) Standard An Appraiser must contact the Mortgagee if the property rights to be appraised are not on real estate held in Fee Simple or Leasehold that comply with HUD's requirements below. (C) Planned Unit Development (1) Definition A Planned Unit Development (PUD) refers to a residential development that contains, within the overall boundary of the subdivision, common areas and facilities owned by a Homeowners' Association (HOA), to which all homeowners must belong and to which they must pay lien-supported assessments. A unit in a PUD consists of the fee or leasehold title to the real estate represented by the land and the improvements thereon plus the benefits arising from ownership of an interest in the HOA. II. ORIGINATION THROUGH POST-CLOSING/ENDORSEMENT D. Appraiser and Property Requirements for Title II Forward and Reverse Mortgages 3. Acceptable Reporting Forms and Protocols (04/10/2025) Handbook 4000.1 813 Last Revised: 11/26/2025 (2) Required Analysis and Reporting The Appraiser must identify the name of the PUD and indicate that the subject is located in a PUD by checking the PUD box on the appraisal form. The Appraiser must also enter the dollar amount of the HOA fee and mark the box indicating if the fees are paid "per year" or "per month." (D) Leasehold Interest (1) Definition Leasehold Interest refers to real estate where the residential improvements are located on land that is subject to long-term lease from the underlying fee owner, creating a divided estate in the Property. (2) Standard (a) Forward Mortgage Requirements A Mortgage secured by real estate under Leasehold requires a renewable lease with a term of not less than 99 years, or a lease that will extend not less than 10 years beyond the maturity date of the Mortgage. (b) Reverse Mortgage (HECM) Requirements A reverse mortgage, or Home Equity Conversion Mortgage (HECM), secured by real estate on a Leasehold that is under a renewable lease for not less than 99 years, or a lease with the actuarial life expectancy of the Mortgagor. Sub- Leasehold Estates are not eligible for FHA mortgage insurance. (3) Required Analysis and Reporting An Appraiser must contact the Mortgagee if the Leasehold Interest does not meet this requirement. ii. Legal and Land Use Considerations (A) Party or Lot Line Wall (1) Standard A building constructed on or next to a property line must be separated from the adjoining building by a wall extending the full height of the building from the foundation to the ridge of the roof. II. ORIGINATION THROUGH POST-CLOSING/ENDORSEMENT D. Appraiser and Property Requirements for Title II Forward and Reverse Mortgages 3. Acceptable Reporting Forms and Protocols (04/10/2025) Handbook 4000.1 814 Last Revised: 11/26/2025 (2) Required Analysis and Reporting The Appraiser must note if the party or lot line wall does not extend to the ridge of the roof or beyond. (B) Nonresidential Use of Property (1) Standard The nonresidential portion of the Total Floor Area may not exceed 49 percent. Any nonresidential use of the Property must be subordinate to its residential use, character and appearance. Nonresidential use may not impair the residential character or marketability of the Property. The nonresidential use of the Property must be legally permitted and conform to current zoning requirements. (2) Required Analysis and Reporting The Appraiser must calculate the nonresidential portion of any residential Property. Storage areas or similar spaces that are integral parts of the nonresidential portion must be included in the calculation of the nonresidential area. The Appraiser must comment on any nonresidential use within the Property and state the percentage of the Total Floor Area that is utilized as nonresidential. The Appraiser must report whether the nonresidential usage is legal and in compliance with current zoning requirements. The Appraiser must contact the Mortgagee if the nonresidential portion of the Property exceeds 49 percent. (C) Zoning (1) Standard FHA requires the Property to comply with all applicable zoning ordinances. (2) Required Analysis and Reporting The Appraiser must determine if current use complies with zoning ordinances. If the existing Property does not comply with all of the current zoning ordinances but is accepted by the local zoning authority, the Appraiser must report the Property as “Legal Non-Conforming” and provide a brief explanation. The Appraiser must analyze and report any adverse effect that the nonconforming use has on the Property’s value and marketability, and state whether the Property may be legally rebuilt if destroyed. II. ORIGINATION THROUGH POST-CLOSING/ENDORSEMENT