
CHAPTER 4. COMPLIANCE INSPECTIONS

4-1. GENERAL. Compliance inspections are to ensure that the mortgage risk in construction stays within acceptable limits. Refer to the Architectural Requirements Grid in Appendix 11. Inspections in no way relieve the builder of his/her contractual obligations to the home buyer.

Commitments for insurance require the completion of construction according to accepted drawings, any amendments, description of materials and the conditions of the commitment. Construction must be in a manner equal to or exceeding applicable HUD requirements.

HUD neither attempts to control the building operation nor forces its requirements upon the builder. However, HUD may refuse to insure the mortgage if the provisions of the commitment and all other pertinent requirements are not fulfilled.

4-2. INSPECTION RESPONSIBILITIES.

A. Architectural Staff:	See Para.
1) Review performance of fee inspectors on proposed construction cases	4-18 4-24
2) Field review five percent of all inspections performed by fee inspectors	4-24
3) Manufactured housing inspections	4-9
4) Rehabilitation inspections	4-11
5) Truss fabrication inspections	4-12
6) Complaint inspections	4-14
7) Subdivision inspections	4-15
8) Casualty Damage inspections	4-16
9) Review mortgagee certifications	4-25

(4-2.A.)

- 10) Review inspections made by the local authority 4-26
- 11) Train field office staff and fee personnel 4-27
- 12) Maintain adequate fee inspector panel 3-8.B
- 13) Provide architectural support to other Branches in the Field Office

B. Fee Inspector ensures that proposed construction is in compliance with the local, State or CABO code and HUD requirements in 24 CFR 200.926d (See Appendix 8), where applicable:

For field review purposes, fee or staff inspectors must submit to HUD Architectural Branch a signed, legible copy of all compliance inspection reports (new construction only). Include photographs discussed below.

- 1) Substantial rehabilitation inspections (See Handbook 4240.4)
- 2) Proposed construction inspections (including properties with a HUD accepted insured ten-year protection plan)
 - a. At final inspection (when all on-site improvements have been acceptably completed), fee inspectors (or fee appraisers, where property is complete and has a ten-year protection plan) are required to take a color photograph of each diagonally opposite front and rear corner of house to record adequate grading and drainage of site.

Photographs should be taken from street at the property corner (front shot) and from a rear property corner (rear shot) diagonally opposite the front property corner.

This also applies to final inspections performed on all homes built under an

(4-2.B.2)a.)

HUD accepted insured ten-year protection plan. See Appendix 8 for suggested format for submitting photographs.

- b. Final inspection report must provide a specific statement on acceptance of grading and drainage.

Inadequate grading and drainage is the biggest complaint of homebuyers and should be carefully reviewed. Also discuss thoroughly in training sessions.

If reviewer notes questionable items in photographs, amend compliance inspection report accordingly and/or contact the inspector. A field review may be necessary.

- c. Photographs must be permanently placed in case binder. Field Office must ensure that photographs are included with the endorsed case file sent to Headquarters.
- d. Where the first and second compliance inspection are waived by the HUD Field Office (because the local authority or a HUD accepted insured 10-year protection plan has been accepted to do the inspections), the inspector must make the following statement on Form HUD 92051:

"The initial and intermediate inspections were waived because of _____ (acceptance of inspections by the local authority or the 10-year warranty by (name of warranty company)). The dwelling appears to be completed in conformance with the submitted construction exhibits."

- 3) Repair inspections on existing properties are completed according to instructions in paragraph 4-13.

Fee Appraisers are not to be assigned inspections on proposed construction cases unless they have been certified by the

(4-2.B.2)d.3))

Architectural Branch to do fee inspections.

- 4) Final inspections on properties "under construction" or "existing less than one year old." See paragraph 6-3.A.3).

4-3. NUMBER OF INSPECTIONS. Not less than three inspections are required on properties involving proposed construction cases (See paragraph 4-4 for types), with the following exceptions:

- A. Manufactured Housing. Require an initial and final inspection on:
 - 1) "Mobile" units conforming to Federal Manufactured Home Construction and Safety Standard. See paragraph 3-4.
 - 2) "Modular" units conforming to a Structural Engineering Bulletin, Regional Letter of Acceptance or Category III State approval. Refer to Handbook 4950.1 for criteria on plant inspection procedures.
- B. Properties Covered by Insured Ten-Year Protection Plans may require only the final inspection (Refer to paragraph 6-2 for acceptance criteria). In areas where specific problems are known to recur, or when there is a high incidence of complaints against the builder, the initial and intermediate inspections should be required. (Thoroughly document the Builder's file).

The builder must advise HUD of coverage prior to the issuance of the conditional commitment for this exception to apply or three inspections will be required.
- C. Local Authorities that are approved by the HUD Field Office can make the initial and framing inspections (See paragraph 4-26).

