

**UNDERWRITING
MANUAL**

UNDERWRITING AND VALUATION PROCEDURE
UNDER TITLE II
OF THE
NATIONAL HOUSING ACT
**FEDERAL
HOUSING ADMINISTRATION**



With revisions to June 1, 1935

WASHINGTON, D. C.

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be made to determine if the neighborhood under consideration in a given case is increasing in population and/or desirability, or is losing population and/or desirability, or is maintaining its position in these respects and is likely to continue to maintain it. Declines in city or neighborhood population always introduce influences destructive of stability. Increases of city or neighborhood population destroy the stability of some neighborhoods and enhance the favorable prospects for other neighborhoods within the same community.

(c) Availability of permanent and profitable employment for the inhabitants of a neighborhood introduces a condition which favorably affects the rating.

(d) The existence of a high degree of home ownership and owner occupancy in the neighborhood tends to create and maintain stability and desirability and will favorably affect the rating.

(e) Zoning which is incongruous with the actual use to which sites in residential neighborhoods are being put introduces an element of instability; for, even though deed restrictions exist which prevent use of the land for purposes permitted by the zoning ordinance, the possibility of the breaking down of the deed restrictions is increased. An example would be a case in which zoning permits commercial use while the neighborhood is predominantly devoted to multiple family residential structures; or a case in which multiple family residential buildings are permitted by zoning regulations although the district is actually improved with single family residences only. Highest feature ratings are unwarranted in such cases, and "Reject" ratings may be warranted if appropriate and effective deed restrictions do not exist.

(f) Residential neighborhoods in transition from one use to another do not merit high feature ratings as to stability.

PROTECTION FROM ADVERSE INFLUENCES

309. The matters to be considered in rating this feature are the factors which afford protection to and preservation of the desirable characteristics of residential neighborhoods. Numerous influences can so change these characteristics that the neighborhood will become entirely undesirable for residential purposes. Protection against some adverse influences is obtained by the existence and enforcement of proper zoning regulations and appropriate deed restrictions. Some unfavorable factors may exist outside of the neighborhood and may be uncontrollable. Published and utilized programs of city planning afford some assistance in preventing the occurrence or growth of adverse influences. Sometimes a neighborhood may be so completely built up and well planned that although

no zoning regulations or deed restrictions exist, the adverse influences against which such controls protect may be absent or of remote probable occurrence. The natural geography of a neighborhood may also present effective barriers against some adverse influences.

310. Important among adverse influences besides those mentioned above are the following: infiltration of inharmonious racial or nationality groups; infiltration of business or commercial development or use; the presence of smoke, odors, fog; proximity to noisy or high-speed traffic arteries, to railroads, and to nuisances.

311. Some adverse influences develop in intensity very gradually and cannot readily be discovered in their early stages. Some occur only after the neighborhood has been developed for a number of years. The time of such occurrence and probable intensity of the influence must also be considered in order to arrive at a proper rating.

312. All mortgages on properties in neighborhoods protected against the occurrence or development of unfavorable influences, to the extent that such protection is possible, will obtain a high rating of this feature. The absence of protective measures will result in a low rating or, possibly, in rejection of the case. The actual rating given must be commensurate with the degree in which adverse influences exist or are likely to occur, the remoteness of such occurrence, and the extent to which protection is provided.

ADEQUACY OF TRANSPORTATION

313. Adequate transportation between a neighborhood and the place of employment of its inhabitants, as well as between it and other neighborhoods and the center of the city, is important. This transportation may be supplied by means of bus, trolley, elevated railway or subway lines, or ferry boats. The existence of transportation lines to other neighborhoods usually enhances the desirability of a residential area. The highest rating of this feature will be given in cases of neighborhoods which are adequately supplied with transportation facilities which are likely to continue throughout the life of the mortgage. If transportation facilities are inadequate or are likely to be discontinued, lower ratings will result, the rating depending upon the degree of inadequacy.

314. In determining the rating of this feature, consideration must be given to frequency and adequacy of service, relative excellence of equipment, fares charged, and the customs and desires of the inhabitants of the neighborhood with regard to methods of transportation. In some districts the inhabitants are accustomed to rely upon their own private means of transportation, and public