



**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410**

**Written Testimony of Bobbi Borland
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**Hearing before the Subcommittee on Insurance, Housing and Community Opportunity
U.S. House of Representatives Committee on Financial Services**

on

**“The Impact of Overhead High Voltage Transmission Towers and Lines on Eligibility for
Federal Housing Administration (FHA) Insured Mortgage Programs”**

Saturday, April 14, 2012

Chairman Biggert, Ranking Member Gutierrez, Representative Miller and Members of the Committee, thank you for the opportunity to testify on “The Impact of Overhead High Voltage Transmission Towers and Lines on Eligibility for Federal Housing Administration (FHA) Insured Mortgage Programs.”

HUD understands that many residents of Chino Hills, particularly those who reside near the Tehachapi Renewable Transmission Towers, are deeply concerned about the availability of FHA mortgage insurance coverage for their properties and the impact on their property values. I would like to take the opportunity to explain FHA’s guidelines regarding FHA insurance of single family properties located near utility transmission lines.

FHA Guidelines Regarding Proximity to Overhead High Voltage Transmission Towers

The Homeownership Center (HOC) Reference Guide¹ provides the requirements which must be met in order to ensure eligibility for FHA mortgage insurance with regard to a number of issues including proximity to Overhead High Voltage Transmission Towers and Lines. Generally, the HOC Guide provides guidance and assistance to individuals and organizations involved in the FHA lending process and serves as a supplement to handbooks, mortgage letters and other official HUD/FHA policy. Underwriters and appraisers are responsible for adherence to all policies contained in the HOC Guide which is updated regularly and published on the Internet on an ongoing basis in order to provide lenders and appraisers with changes in a timely manner.

With regard to the new FHA originations, the guide provides that:

¹ Available at http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/ref/sfh1-18f

“The appraiser must indicate whether the dwelling or related property improvements are located within the easement serving a high-voltage transmission line, radio/TV transmission tower, cell phone tower, microwave relay dish or tower, or satellite dish (radio, TV cable, etc).

- 1) If the dwelling or related property improvement is located within such an easement, the DE Underwriter must obtain a letter from the owner or operator of the tower indicating that the dwelling and its related property improvements are not located within the tower’s (engineered) fall distance² in order to waive this requirement.
- 2) If the dwelling and related property improvements are located outside the easement, the property is considered eligible and no further action is necessary. The appraiser, however, is instructed to note and comment on the effect on marketability resulting from the proximity to such site hazards and nuisances.”

In addition, if a property already had an FHA-insured mortgage and high voltage towers were subsequently installed – and the towers would have made the property ineligible for FHA-insured financing had they been in place prior to the origination of the mortgage -- FHA insurance of the mortgage would continue. According to FHA guidelines, once a mortgage is endorsed for FHA-insured financing, and barring fraud or misrepresentation by parties to the transaction, subsequent events or conditions that had not occurred or were not in existence or publicly planned at the time of loan closing cannot invalidate the FHA mortgage insurance.

It is also important to note that the valuation and marketability of a property which is to be collateral for an FHA-insured mortgage could be impacted by proximity to high voltage transmission lines, but such determination would be made by an FHA Roster appraiser in accordance with FHA appraisal reporting standards and guidelines, and not by FHA itself.

Utilities, Property Values, and Risks to FHA

Based on 2010 census data, there are approximately 23,000 households within zip code 91709, which includes Chino Hills. Of these households, approximately 3%, or just over 700 mortgages are FHA insured. Data that would indicate proximity to the transmission towers is not available.

HUD understands that there is some concern that the proximity of the transmission towers may have impacted property values within Chino Hills, and as a result, potentially increased risks to FHA. HUD does not conduct periodic property assessments to measure property values over time. FHA insured mortgages are based on the appraised value of the property at the time of origination, as determined by an independent appraiser who appears on the FHA Roster³ and in accordance with FHA guidelines. In terms of assessing risk to FHA it is important to note that payment default may

² The height of a tower is not necessarily the same as the fall distance due to modern engineering standards.

³ Guidance on how to become an FHA Roster Appraiser can be found here:
<http://portal.hud.gov/hudportal/HUD?src=/groups/appraisers>

have many causes, such as unemployment, divorce, and other life events. There is simply no easy way to identify whether a default was driven by property value declines attributable to nearby transmission lines.

There have also been some questions regarding the extent of notification to HUD of transmission line improvements by the California state utility commission. As with any infrastructure improvement process, there are often extensive periods of public input, but there is no formal notification to HUD regarding such projects. HUD would not track changes in property valuations as a result of the installation of utility lines, and would not issue changes to its guidelines as a result. As long as the guidelines outlined in the HOC guide are met, eligibility for FHA insurance does not change.

It is understandable that the installation of transmission lines in close proximity to existing housing, such as the Tehachapi Renewable Transmission Towers, can cause homeowners to be concerned and uncertain about their home values and future eligibility for FHA mortgage insurance. Therefore, I am grateful for the opportunity to testify today to provide greater clarity regarding FHA policies related to these issues. And FHA staff will be happy to serve as a resource in helping residents and mortgage industry professionals understand FHA policy in these areas.

Thank you again for inviting me to testify here today. I hope that the information I have presented has been helpful.