

# UNDERWRITING MANUAL

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UNDERWRITING AND VALUATION PROCEDURE  
UNDER TITLE II

OF THE  
NATIONAL HOUSING ACT

FEDERAL  
HOUSING ADMINISTRATION



WASHINGTON, D. C.

developed neighborhood areas present conditions which are far different from that which is regarded as good housing practice. Little protection is offered to such a neighborhood because of the probability that new and more attractive competing neighborhoods may be developed. The solidly built up neighborhood where good housing has not been provided is readily subject to change in occupancy. Narrow streets, excessive lot coverage, inadequate light and air, and poor circulation within the neighborhood area, as well as the intermixture of types, price levels, and a general absence of architectural attractiveness in dwellings, represent adverse influences in themselves.

**937. *Quality of Neighboring Development.*** The quality of dwelling construction is significant, inasmuch as unsubstantial, flimsy construction is subject to rapid deterioration which hastens the lowering of class of occupancy. The same result may be expected for locations whose properties present freakish architectural designs. The rating will be adversely affected if the neighboring development consists of old, obsolete dwellings. The presence of overimprovement or underimprovement in the neighborhood constitutes a condition which may adversely affect location ratings. Areas surrounding a location are investigated to determine whether incompatible racial and social groups are present, for the purpose of making a prediction regarding the probability of the location being invaded by such groups. If a neighborhood is to retain stability, it is necessary that properties shall continue to be occupied by the same social and racial classes. A change in social or racial occupancy generally contributes to instability and a decline in values.

**938. *Ribbon Developments.*** The same principles apply when rating locations on ribbon developments along highways. Such locations tend to attract uses which are often considered, from a residential standpoint, as nuisances. Therefore, the prospect of lessened desirability of such locations for residential use directly affects mortgage risk. However, where the likelihood of such nuisances is remote or where prospective purchasers for residential use are tolerant of present or prospective nuisances, reject ratings of this feature are not warranted.

**939. *Nuisances.*** Nuisances already present in a neighborhood affect mortgage risk in two ways. The first is the direct effect on the appeal of the neighborhood and this is taken into account when rating the feature, Appeal. The second is the indirect effect on mortgage risk in that the nuisances may accelerate change to a lower grade of occupancy. The latter condition is considered when rating Protection from Adverse Influences. The effect of a nuisance varies according to the type of neighborhood occupants and their degree of tolerance of the condition.



suitable provision for cultural development. The older residential areas within a city will usually have available more of these facilities than the newer neighborhoods. The centers making for convenience in living and cultural benefit usually follow rather than precede the building up of any residential area. However, those new neighborhoods which are better served by conveniences will usually develop and maintain a character more favorable to stability than those in which they are lacking. Areas occupied by low-income groups will ordinarily require easier access to civic, social, and commercial centers than the areas occupied by residents of higher income levels. The rating should express the sufficiency, quality, and availability of these facilities as related to the requirements of the social class of occupancy, and the effect resulting from comparison of similar facilities at competitive locations.

**951. *Quality and Accessibility of Schools.*** When considering the question of schools, distances to the schools should be related to the public or private means of transportation available from the location to the schools. The social class of the parents of children at the school will in many instances have a direct bearing. Thus, physical surroundings of a neighborhood area may be favorable and conducive to enjoyable, pleasant living in its location. However, if the children of people living in such an area are compelled to attend school where the majority or a considerable number of the pupils represent a far lower level of society or an incompatible racial element, the neighborhood under consideration will prove far less stable and desirable than if this condition did not exist. Frequently, upon payment of a fee, children in such an area could attend another school with pupils of their same social class. However, desirability of the neighborhood, when compared with competitive locations, might be adversely affected by the additional expense. In many instances where a school has earned a prestige through the quality of instruction and adequacy of facilities, it will be found that such attributes will be an element in maintaining the desirability of the entire area comprising the school district. In cases where schools are not immediately present, consideration is given to convenience and cost of required transportation.

**952. *Quality and Accessibility of Shopping Centers and Amusements.*** The central downtown, commercial, financial and theatrical district serves, in some measure, all inhabitants of an Economic Background Area. Therefore, the only consideration given in this feature to the downtown district is its relative distance and availability to competitive locations. Neighborhood shopping centers are an essential part of community life, in all except the smaller towns. The benefits they afford to the occupants of a given