D. Appraiser and Property Requirements for Title II Forward and Reverse Mortgages 3. Acceptable Reporting Forms and Protocols (04/10/2025) Handbook 4000.1 815 Last Revised: 11/26/2025 (D) Encroachments (1) Definition An Encroachment refers to an interference with or intrusion onto another’s property. (2) Standard The Appraiser must report the presence of any Encroachments so that the Mortgagee can determine eligibility. (3) Required Analysis and Reporting The Appraiser must identify any Encroachments of the subject’s dwelling, garage, or other improvement onto an adjacent Property, right-of-way, utility Easement, or building restriction line. The Appraiser must also identify any Encroachments of a neighboring dwelling, garage, other physical Structure or improvements onto the subject Property. The Appraiser must notify the Mortgagee if, upon observation, it appears that an Encroachment affects the subject Property. (E) Easements and Deed Restrictions (1) Definition An Easement refers to an interest in land owned by another person, consisting of the right to use or control the land, or an area above or below it, for a specific limited purpose. A Deed Restriction refers to a private agreement that restricts the use of real estate in some way, and is listed in the deed. (2) Standard The Appraiser must note the presence of any Easements and Deed Restrictions to assist the

Mortgagee in determining eligibility. (3) Required Analysis and Reporting The Appraiser must analyze and report the effect that Easements and other legal restrictions, such as Deed Restrictions, may have on the use, value and marketability of the Property. The Appraiser must review recorded subdivision plats when available through the normal course of business. II. ORIGINATION THROUGH POST-CLOSING/ENDORSEMENT D. Appraiser and Property Requirements for Title II Forward and Reverse Mortgages 3. Acceptable Reporting Forms and Protocols (04/10/2025) Handbook 4000.1 816 Last Revised: 11/26/2025 iii. Externalities (A) Definition Externalities refer to off-site conditions that affect a Property's value. (B) Standard The Appraiser must report the presence of Externalities so that the Mortgagee can determine eligibility. (C) Required Analysis and Reporting The Appraiser must consider how Externalities affect the marketability and value of the Property, report the issue and the market's reaction, and address any positive or negative effects on the value of the subject Property within the approaches to value. (1) Heavy Traffic The Appraiser must analyze and report if close proximity to heavily traveled roadways or railways has an effect on the marketability and value of a site because of excess noise and safety issues. (2) Airport Noise and Hazards The Appraiser must identify if the Property is affected by noise and hazards of low flying aircraft because it is near an airport. The Appraiser must review airport contour maps and analyze accordingly. The Appraiser must determine and report the marketability of the Property based on this analysis. (3) Special Airport Hazards The Appraiser must identify if the Property is located within a Runway Clear Zone (also known as a Runway Protection Zone) at a civil airport or Clear Zone military airfield and consider the effect of the airport hazards on the marketability when valuing the subject Property. For Properties located in an Accident Potential Zone 1 (APZ 1) at military airfields, including New Construction, the Appraiser must report the hazard and consider the effect on the marketability when valuing the subject Property and must require compliance with the Department of Defense (DoD) Guidelines. If the Property is New Construction and is located within a Runway Clear Zone (also known as a Runway Protection Zone) at a civil airport or Clear Zone military airfield, the Appraiser must note that the Property is ineligible for FHA insurance and notify the Mortgagee. II. ORIGINATION THROUGH POST-CLOSING/ENDORSEMENT D. Appraiser and Property Requirements for Title II Forward and Reverse Mortgages 3. Acceptable Reporting Forms and Protocols (04/10/2025) Handbook 4000.1 817 Last Revised: 11/26/2025 (4) Proximity to High Pressure Gas Lines The Appraiser must identify if the dwelling or related property improvement is near high-pressure gas or liquid petroleum pipelines or other volatile and explosive products, both aboveground and subsurface. The Appraiser must determine and report the marketability of the Property based on this analysis. The Appraiser must notify the Mortgagee of the deficiency of MPR or MPS if the dwelling or related property improvement is not located