

# FHA Director Says Agency Being Misrepresented to Builders, Buyers

A warning to home builders and home purchasers by the Alaska Director of the HUD-FHA insuring office.

There is a misunderstanding according to Claude Millsap, FHA Director for the State of Alaska, that the role of FHA in determining the condition of a property submitted for an FHA insured mortgage loan is being misunderstood with increased frequency.

"We are learning," Millsap noted, "that our role is misrepresented to buyers. This misunderstanding on the part of real estate salesmen and brokers has resulted in the buyer being told, 'You need have no worry about the condition of the property as long as FHA has inspected and approved it—or if you have any

complaints, the FHA will take care of them since they approved the property.'"

This results, Millsap added, in the buyer relying upon such statements, not taking elementary precautions in checking the adequacy of the individual components of the property.

Noting that the FHA office has experienced a marked increase in the volume of mortgage underwriting in Anchorage, Millsap warned that it is "the responsibility of every purchaser to determine that the property will meet his needs and that buyer satisfy himself as to the condition of the property."

The role of FHA appraisals is to determine the value which determines the maximum mortgage loan FHA will insure.

There are many factors which enter into real estate transaction such as agreements made between two parties, the seller and the buyer and FHA is not a party to those agreements. FHA appraisals do recognize the property's efficiencies as well as its deficiencies, and these conditions are reflected in the assigned FHA values.

However, Millsap added, "our appraisers are neither plumbing, heating, nor electrical inspectors. Where deficiencies are noted, which seriously impair the livability of the property, correction will be required."

Millsap again warned, however, that "in judgement area, this determination will be left to the prospective buyer. In other words, as the Romans used to say, 'Caveat Emptor,' which is to say, 'Let the buyer beware.'"

Millsap also had this to say:

"Real estate brokers, mortgage bankers and builders are responsible for the actions of their employees. FHA must be accurately represented. Should we learn that FHA is being misrepresented, the parties involved will be denied future participation in FHA programs.