

FHA-Well and Septic

HUD does require that all properties are connected to public water and sewer whenever possible. But it is always good to remember that individual water supply systems (wells) and septic systems are acceptable under HUD regulations if the cost of connecting to public or community water and sewer systems is excessive.

The accepted guideline to follow is if the cost to connect is under 3% of the fair market value of the home as determined by the FHA appraisal then the connection should be made. If the cost to connect is over 3%, this is considered to be excessive and not feasible. When this appears on an appraisal that a public water connection is available but not being used, then an estimate from a licensed plumber or similar must be obtained and provided to the appraiser. The appraiser adds this cost to the appraisal so it can be reviewed by underwriting. If the cost is over 3%, generally the requirement is waived but if it is under 3% it must be connected. If the ability to connect does not pass the feasibility test (greater than 3%), a letter should be obtained from the borrower confirming they do not wish to connect to public water.

FHA will accept the state/local distance requirements for well/septic systems as long as they are not less than 75 feet between the well and septic tank drain field. The minimum from the well to a roadway or property line of anything other than a single family home can't be less than 10 feet. These distances are regardless of the state and local requirements.

EXISTING CONSTRUCTION

- Property Line – 10 feet
- Septic Tank – 50 feet
- Drain Field – 100 feet
- Septic tank drain field reduced to 75 feet if allowed by local authority
- If the subject Property line is adjacent to residential Property then local well distance requirements prevail.
- If the subject Property is adjacent to non-residential Property or roadway, there needs to be a separation distance of at least 10 feet from the property line.

NOTE: Distance requirements of local authority prevail if greater than stated above.

NEW CONSTRUCTION

- Property Line – 10 feet
- Septic Tank – 50 feet
- Absorption Field – 100 feet
- Seepage pit or cesspool – 100 feet
- Sewer lines with permanent water tight joints – 10 feet
- Other sewer lines – 50 feet
- Chemically poisoned soil – 25 feet (reduced to 15 feet where ground surface is protected by impervious strata or clay, hardpan or rock)
- Dry well – 50 feet
- Other – refer to local health authority minimums

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Handbook 4000.1 requires the inspection and testing of a private well only in cases where the Appraiser cannot determine that a Property meets HUD's Minimum Property Requirements (MPR) or Minimum Property Standards (MPS) for private wells, or where other documentation in the file may indicate that the private well does not meet HUD's MPR or MPS for private wells.

If the property does not meet, the loan will require waiver from HUD to ensure that the property will be insured after closing and not kicked back due to well/septic not meeting HUD's guidelines. The underwriter will need the following items in order to submit the loan to HUD for waiver review. Please be aware, the reviewer of your file may require additional documents to make a final determination.

CHECKLIST FOR WELL/SEPTIC WAIVERS

1. Documentation from the local authority that the subject property is unable to connect to a public or community water/sewer system.
2. Professional sketch (Surveyor) showing the location of the well, septic tank, and drain field with relation to the subject property and property line. The sketch must specify the actual distances separating the well and septic system components: well to property line, well to septic, and well to drain field.
3. Well test in accordance with Mortgagee Letter 95-34. This includes testing for Lead, Nitrate (as Nitrogen), Nitrite (as Nitrogen), Total Nitrate/Nitrite, Total Coli forms, and Fecal Coli forms or E. Coli. When Coli form is present, how was the Coli form corrected?
4. Evidence of the Local Authority's approval that the well and separation distances between the well, property line, septic tank, and drain field are in compliance with the local codes for the subject property. If the subject property does not meet the Local Authority's requirements, a waiver granted by the Local Authority must also be submitted. When applicable, evidence that a well in the foundation, is acceptable and common to the area.
5. Evidence that the system is working properly. And there is sufficient space for repair/maintenance.
6. A signed letter from the borrower acknowledging that the property does not meet current FHA/HUD regulations, and a waiver must be granted to obtain FHA insurance.

The full regulations are published in Mortgagee Letter 2005-48