more than 10 feet from the nearest boundary of the pipeline Easement. (5) Overhead Electric Power Transmission and Local Distribution Lines (a) Definitions Overhead Electric Power Transmission Lines refer to electric lines that supply power from power generation stations to Local Distribution Lines. Local Distribution Lines refer to electric lines that commonly supply power to residential housing developments, similar facilities and individual Properties. (b) Required Analysis and Reporting The Appraiser must notify the Mortgagee of the deficiency of MPR or MPS if the Overhead Electric Power Transmission Lines or the Local Distribution Lines pass directly over any dwelling, Structure or related property improvement, including pools, spas, or water features. The Appraiser must notify the Mortgagee of the deficiency of MPR or MPS if the dwelling or related property improvements are located within an Easement or if they appear to be located within an unsafe distance of any power line or tower. The Appraiser must note and comment on the effect on marketability resulting from the proximity to such site hazards and nuisances. The Appraiser must also determine if the guidelines for Encroachments apply. (6) Smoke, Fumes, and Offensive or Noxious Odors The Appraiser must notify the Mortgagee if excessive smoke, chemical fumes, noxious odors, stagnant ponds or marshes, poor surface drainage or excessive dampness threaten the health and safety of the occupants or the marketability of the Property. The Appraiser must consider the effect of the condition in the valuation of the Property if the conditions exist but do not threaten the occupants or marketability. (7) Stationary Storage Tanks If the subject property line is located within 300 feet of an aboveground, stationary storage tank with a capacity of more than 1,000 gallons of flammable or explosive material, then the Property is ineligible for FHA insurance, and the Appraiser must notify the Mortgagee of the deficiency of MPR or MPS. iv. Site Conditions (A) Access to Property (1) Definition Adequate Vehicular Access to Property refers to an all-weather road surface over which emergency and typical passenger vehicles can pass at all times. (2) Required Analysis and Reporting The Appraiser must notify the Mortgagee of the deficiency of MPR or MPS if the Property does not have safe pedestrian access and Adequate Vehicular Access from a public street or private street that is protected by a permanent recorded Easement, ownership interest, or is owned and maintained by an HOA. Shared driveways that are not part of an HOA must also meet these requirements. The Appraiser must note whether there is safe pedestrian access and Adequate Vehicular Access to the site and analyze any effect on value or marketability. The Appraiser must report evidence of a permanent Easement. The Appraiser must ask if a maintenance agreement exists and comment on the condition of the private road or lane. (B) Onsite Hazards and Nuisances (1) Definition Onsite Hazards and Nuisances refer to conditions that may endanger the health and safety of the occupants or the structural integrity or marketability of the Property. (2) Standard The Appraiser must report the presence of all onsite hazards and nuisances so that the Mortgagee can determine eligibility and any corrective work that may be necessary to mitigate potential adverse effects from the special conditions. (3) Required Analysis and Reporting The Appraiser must note and comment on all onsite hazards and nuisances affecting the Property. The Appraiser must also provide photographs of potential problems or issues to assist the Mortgagee in understanding the problem. Proposed and Under Construction The Appraiser must report any special conditions that may exist or arise during construction and necessitate precautionary or hazard mitigation measures. (C) Topography The Appraiser must notify the Mortgagee of the deficiency of MPR or MPS if the surface and subsurface water is not diverted from the dwelling to ensure positive drainage away from the foundation. The Appraiser must make the appraisal subject to an inspection by a qualified individual or entity if the sales contract or any other documentation indicates, or if the Appraiser observes dampness because of a foundation issue. The Appraiser must report to the Mortgagee any danger due to topographic conditions (e.g., earth and mudslides from adjoining properties, falling rocks and avalanches) to the subject Property or the adjoining land. (D) Grading and Drainage The Appraiser must check for readily observable evidence of grading and drainage problems. Proper