NATIONAL ASSOCIATION OF REALTORS®

November 4, 2026

Joseph M. Gormley
Federal Housing Commissioner
U.S. Department of Housing and Urban Development
451 Seventh Street, SW
Washington, DC 20410

RE: Proposed Updates to FHA Minimum Property Requirements — Modernizing and Strengthening Minimum Property Requirements, Single Family Housing Policy Handbook 4000.1

Dear Commissioner Gormley:

On behalf of the over 1.4 million members of the National Association of REALTORS® (NAR), thank you for the opportunity to comment on the Federal Housing Administration's (FHA) proposed revisions to its Minimum Property Requirements (MPRs), released September 22, 2026.

NAR strongly supports FHA's efforts to modernize its property requirements, reduce unnecessary transaction costs, and better align its standards with those of Fannie Mae and Freddie Mac (the government-sponsored enterprises, or GSEs). These proposed changes represent meaningful progress toward improving access to FHA financing while maintaining important protections for homebuyers and the Mutual Mortgage Insurance Fund.

FHA financing plays a critical role in helping first-time and low- to moderate-income homebuyers achieve homeownership. However, outdated or overly prescriptive property requirements have historically resulted in unnecessary repairs, additional inspections, transaction delays, and increased costs. These burdens can also make sellers reluctant to accept offers involving FHA financing, placing FHA borrowers at a competitive disadvantage.

NAR has consistently advocated for modernizing these requirements. In June 2026, NAR publicly welcomed FHA's review, emphasizing the importance of maintaining consumer protections while reducing unnecessary delays and costs that disadvantage qualified buyers. We are encouraged that FHA has incorporated many of these principles into its proposal.

Support for Proposed Changes

NAR is particularly encouraged by the following revisions:

Alignment with GSE Property Condition Standards. The proposed adoption of GSE condition and quality ratings represents a significant improvement. Moving toward a more consistent, holistic assessment of property condition should reduce unnecessary differences between FHA and conventional financing and help ensure that repair requirements reflect meaningful concerns about property safety, soundness, and security.

Reduced Lead-Based Paint Repair Requirements. FHA's proposal to limit the scope of certain lead-based paint repairs to the dwelling structure rather than the entire property is a more targeted approach that can reduce unnecessary repair costs while preserving important health and safety protections.

Modernized Manufactured Housing Requirements. NAR welcomes the proposed changes to manufactured housing installation and foundation requirements. Eliminating outdated standards and unnecessary certification requirements should improve financing opportunities for manufactured homes, an important source of affordable housing.

Simplified Water and Sewer Requirements. NAR supports removing requirements to connect existing properties to public water or sewer systems solely because such connections are available at a reasonable cost, unless required by local authorities. These requirements have historically created significant expenses that can make otherwise acceptable properties ineligible for FHA financing.

Reduced Appraiser Observation Requirements. NAR supports eliminating prescriptive observation requirements for kitchen appliances, attics, and crawl spaces, while retaining the responsibility to report readily observable conditions affecting property acceptability. These changes better align FHA requirements with modern appraisal practices and appropriately recognize the distinction between an appraisal and a comprehensive home inspection.

Recommendations for Further Improvement

While NAR strongly supports the direction of the proposed revisions, we encourage FHA to consider several additional improvements before finalizing the policy.

1. Further Align FHA Property Acceptability Standards with the GSEs.

NAR supports FHA's adoption of GSE condition and quality ratings but encourages FHA to examine whether its proposed minimum acceptable ratings and associated repair requirements unnecessarily restrict eligibility for properties that could otherwise qualify for conventional financing.

In particular, FHA should clarify how properties with deficiencies that do not materially affect safety, soundness, or structural integrity may qualify for financing, including through appropriate repair escrows.

Where additional FHA-specific requirements remain necessary, the agency should clearly identify their purpose and explain why the corresponding GSE standards are insufficient.

2. Clearly Distinguish Appraisals from Home Inspections.

NAR strongly supports FHA's efforts to remove outdated appraiser observation requirements. However, the final policy should make clear that appraisers are responsible for identifying and reporting readily observable conditions relevant to property acceptability, rather than performing the functions of a home inspector or specialized building professional.

Appraisers should not be expected to conduct technical inspections, diagnose building-system deficiencies, or verify the operation of components outside the scope of a residential appraisal.

Greater clarity will promote consistency, reduce unnecessary liability concerns, and help prevent avoidable delays caused by requests for inspections or repairs that are not warranted by observable conditions.

3. Ensure Consistent Interpretation and Implementation.

Even well-designed requirements can create unnecessary barriers when interpreted inconsistently by lenders, appraisers, and other participants in the transaction.

NAR recommends that FHA provide clear examples, updated training materials, and implementation guidance distinguishing conditions requiring repairs before closing from those that may be addressed through other means.

Consistent with NAR's longstanding support for appraiser competency, professional education, and credible valuations, NAR recommends that FHA require training on the revised Minimum Property Requirements for all appraisers currently on the FHA Appraiser Roster, rather than limiting training to new applicants. Ensuring that all roster appraisers receive the same training and implementation guidance will promote a uniform understanding of the revised requirements, improve consistency in appraisal reporting, and help minimize unnecessary delays during the transition. NAR encourages FHA to make this training readily accessible, affordable, and available sufficiently in advance of implementation.

FHA should also monitor whether lenders impose additional requirements beyond those established by FHA and consider ways to discourage unnecessary overlays that undermine the intended benefits of modernization.

4. Continue Reviewing Remaining FHA-Specific Requirements.

NAR encourages FHA to continue evaluating property requirements that exceed those of the GSEs, particularly where differences may result in additional repairs, inspections, or financing restrictions without demonstrable consumer or collateral protections.

Greater consistency across FHA and conventional financing would improve predictability for buyers, sellers, lenders, and real estate professionals while making FHA financing more competitive.

Conclusion

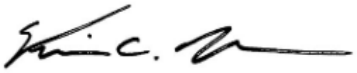
NAR appreciates FHA’s willingness to undertake a comprehensive modernization of requirements that have not been substantially updated in more than two decades. The proposed revisions represent an important step toward reducing unnecessary costs and delays, improving access to FHA financing, and ensuring that property standards reflect modern industry practices.

We encourage FHA to finalize these improvements while continuing to pursue greater alignment with the GSEs and clearer distinctions between appraisal responsibilities and property inspections.

NAR looks forward to continuing to work with FHA to promote responsible, sustainable homeownership and ensure that qualified buyers are not unnecessarily disadvantaged when seeking FHA-insured financing.

If you have any questions or comments, please feel free to reach out to Keisha Wilkinson, NAR's Senior Policy Representative for Valuation Policy, at KWilkinson@NAR.Realtor.

Sincerely,



Kevin Brown
2026 President, National Association of REALTORS®