Fee inspector must make the final inspection.

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(4-3)

- D. Additional inspections are warranted if:

- 1) Builder is known for substandard work. Continue to inspect until quality of work and supervision is acceptable.
- 2) Builder is unfamiliar with HUD requirements.
- 3) Proposal involves unusual construction methods or site features.

4-4. CONSTRUCTION STATUS NOTIFICATION TO THE INSPECTOR. Required of the builder or mortgagee as indicated on Form HUD 92800-5B, Conditional Commitment / Statement of Appraised Value.

After the HUD assignment of the fee inspector, the mortgagee (or builder, if allowed by the lender) can directly contact the fee inspector to schedule inspections. If fee inspector cannot be reached, call HUD Field Office for assignment of another fee inspector (Construction exhibits must be available at site). Unless instructed otherwise, builder can proceed with construction after giving proper notice.

If work is not complete and ready for inspection, fee inspector may still charge a fee and require another inspection when work is ready.

- A. Initial Inspection. Required before the "beginning of construction" (defined as placement of permanent construction) with foundation forms in place. Give two workdays' notice.

An open excavation, without a minimum of foundation forms in place, must be reinspected by the fee inspector.

- B. Framing Inspection. Required when the building is enclosed and the framing, plumbing, heating, electrical, and insulation is complete and visible. Give one workday notice.

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- C. Required Optional Inspections. Required by a specific condition of the commitment. Give one workday notice.

Additional inspections may be required on non-typical construction techniques, or when the builders quality of workmanship is in question.

- D. Final Inspection. Required when construction is completed and property is ready for occupancy. Give one workday notice.
- 4-5. PREMATURE CONSTRUCTION is the beginning of construction before HUD or the DE lender has issued a Conditional Commitment/ DE Statement of Appraised Value, Form HUD 92800.5B, or an Early Start Letter. Outstanding commitment must be amended to reflect a reduced loan amount and term of commitment ("existing" in lieu of "proposed" construction).
- When the Compliance Inspection Report (Form HUD 92051) shows premature construction, the reviewer judges the reasonableness of the fee inspector's opinion from the date of the report, the date of the commitment and the reported progress of the work. If the fee inspector's opinion is not supported by factual evidence, reviewer modifies report to show an acceptable start of construction.
- A. Property Eligibility. Dwelling is no longer acceptable for the maximum benefits provided by the National Housing Act including the four-year structural defect warranty under Section 518(a).
- B. The Mortgagee is Notified by letter (from Director of Housing), with a copy of Compliance Inspection Report. The remaining compliance inspections may be made.
- 4-6. BUILDER REFUSAL TO UNCOVER CONCEALED CONSTRUCTION goes on the compliance inspection report in Part IV-A(b). The Field Office Manager must notify the Mortgagee by letter, accompanied by the compliance inspection report. This could be a basis for refusal to endorse the loan and for a Limited Denial of Participation (LDP) action against the builder.

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- 4-7. POSTING HUD CASE NUMBER. Provided by the builder on each property. The number should be at least three inches high, fade-resistant and easily read from the street. If case number has not been issued, use lot and block designation.
- 4-8. POSTING EQUAL EMPLOYMENT OPPORTUNITY PLACARD (HUD 928.1). Required by the Department of Labor, Office of Equal Employment Opportunity. HUD will furnish this to the builder if they are available.

Display the placard in a conspicuous place at the job site. One placard may cover a group of contiguous

properties being constructed simultaneously by a builder.

- 4-9. MANUFACTURED HOUSING INSPECTIONS.
- A. Mobile. See instructions in paragraph 3-4.
 - B. Modular. Factory built units must comply with the applicable code and with 24 CFR 200.926d. See Handbook 4950.1 and Appendix 8.
- 4-10. DIRECT ENDORSEMENT INSPECTIONS. See Handbook 4000.4.
- 4-11. REHABILITATION INSPECTIONS. See Handbook 4240.4.
- 4-12. TRUSS FABRICATION INSPECTIONS. The manufacturer is subject to periodic inspection by HUD Field Office. Inspections apply to the manufacture of finished products and individual components. Truss connectors, fabrication and materials must be carefully checked.

If structural deficiencies exist, report non-compliance to the Field Office Manager, who forwards the findings to the Deputy Assistant Secretary for Single Family Housing.

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- 4-13. REPAIR INSPECTIONS may be assigned to a fee inspector by the Valuation Branch; however, it is the responsibility of the Valuation Branch to review the reports and do the field reviews. Only a completion inspection is required. The inspection is paid by the mortgagee.

Major deficiencies that are not commitment conditions are described by memorandum to the Valuation Branch with recommendations for correcting the problem. Non-commitment items are not to be included on the compliance inspection report.