drainage control measures may include gutters and downspouts or appropriate grading or landscaping to divert the flow of water away from the foundation. The Appraiser must make the appraisal subject to repair if the grading does not provide positive drainage away from the improvements. The Appraiser must note any readily observable evidence of standing water adjacent to the foundation that indicates improper drainage. The Appraiser must report this in the "Site" section of the report, if the standing water is problematic. (E) Suitability of Soil The Appraiser must consider the readily observable soil and subsoil conditions of the site, including the type and permeability of the soil, the depth of the water table, surface drainage conditions, compaction, rock formations and other physical features that affect the value of the site, or its suitability for development or support of the existing improvements. The Appraiser should also consider events and published reports regarding the instability of the soil and surface support of the land as related to the subject and proximate properties. The Appraiser must analyze and report how this would affect the Property. (F) Land Subsidence and Sinkholes (1) Definition Land Subsidence refers to the lowering of the land-surface elevation from changes that take place underground, including damage caused by sinkholes. (2) Standard Danger of Land Subsidence may be encountered where buildings are constructed on uncontrolled fill or unsuitable soil containing foreign matter such as a high percentage of organic material, areas of mining activity or extraction of subsurface minerals, or where the subsoil or subsurface is unstable and subject to slippage or expansion. Typical signs include fissures or cracks in the terrain, damaged foundations, sinkholes or settlement problems. (3) Required Analysis and Reporting The Appraiser must notify the Mortgagee of the deficiency of MPR or MPS if there is probable or imminent danger of Land Subsidence so that the Mortgagee can determine eligibility or the need to require the purchase of subsidence insurance. The Appraiser must analyze and report any readily observable conditions of the surface of the land that indicate potential problems from subsidence or the potential for lack of support for the surface of the land or building foundations. In mining areas, the Appraiser must analyze and report the depth or extent of mining operations and the site of operating or abandoned shafts or tunnels to determine if the danger is imminent, probable or negligible. (G) Oil or Gas Wells (1) Operating or Proposed The Appraiser must examine the site for the existence of any readily observable evidence of an oil or gas well and report the distance from the dwelling. The Appraiser must notify the Mortgagee of the deficiency of MPR or MPS if the dwelling is located within 75 feet of an operating or proposed well. The distance is measured from the dwelling to the site boundary, not to the actual well site. (2) Abandoned If the

Appraiser notes an abandoned gas or oil well on the subject site or an adjacent Property, the Appraiser must stop work and notify the Mortgagee. The Appraiser may resume work when the Mortgagee provides a letter from local jurisdiction or the appropriate state agency, stating that the subject well was permanently abandoned in a safe manner. The Appraiser may only complete the appraisal on a Property located near a gas well that emits hydrogen sulfide if the minimum clearance has been established by a petroleum engineer. The Appraiser must assess any impact that the location of the well has on the value and marketability of the Property. Hydrogen Sulfide Hydrogen sulfide gas emitted from petroleum product wells is toxic and extremely hazardous. Minimum clearance from sour gas wells may be established only after a petroleum engineer has assessed the risk and state authorities have concurred on clearance recommendations for petroleum industry regulation and for public health and safety. The Appraiser may only complete an appraisal on a Property if the Mortgagee has required an inspection by a qualified person and provided evidence that the minimum clearance has been established. (H) Slush Pits (1) Definition A Slush Pit refers to a basin in which drilling "mud" is mixed and circulated during drilling to lubricate and cool the drill bit and to flush away rock cuttings. (2) Required Analysis and Reporting If the Property has a Slush Pit, the Appraiser must make the appraisal subject to the removal of all unstable and toxic materials and the site made safe. (I) Property Eligibility in Special Flood