
CHAPTER 3. DATA

- 3-1. GENERAL. This Chapter describes the data records which should be established, maintained and used by Valuation Branch personnel of HUD Field Offices. Direct Endorsement Mortgagee Underwriters should also have this type of data as needed available to them in evaluating appraisal reports.
- 3-2. COST DATA. The Marshall and Swift Cost Handbook contains cost data used by appraisers to estimate the replacement cost of on-site improvements.
- 3-3. MARKET DATA. Sufficient current sales data must be maintained in each Field Office and Direct Endorsement Mortgagee Underwriter's office. Field Offices must contract for sales data from the most reliable sources in order to provide staff review appraisers with the necessary tools to perform their function. This data may consist of non-HUD/FHA residential sales, rental unit comparables, or vacant land sales. Fee panel appraisers must arrange for their own sources of data.
- 3-4. MARKETING EXPENSE. It is the responsibility of the Chief Appraiser to have assembled sufficient data to reveal the amount of marketing expense that may properly be included in the Estimate of Replacement Cost. The information will be revised annually or more frequently if marketing expenses change sufficiently to warrant a revision.
- 3-5. MAPS. A file of maps useful in processing cases shall be maintained. In some instances, combinations of data may be shown on the same map.
- A. Useful Data Maps.
- 1) Maps of cities, counties, or other political subdivisions showing appraisal area boundaries.
 - 2) Maps showing information such as street names, transportation lines, highways, bridges, tunnels, ferries, locations of schools and churches, political boundaries, topographical features, parks, playgrounds and cemeteries.
 - 3) Zoning maps and other maps showing the location of subdivisions and rental housing projects.

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- 4) Maps showing the locations of public utilities including storm and sanitary sewer lines, gas and water mains, street lighting, and electric power lines, if available.
 - 5) Maps showing the extent of sub-surface mining operations and possible subsidence areas, where needed.
 - 6) Maps showing areas subject to flood, fumes, and other detriments.
 - 7) Maps showing areas with high underground water tables, unstable soil conditions, filled-in areas, and poor surface drainage.
 - 8) Maps showing information such as boundaries of school districts, special assessment districts, irrigation districts, fire zones, and fire and police protected zones.
 - 9) Land area and population density maps.
 - 10) Land use survey maps showing the nature of land uses in selected cities.
 - 11) Copies of the latest noise contours and future projections along with the clear zone markings for all commercial airports. In addition, the Field Offices must have copies of the latest air installations compatible use zone for all military installations with their jurisdiction. These studies will include not only present, but future projected noise contours, clear zone maps and accident potential zone maps. When advice and guidance are required in the analysis of residential properties near military airports, the request will be made of the commander of the military base.

B. Sources of Maps.

- 1) Map publishers.
- 2) Public offices of government, such as those of the city or county engineer, school board, zoning commission, planning commission, park commission, and tax assessor.
- 3) Geological Survey, U.S. Department of the Interior.
- 4) U.S. Bureau of the Census.
- 5) Post Office Department.
- 6) Department of Agriculture soils maps.

(3-5) 7) Federal and State Mining Bureaus.

8) Department of the Interior.

9) FEMA flood maps.

3-6. POPULATION AND HOUSING STATISTICS. This information should contain data useful in the preparation of location, subdivision and market analyses, economic life estimates, and valuations. This information may be maintained by the Economic Market Analysis Division.

A. Examples of Data are as follows:

1) The current final reports on population and those on housing as prepared by the U.S. Bureau of the Census. Special reports may be available for specific political subdivisions or communities within the Field Office jurisdiction.

2) Building Permit Data. Bureau of the Census (C-42 Series). Information on new construction in selected metropolitan areas, by type of structure.

3) HUD Market Analyses.

B. Sources of Population and Housing Data:

1) Population and Housing Data prepared by the Division of Research and Statistics, Department of Housing and Urban Development.

2) Private Data and Planning Organizations.

3) Utility Company Research Bureaus.

4) Bureau of Vital Statistics.

5) City Directories.

6) Real Estate Boards.

7) U. S. and Local Chamber of Commerce Publications.

8) State or County Zoning and/or Planning Commissions.

9) University Research Bureaus.

(3-6) 10) Other Governmental Agencies including Redevelopment and Urban Renewal Agencies.

11) Boards of Education.