- 4-14. COMPLAINT AND STRUCTURAL DEFECT INSPECTIONS. See Handbook 4070.1, Handbook 4000.4 and paragraph 3-10 of this handbook. Also see paragraph 6-2.F.4).
- 4-15. SUBDIVISION INSPECTIONS. See Handbook 4135.1.
- 4-16. CASUALTY DAMAGE INSPECTIONS. See Handbook 4330.1. Mortgagees are to contact and pay fee inspectors directly. Fee inspectors report findings on Form HUD 92051 and return it to the mortgagee.

- 4-17. ROTATION OF INSPECTORS is recommended within subdivisions or communities with a large volume of construction. In subdivisions using Master Conditional Commitments or Master Appraisal Reports, inspectors should be rotated every six months.

The same fee inspector must not make more than four inspections on a single property. However, if four or more inspections are required on Form HUD 92800.5B, then one additional inspection will be allowed for the same inspector. If only the final inspection is required on a property (because the builder is providing a HUD accepted 10-year protection plan), then one additional inspection will be allowed for the same inspector.

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- 4-18. OFFICE REVIEW OF INSPECTION REPORTS (Form HUD 92051). Follow the instructions in Handbook 4190.1. Also see paragraph 4-2.B.1).

Reports may reveal need for field review, special handling of a case or the need for added special construction requirements to satisfy applicable code(s), or HUD's Minimum Property Standards.

- 4-19. ISSUANCE OF INSPECTION REPORTS. The initial and intermediate (framing) inspection can be considered official when signed by fee inspector. Chief Architect must determine the extent of this policy. Continued issuance of reports without office review must depend on reasonable assurance of quality inspections.

Exception: All repair and all final inspection reports must be reviewed before becoming official, signed by the Chief Architect or designee.

- 4-20. UNREPORTED NON-COMPLIANCE. If the noted deficiency was probably visible at a previous inspection it should be reviewed to determine whether corrections are essential.

An inspection report made at any stage of construction (except final inspection) should be construed as final acceptance of work previously performed.

- 4-21. EXTENSIVE NON-COMPLIANCES are (1) unacceptable variations to the HUD-accepted exhibits or; (2) unacceptable construction.

Before checking box 11, Form HUD 92051 (& appropriate subboxes), the fee inspector should conclude that correcting the non-compliance would be impracticable and the property would be unacceptable under the outstanding conditional commitment, or builder refusal to correct the problem is evident.

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- 4-22. CONSTRUCTION CHANGES are revisions to the accepted set of exhibits. Provide to HUD in one of three ways:
- A. Mortgagee Submits Form HUD 92577, Request for Acceptance of Changes in Approved Drawings and Specifications (Instructions are in Handbook 4190.1). If forms are not available, the mortgagee may submit a letter. Ensure that the essential information contained on the form is present.

Fee inspector may review Form HUD 92577 and make recommendations and comments at the time of inspection.
 - B. List Changes on Compliance Inspection Report. Fee inspector may encounter changes during inspection and should report changes on Form HUD 92051. Field Office may require the mortgagee to submit Form HUD 92577.
 - C. Field Acceptance of Changes. Fee inspector can accept only minor "no cost/non-structural" variations. Do not report them on Form HUD 92051.
- 4-23. ACCEPTANCE OF CONSTRUCTION CHANGE(S) is official when the mortgagee has been properly notified in writing by the HUD Field Office Manager or Supervisor by issuance of a countersigned Compliance Inspection Report or Request for Acceptance of Changes. The builder assumes the risk for non-approved changes.
- Any change from the approved construction exhibits may be the subject of a homeowner complaint and should be viewed in this light by the fee inspector.
- When proposed changes have been accepted by HUD or the DE lender, the exhibits are considered as having been amended. Send copy to fee inspector.
- If an accepted change is not made, the fee inspector must report the variation from the amended exhibits.
- A. Minor variations are departures from the approved

construction exhibits whose identification on the

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(4-23.A.)

Compliance Inspection Report would serve no useful purpose.

- 1) Cost limits should not be established and used as a criterion (e.g., elimination of a five-dollar light fixture or twenty (20) dollar exhaust fan might be unacceptable).
 - 2) If there is any doubt about acceptability, the inspector must report the change (e.g., Relocation of a window may be considered a minor variation; however, if it adversely affects the dwelling, the change should be reported).
- B. Fee Inspector Responsibilities. Review the change at the time of inspection to ensure that the changes are appropriate, technically sound, adequately described on Form HUD 92577 and that the form has been properly completed.
- 1) Report all variations that have not been processed under paragraph 4-22.C. or previously accepted by HUD.
 - 2) Describe change(s) on the Compliance Inspection Report, but do not show acceptance of any variation even though it appears to be technically acceptable. Replacement cost and mortgage terms could be affected.
 - 3) Differentiate between acceptable minor variations and those changes that are not acceptable for field approval. Plan reversals must be reported.
 - 4) Review the cost estimate and ensure that it is reasonable. Modify if necessary.