Hazard Areas The Appraiser must review the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM) and make appropriate notations on the applicable appraisal reporting form. If the Property appears to be located within a Special Flood Hazard Area (SFHA), the Appraiser must attach a copy of the flood map panel to the appraisal report. II. ORIGINATION THROUGH POST-CLOSING/ENDORSEMENT D. Appraiser and Property Requirements for Title II Forward and Reverse Mortgages 3. Acceptable Reporting Forms and Protocols (04/10/2025) Handbook 4000.1 822 Last Revised: 11/26/2025 The Appraiser must enter the FEMA zone designation on the reporting form, and identify the map panel number and map date. If the Property is not shown on any map, the Appraiser must enter "not mapped." The Appraiser must quantify the effect on value, if any, for Properties situated within a designated SFHA. (J) Coastal Barrier Resources System The Appraiser must stop work and notify the Mortgagee of the deficiency of MPR or MPS if the Property is located within a Coastal Barrier Resources System (CBRS) designated area. The Appraiser must review the FEMA FIRM to determine if a Property is located within a CBRS. The FIRM will identify CBRS boundaries through patterns of backward-slanting diagonal lines, both solid and broken. If it appears that the Property is located in a CBRS, the Appraiser must review CBRS location maps to confirm. (K) Lava Zones When a Property is located in Hawaii, the Appraiser must review the U.S. Geological Survey (USGS) Lava Flow Hazard Zone maps. The Appraiser must notify the Mortgagee of the deficiency of MPR or MPS if the Property is located in Zones 1 or 2. The Appraiser must report in the "Comments" section that the Property is in the Lava Flow Hazard Zone and provide the Zone Number. (L) Mineral, Oil, and Gas Reservations or Leases The Appraiser must analyze and report the degree to which the residential benefits may be impaired or the Property damaged by the exercise of the rights set forth in oil, gas, and mineral reservations or leases. The Appraiser should consider the following: • the infringement on the property rights of the fee owner caused by the rights granted by the reservation or lease; and • the hazards, nuisances, or damages that may arise or accrue to the subject Property from exercise of reservation or lease privileges on neighboring properties. (M) Soil Contamination (1) Definition Soil Contamination refers to the presence of manmade chemicals or other alterations to the natural soil environment. II. ORIGINATION THROUGH POST-CLOSING/ENDORSEMENT D. Appraiser and Property Requirements for Title II Forward and Reverse Mortgages 3. Acceptable Reporting Forms and Protocols (04/10/2025) Handbook 4000.1 823 Last Revised: 11/26/2025 (2) Standard Conditions that indicate Soil Contamination include the existence of underground storage tanks used for heating oil, pools of liquid, pits, ponds, lagoons, stressed vegetation, stained soils or pavement, drums or odors. (3) Required Analysis and Reporting The Appraiser must check readily observable evidence of Soil Contamination and hazardous substances in the soil. The Appraiser must report the proximity to dumps, landfills, industrial sites or other sites that could contain hazardous wastes that may have a negative influence on the marketability and/or value of the subject Property. (N) Residential Underground Storage Tanks The Appraiser must note any readily observable surface evidence of residential underground storage tanks, such as fill pipes, pumps, ventilation caps, etc. If there is readily observable evidence of leakage or onsite contamination, the Appraiser must make a requirement for further inspection. v. New Construction Site Analysis The Appraiser must obtain a fully executed form HUD-92541, Builder's Certification of Plans, Specifications, and Site, signed and dated no more than 30 Days prior to the date the appraisal was ordered, before performing the appraisal on Proposed Construction, Properties Under Construction or Properties Existing Less than One Year. The Appraiser must review the form and analyze and report any discrepancies between the information provided by the builder and the Appraiser's observations. vi. Excess and Surplus Land (A) Definition Excess Land refers to land that is not needed to serve or support the existing improvement. The highest and best use of the Excess Land may or may not be the same as the highest and best use of the improved parcel. Excess Land may have the potential to be sold separately. Surplus Land refers to land that is not currently needed to support the existing improvement but cannot