3-7. DATA REQUIREMENTS AS RELATED TO THE MODIFIED COST APPROACH. This information must be screened, compiled and reviewed for accuracy and disseminated to all appraisers. Verification and comparison of substantial amounts of the data are necessary to assure validity. These data will be assembled and provided to appraisers and Direct Endorsement Mortgagee Underwriters. They must be updated as needed to assure reliability. Data are required relating to the four items described below:

- A. Expenses incurred in connection with purchase from the original owner (recording charges, transfer taxes and any other expenses of purchase).
- B. Interim Financing Expense (interest on borrowed money necessary to carry the property until resale) expressed as a percentage which will be applied to the purchase or option price.
- C. Expenses incurred in connection with holding the property awaiting sale and closing (such as taxes, insurance, water and heating costs, grass cutting, etc.). These may or may not be elements of expense, particularly if in the typical transaction the sale is consummated early or the speculator rents the property during the sale period.
- D. Typical brokers commission charges (percentage) on properties of this type.

This type of data may be collected by contacting local banks, management firms and other legitimate businesses engaged in the rehabilitation or resale of homes with or without HUD assistance.

3-8. HUD HOUSING MARKET REPORTS. Analytical reports on selected local housing markets are prepared by HUD Regional Office Economists. These reports contain a wide range of data and information from sources (unpublished as well as published) relating to economic activities, population and households, incomes, residential construction and vacancies, unsold inventory of new houses, and current conditions in the sales and rental segments of the housing market. The conclusions of these studies are concerned with prospective demand for sales and rental housing in quantitative and qualitative terms.

3-9. LAND USE REGULATIONS. This file should contain data on general legal restrictions and regulations pertaining to the use of land within the Field Office jurisdiction.

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- (3-9) A. Data in this file consists of:
- 1) Zoning ordinances.
 - 2) Planning regulations promulgated by planning commissions having legal status.
 - 3) Fire and police protection regulations.
- B. Sources of data include:
- 1) Planning Commissions.
 - 2) City and County Engineers' Offices.
 - 3) Assessment Bureaus.
 - 4) Tax Collector's Offices.
 - 5) Fire and Police Departments.
 - 6) Recording Offices.
 - 7) Subdivision Developers.
- 3-10. SPECIAL CONDITIONS AFFECTING APPRAISAL ASSIGNMENT AREAS. This file contains pertinent information concerning conditions which may affect properties within the appraisal areas. Examples of these exhibits include but are not limited to:
- A. Outline map of appraisal areas.
 - B. Estimated Market Price of typical sites with supporting data.
 - C. Real estate tax and assessment information, descriptive boundaries of water and/or sewer districts, school districts, etc.
 - D. Newspaper accounts, correspondence, or other informative material concerning the area; i.e., domestic water during dry spells, proposed relocation of highways, etc.
- 3-11. SUBDIVISIONS. The data necessary for the valuation analysis of a subdivision proposal should be available within specifically identified files. In addition to data normally required in the valuation function, files containing site analysis and planning aids will be maintained.
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- (3-11) A. Approved Local Jurisdiction. A current list of local jurisdictions which have been approved under the Local Area Certification Procedure will be maintained in the Valuation Section. In addition to the current approved list, a file should be maintained on each jurisdiction whether it has been approved or not. This file should contain a record of the Field Office survey of the jurisdiction and of the current processing. The latest Local Area Study Worksheet as shown in HUD Handbook 4135.1 and appropriate exhibits should be kept in each file.
- B. Subdivision Site Binders. Data, recommendations, and office determinations regarding specific subdivision proposals will be prepared by the Valuation Branch for each proposal accepted for analysis by the Field Office. This file will be maintained by the Valuation Branch in the feasibility and preconstruction exhibit stages. Upon the satisfactory completion of these stages of analysis, the subdivision site binder will be routed to the Architectural Section. The file will be maintained in the Architectural Section for two years; then sent to the Federal Records Center. The file will be made available to the processing appraiser for review at such time as he/she is assigned the valuation of properties incorporated into this file.
- C. Sales. Information concerning non-HUD sales can be obtained from parties to the transaction, real estate firms, newspapers, and public records.
- D. Soft Market Data. It is the responsibility of Valuation Branch personnel and fee panel appraisers to report all conditions which indicate an oversupply of housing within the Field Office jurisdiction.
- 1) Written reports of these conditions should be delivered to the Chief Appraiser by all fee panel appraisers and field reviewers who observe such conditions in the field.
 - 2) Information to be observed and reported will be that relating to such conditions as an excessive inventory of unsold houses, prolonged marketing time, price declines, unusual sales promotion devices, rent concessions, an increase in dwelling vacancies, increase in defaults and foreclosures and an abnormally slow rate of absorption in new subdivisions, whether FHA, VA or conventional.
- 3-12. CLOSING COST DATA. Closing costs are related to the purchase of a property, and are the total of all minimum costs typically incurred in the transfer and acquisition of title which must be paid in addition to the contract or sales price of the property.
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(3-12) A. Some of the closing costs commonly included for the buyer are for items such as the following:

- 1) Evidence of Title.
- 2) Drawing, recording, and notarizing conveyance instruments.
- 3) Financing costs as follows:

- a. Appraisal fee and credit report.
- b. Discounts for refinancing.
- c. Mortgagee's origination fee.
- d. Drawing, notarizing, and recording mortgage and note.

