

Understanding Key U.S. Department of Housing and Urban Development Inspections

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The Department of Housing and Urban Development inspections are confusing, but let me try to sort them out a little.

The first thing to understand is that none of these HUD inspections is a complete, comprehensive home inspection such as is performed by a licensed home inspector during a “regular” home inspection.

The scope of a HUD “inspection” performed by a HUD-certified consultant is narrower and is for purposes different from a comprehensive home inspection. I have devised the following systems because they work every time and help expedite the process.

HUD COMPLIANCE INSPECTION is frequently ordered by banks/lenders on new construction. It is a quick walk-through to see whether everything appears finished, opens and closes appropriately, and comes on.

In my opinion, HUD guidelines indicate that a certificate of occupancy or any licensed inspector’s inspection would be fine, but lenders have their own needs and the regulations may have changed.

For a compliance inspection/immediate turnaround (banks always must have it right now), my minimum charge in Oklahoma City is \$200. Out of town or with well and septic components will be \$400 or more.

HUD STREAMLINE LOAN INSPECTION is part of the process for a loan that includes money for rehabilitation. Items that can be

covered by the loan are limited, and the cutoff is around \$30,000 for remodeling. The Streamline loan inspection is simpler than a full blown 203K inspection. I need to meet on site with the general contractor and the buyer for two to four hours. My minimum fee is \$400 in Oklahoma City. If the loan amount pushes past the streamline limit, then the full-blown 203K consultant fee applies. Out of town and/or well and septic inspections will add to the charges.

HUD 203K OR 203K INSPECTION FOR CONVENTIONAL LOAN really shouldn’t be ordered before you have secured a regular home inspection with dollar-cost estimates. The results of the complete/comprehensive home inspection will help you decide whether you want to pursue a 203K loan and pay for the services of a HUD 203K consultant.

If you decide to pursue the 203K loan, you will need to go over every item with your general contractor and secure a detailed quote. This is the point at which you should bring in the 203K consultant. I do not get involved in the process until the general contractor is selected and ready to meet to finalize bids, quotes, draws, and requirements.

At this first visit, I will need three to five hours with the general contractor. The buyer needs to be present to go over the paperwork and sign it. I can have the required 203K consultant write-up to the lender the next business day.

My minimum charge in Oklahoma City is \$600. This includes paperwork and initial and final signoff. Any

additional required visits/inspections signoffs during the remodeling will be \$200 each. Charges will be significantly more if the project is outside Oklahoma City.

THE MOST IMPORTANT TIME AND MONEY SAVING TIP: Get a full home inspection with dollar-cost estimates before getting into the HUD process. The information you’ll get from the complete, comprehensive home inspection with repair-cost estimates will help you make an informed decision about whether to pursue a 203K loan, save you many headaches and much time. It may perhaps prevent your paying a HUD 203K consultant and then finding out the project isn’t doable.

If you want to visit with me about HUD inspections – compliance, streamline, HUD 203K, or conventional 203K – or just regular building and home inspections, call me at 405-412-7861. I am a HUD-certified compliance inspector, a HUD-certified Streamline Loan Inspector/consultant. There are inspectors who will charge less. For names of HUD-certified inspectors, go to hud.gov.

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