be separated from the Property and sold off. Surplus Land does not have an independent highest and best use and may or may not contribute to the value of the improved parcels. II. ORIGINATION THROUGH POST-CLOSING/ENDORSEMENT D. Appraiser and Property Requirements for Title II Forward and Reverse Mortgages 3. Acceptable Reporting Forms and Protocols (04/10/2025) Handbook 4000.1 824 Last Revised: 11/26/2025 (B) Required Analysis and Reporting The Appraiser must include the highest and best use analysis in the appraisal report to support the Appraiser's conclusion of the existence of Excess Land. The Appraiser must include Surplus Land in the valuation. If the subject of an appraisal contains two or more legally conforming platted lots under one legal description and ownership, and the second vacant lot is capable of being divided and/or developed as a separate parcel where such a division will not result in a nonconformity in zoning regulations for the remaining improved lot, the second vacant lot is Excess Land. The value of the second lot must be excluded from the final value conclusion of the appraisal and the Appraiser must provide a value of only the principal site and improvements under a hypothetical condition. vii. Characteristics of Property Improvements (A) Minimum Requirements for Living Unit The Appraiser must notify the Mortgagee of the deficiency of MPR or MPS if each living unit does not contain any one of the following: • a continuing and sufficient supply of safe and potable water under adequate pressure and of appropriate quality for all household uses; • sanitary facilities and a safe method of sewage disposal. Every living unit must have at least one bathroom, which must include, at a minimum, a water closet, lavatory, and a bathtub or shower; • space adequate for healthful and comfortable living conditions; • heating adequate for healthful and comfortable living conditions; • domestic hot water; • electricity adequate for lighting and for mechanical equipment used in the living unit; and • kitchen facilities adequate for the preparation and cooking of food. Every living unit must have at least one area with kitchen facilities, which must include, at a minimum, a sink with potable running water and a stove utility hookup. FHA does not have a minimum size requirement for one- to four-family dwellings and Condominium Units. For Manufactured Housing requirements, see the Manufactured Housing section. (B) Access to Living Unit The Appraiser must notify the Mortgagee of the deficiency of MPR or MPS if access to the living unit is not provided without passing through any other living unit or access to the rear yard is not provided without passing through any other living unit. For attached dwellings, the access may be by means of alley, Easement, common area or passage through the dwelling. II. ORIGINATION THROUGH POST-CLOSING/ENDORSEMENT D. Appraiser and Property Requirements for Title II Forward and Reverse Mortgages 3. Acceptable Reporting Forms and Protocols (04/10/2025) Handbook 4000.1 825 Last Revised: 11/26/2025 The Appraiser must report when the Property has security bars on bedroom windows or doors. (C) Nonstandard House Styles (1) Definition Nonstandard House Style refers to unique Properties in the market area, including log houses, earth sheltered housing, dome houses, houses with lower than normal ceiling heights, and other houses that in the Appraiser's professional opinion, are unique. (2) Required Analysis and Reporting The Appraiser must provide a comment that the nonstandard house style appears structurally sound and readily marketable and must apply appropriate techniques for analysis and evaluation. In order for such a Property to be fully marketable, the Appraiser must demonstrate that it is located in an area of other similar types of construction and blend in with the landscape. The Appraiser may require additional education, experience, or assistance for these types of Properties. (D) Modular Housing (1) Definition Modular Housing refers to Structures constructed according to state and local codes off-site in a factory, transported to a building lot, and assembled by a contractor into a finished house. Although quality can vary, all of the materials – from framing, roofing and plumbing to cabinetry, interior finish and electrical – are identical to what is found in comparable quality conventional "stick-built" housing. (2) Required Analysis and Reporting The Appraiser must treat Modular Housing the same as stick-built housing, including reporting the appraisal on the same form. The Appraiser must select and analyze appropriate comparable