B. To be allowable these costs must be customary and reasonable charges in the locality. The basis for estimating the appropriate amount for any item will be the lowest cost prevailing in the locality. There are no specified dollar limits on the amount which the mortgagee may charge for these services. Rather, whatever charge is reasonable and customary in the area in which the transaction takes place, may be allowed. Field Office Managers are given wide discretion in determining what fees are reasonable and customary in the areas for which they are responsible and are to notify the appropriate lending industry as to their determination. Any payment of expenses incidental to the ownership or use of the property such as prepaid taxes, insurance, or charges for public utility services will not be included as part of closing costs.

C. The Chief Appraiser must assemble enough data to determine to the extent possible the amount of closing costs that may be included in the estimated acquisition cost of equivalent property. Sources of information for closing cost data include title companies, abstract attorneys, recorders' offices, mortgagees, and mortgage credit closing cost data file. Examples of closing cost items and preparation of the costs can be found at the end of this Chapter. The HUD-1 Settlement Statement of closing charges required by the Commitment for Insurance is an important source of factual amounts currently being charged. This information will be obtained from the Closing Clerk and examined periodically as an aid to maintaining a current schedule of closing costs.

3-13. TAXES AND SPECIAL ASSESSMENTS. These are real estate taxes and assessments, and are based upon the assessed valuation for purposes of taxation. Current tax levies and methods of assessment may be secured from each political subdivision or from a centralized taxing authority. Ratios of value to assessment should be secured and verified.

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3-14. NON-PREPAYABLE SPECIAL ASSESSMENTS. Non-prepayable special assessments are recorded in conjunction with general taxes. They should be set up as to reason, method of payment, and affected area. When items such as water (other than consumption charges), sewer, or school, etc., are included in a general tax rate, they are not to be separated under special assessments. Special assessments should be shown as those rates that are over and above the set tax levy and those that are imposed by a method other than by assessment, such as per front foot, per square foot area, per water outlet, etc.

3-15. PREPAYABLE SPECIAL ASSESSMENTS. Prepayable special assessments are recorded as to (1) area affected, (2) reason for the assessments, (3) remaining term, (4) interest rate, and any other pertinent detail.

A. Data Regarding Special Assessments, either non-prepayable or prepayable, which are not yet effective but are imminent, should be analyzed at the earliest possible time. In those jurisdictions affected, homestead exemption data should also be included under this expense feature.

B. Dissemination of this Material to appropriate personnel will be accomplished by schedule showing as a minimum, location, assessments, and ratio of annual tax to estimated market price of the property.

3-16. EQUIPMENT IN VALUE ITEMS. Insured mortgages are required to be secured by a first lien on real property. This requirement is satisfied if the items of property or component of property that is in question is acceptable as part of the mortgaged security by local law, custom, or is specifically made acceptable as part of the mortgaged security by HUD.

The Equipment List shall not include equipment or fixtures which are part of a major component of the house as these components are assumed to be real estate and do not require special delineation as such. Also, excluded from this classification are items which by established custom are supplied by the occupant and removed when the property is vacated, and chattels which are by law precluded from becoming realty.

3-17. MISCELLANEOUS VALUATION DATA. Files shall be maintained for miscellaneous data which are otherwise unclassified. These will include memoranda, instructional letters, and files on any special conditions that may exist. The following are examples of special files that may be needed.

- A. A compendium for reference material.
- B. Processing Directives issued by Headquarters.
- C. Direct Endorsement Updates.

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- (3-17) D. Direct Endorsement Underwriters Updates.
E. CHUMS Updates.
F. Airport Noise Studies.
G. Areas of Septic Tank Failure.
H. Hazardous Waste Sites.
I. Flood or Unacceptable Soil Condition Areas.
J. Section 223(e) Areas.
K. Speculator Dominated Areas.
L. Mortgagee Letters.
M. HUD Notices.
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