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4-24. FIELD REVIEWS are required on at least five (5) percent of all inspections and will be reviewed by the Chief Architect (Supervisor or designee). Use Form FHA HUD 1038-A, Architectural Field Review Report. Make specific comments on grading and drainage (See Appendix 8 and paragraph 4-2.B.). Report monthly to the records clerk.

Chief Architects must keep informed of the general quality of inspections and fee inspector performance. In areas where local authorities do the initial and intermediate inspections and in areas where these inspections have been waived because the builder has a HUD accepted insured ten-year protection plan, all phases of construction should be field-reviewed semi-annually to determine continued acceptability of local authority inspections.

In areas where a lender has been approved to submit applications to a nearer office (Lender's Option), it is the responsibility of the office that processed the loan to make the field reviews on the property.

4-25. REVIEW OF MORTGAGEE CERTIFICATIONS. Architectural Branch is responsible for reviewing at least ten (10) percent of all certifications on "proposed" and "existing" properties.

A. Field Review at least five (5) percent for reliability.

1) Use Compliance Inspection Report, Form HUD 92051.

2) Mortgagees must be notified if corrections are necessary for a clear certification. If improper certification is apparent, request lender to make repair out of their own funds.

B. Maintain a Record of Certifiers. If mortgagees provide unacceptable certifications, referral to Mortgagee Approval Board may be necessary.

4-26. INSPECTIONS BY LOCAL AUTHORITIES can be approved by the HUD Field Office for the initial and intermediate stages of construction. The builder should give a copy of the inspection record (or certificate of occupancy) to the fee inspector at final inspection, clearly identifying the

property (Also see paragraph 4-2.B.2)d.). Maintain a record of this approval; include copies of field reviews to verify continuing acceptance.

Just because a local authority is acceptable to do subdivision processing under the Local Area Certification process is no reason to automatically approve them to do the initial and intermediate inspections.

A. Approval criteria.

- 1) Local authority determines that each dwelling has a continuing supply of safe and potable water, sanitary facilities, sewage disposal and surface water disposal to ensure healthful conditions;
- 2) Local inspections determine that footings or ground-supported slabs will rest on soil that is stable and has an acceptable bearing capacity;
- 3) Local inspections determine that footings are suitable to support the anticipated loads and are below the locally prevailing frost line;
- 4) Local inspections assure structural safety and safety from fire hazards;
- 5) Local inspections are made on electrical and plumbing work to ensure safety, durability and satisfactory performance; and
- 6) Local authority provides the builder with tags, slips or other means of recording required inspections.

B. Substandard Construction. The HUD Manager must notify the local authority an builders when HUD compliance inspections may resume.

4-27. TRAINING of HUD Field Office staffs and fee personnel is the responsibility of the Chief Architect (Supervisor) to improve the quality and efficiency in accepting, for processing and inspection purposes, the architectural exhibits and builders' certifications.

- A. Training Sessions should be scheduled semi-annually; however, one a year is mandatory. When distance from

the HUD Field Office is a problem, fee personnel should be kept advised of developments and attend when practicable.

- 1) Discuss grading and drainage problems. Use field review notes and examples of photographs (See Appendix 8 and paragraph 4-2.B);
- 2) Provide information on new materials and unusual details of construction;
- 3) Train personnel to inspect work of various trades; and
- 4) Personnel should be encouraged to offer suggestions and help solve problems.

B. Inspection Guide must be prepared by each HUD Field Office for issuance to inspectors and staff personnel. See paragraph 7-3.

4-28. HUD RECOMMENDATIONS FOR MODEL CODE CHANGE(S).

Suggested by staff personnel to correct errors, omissions, or to make improvements to the content of a model code. Interpretations of model codes will be by their publishers.

- A. Submit Proposals to Headquarters, Office of Manufactured Housing and Regulatory Functions, Construction Standards Branch.
- B. Justification for Change. Each proposal must include supporting statements for the change and specifically

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(4-28.B.)

identify:

- 1) Clearly state the purpose of the proposed code change to:
 - a. Clarify the code, or revise outdated material;
 - b. Substitute new or revised material for current provisions of the code;
 - c. Add new requirements, etc.

- 2) Provide reasons for changing the current provisions of the code. Changes that add or delete requirements must be supported by logical arguments that clearly show why the present code provisions are inadequate or overly restrictive, and how the change will improve the, code.
- 3) Include all available substantiating material, i.e. (but not limited to) research reports, statistical analysis, field-related experiences and ease or difficulty in enforcing or interpreting the code.

When possible, technical data should be provided to substantiate the need for a code change. Submit copy of such published data or indicate where to obtain.