sales, which may include conventionally built housing, Modular Housing or Manufactured Housing. (E) Accessory Dwelling Unit (1) Identification of an Accessory Dwelling Unit An Accessory Dwelling Unit (ADU) is subordinate in size, location, and appearance to the primary Dwelling Unit and may or may not have separately II. ORIGINATION THROUGH POST-CLOSING/ENDORSEMENT D. Appraiser and Property Requirements for Title II Forward and Reverse Mortgages 3. Acceptable Reporting Forms and Protocols (04/10/2025) Handbook 4000.1 826 Last Revised: 11/26/2025 metered utilities. The ADU must comport with zoning requirements, which may include a legal nonconforming use. (2) Required Analysis and Reporting Protocols As part of the highest and best use analysis, the Appraiser must make the determination to classify the Property as a Single Family dwelling with an ADU, or a two-family dwelling. The conclusion of the highest and best use analysis will then determine the classification of the Property and the required analysis reporting. (a) One-Unit Single Family Dwelling with an Accessory Dwelling Unit When the highest and best use analysis determines the Property to be a Single Family dwelling with an ADU, the Appraiser must: • provide a description of the ADU characteristics; • summarize the ADU's market acceptance; • report the Gross Living Area of the ADU separate from the primary dwelling; • state whether the ADU can be legally rented without restrictions; and • report the current ADU occupancy and the relevant details of any known lease agreements. (b) Optional Accessory Dwelling Unit Market Rent Analysis The Mortgagee may request an opinion of the ADU market rent in the scope of work. The Appraiser may provide the ADU market rent only if: • the highest and best use is determined to be a one-unit Single Family dwelling with an ADU; • the ADU is legally rentable without restrictions; and • the Appraiser determines that a non-transient (see Restriction on Investment Properties for Hotel and Transient Use) monthly market rent can be credibly developed. The analysis of the rental data must include support for the ADU comparable rental selections, the adjustments applied, and the opinion of the ADU market rent. The Appraiser must include the ADU opinion of market rent on Fannie Mae Form 1007/Freddie Mac Form 1000, Single Family Comparable Rent Schedule, as an attachment to the appraisal and include the following supplemental statement: "This form is completed to provide FHA an opinion of the market rent of the subject's legally rentable Accessory Dwelling Unit (ADU). Sufficient competitive market data exists to develop credible results." Appraisers completing the optional ADU market rent analysis must comply with FHA's Appraiser Competency Requirement. II. ORIGINATION THROUGH POST-CLOSING/ENDORSEMENT D. Appraiser and Property Requirements for Title II Forward and Reverse Mortgages 3. Acceptable Reporting Forms and Protocols (04/10/2025) Handbook 4000.1 827 Last Revised: 11/26/2025 The Appraiser must contact the Mortgagee if unable to fulfill a request for ADU market rent analysis. (c) Comparable Selection for Optional Accessory Dwelling Unit Market Rent Analysis The Appraiser must include a sufficient number of comparable rents to produce a credible ADU market rent estimate. The comparables used to develop the ADU market rent must not include properties rented for hotel or transient purposes, or for periods less than 30 Days. The Appraiser must include at least one comparable rental that is a Single Family dwelling with a rented ADU. If a Single Family dwelling with a rented ADU is not available, the Appraiser must supplement with the most appropriate rental available and summarize the reason for the selection and how the marketability of the ADU was determined. (F) Additional Manufactured Home on Property The Appraiser may consider a Manufactured Home to be an ADU if it meets the highest and best use and FHA requirements. The Appraiser may value a Manufactured Home on the Property that physically or legally may not be used as a dwelling and does not pose any health and safety issues by its continued presence as a storage unit. (G) Leased Equipment, Components, and Mechanical Systems The Appraiser must not include the value of leased mechanical systems and components in the Market Value of the subject Property. This includes furnaces, water heaters, fuel or propane storage tanks, solar or wind systems (including power purchase agreements), and other mechanical systems and components that are not owned by the property owner. The Appraiser must identify such systems in the appraisal report.