



DEPARTMENT OF VETERANS AFFAIRS

Regional Office

3333 N. Central Avenue

Phoenix, AZ 85012-2436

Website: <http://www.vba.va.gov/ro/phoenixlgy/index.htm>

June 14, 2006

Loan Guaranty Information Bulletin No. 26-06-09

SUBJ: SUBTERRANEAN TERMITE TREATMENT BUILDER'S CERTIFICATION AND GUARANTEE

PURPOSE

Wood destroying insects and other organisms can cause serious problems in the wood structural components of a house and may go undetected for a long period of time. In order to achieve maximum assurance that a home is free of any infestation, the Phoenix Regional Loan Center (RLC) is reissuing its policy on Subterranean Termite Treatment. Our policy is based on a review of the **Termite Infestation Probability Zones (TIP Zones)**. The Phoenix RLC has determined that Arizona, California, and Nevada are located within two Termite Infestation Probability Zones.

- ◆ California is located in the “**very heavy**” Termite Infestation Probability Zone #1 (TIP Zone 1).
- ◆ Arizona and Nevada are located in the “**heavy**” Termite Infestation Probability Zone #2 (TIP Zone 2).
- ◆ TIP Zones 1 and 2 require EPA registered termite soil treatment, wood treatment, or termite baiting system.

ACTION

A. New construction (proposed construction, under construction and existing less than one year old, not previously occupied by owner) located in the jurisdiction of the Phoenix RLC.

- ◆ Builders are required to warrant against termite infestation in new construction for one year, a period of time compatible with the terms of other warranties the builder provides. If a state has more stringent warranty requirements, the builder must comply with the state requirements.
- ◆ Form NPCA-99b, New Construction Subterranean Termite Soil Treatment Record, must be used in conjunction with form NPCA-99a, when the property is treated with an approved termiticide. The licensed pest control company is responsible for completing form NPCA-99b, as appropriate, and providing it to the builder.

Loan Guaranty Information Bulletin No. 26-06-09

- ◆ The builder is responsible for attaching the forms together and distributing the completed forms to the lender. The lender provides one copy to the buyer at closing and includes a copy in their loan file.
- ◆ If a state has more stringent record keeping requirements than form NPCA-99b, the state form must be used.
- ◆ If no approved subterranean termite prevention method was installed or applied before or during construction (e.g. preconstruction termite treatment), then the builder must select a post construction termite treatment or application that is approved by the USEPA. These treatments or applications must be applied using the dilution rate or application techniques specified on the label for post construction.

B. Existing construction (previously owner-occupied or fully complete for one year or more), located in the jurisdiction of the Phoenix RLC.

- ◆ Form NPMA-33, Wood Destroying Insect Inspection Report, or a state mandated form, will be required and must be valid for 90 days from the date of the inspection.
- ◆ A clear pest inspection is required for all homes previously owner-occupied or fully complete for one year or more, especially if the appraiser notes past or potential infestation problems.
- ◆ While VA does not require a cleared termite report on a VA Interest Rate Reduction Refinancing Loan (IRRRL), the underwriter may impose the condition at their discretion.
- ◆ Purchases and other refinances must have a COMPLETE report that is not over 90 days old at time of closing. (All structures within the legal boundaries of the property must be inspected including garages. Exceptions are minor detached structures such as a small shed, where no value was allowed by the appraiser).
- ◆ Form NPMA-33, Wood Destroying Insect Inspection Report, will be valid for 90 days from the date of the inspection and is required to be completed, and included, on all existing cases where termite inspections are required.

C. Condominium first floor units are subject to the same inspection requirements as stated in the section titled "existing construction"; (the inspection is to include ground floor attached and or detached garage, shed, and other structures that are a part of the subject.) If the unit is on the second floor or above, then a wood destroying pest inspection is not automatically required. However, if the appraiser detects evidence of possible dry rot or infestation by some wood-destroying organism, the appraiser must call for the inspection report. In order to waive the repair requirements on a condominium, a letter from the homeowners association

Loan Guaranty Information Bulletin No. 26-06-09

listing the date of scheduled repairs, name of the contractor awarded the work, and acknowledgment that the funds necessary to pay for those repairs has already been budgeted and/or collected should be attached to the home buyer summary with a copy included with the request for VA guaranty.

D. Appraisers are to observe all areas of the house and other structures/areas within the legal boundaries of the property that have potential for infestation by termites and other wood destroying organisms, including the bottoms of exterior doors and frames, wood siding in contact with the ground, and crawl spaces. Mud tunnels running from the ground up the side of the house may indicate termite infestation. Appraisers should observe the eave and gable vents and wood windowsills for indication of the entrance of swarming termites and note excessive dampness or large areas where the vegetation is dead. Evidence of active or past corrected and/or inactive infestation must be noted.

E. Guidelines for clearance of termite report conditions in states where termite reports are provided. On these reports each finding/recommendation will be noted in either Section I or Section II, or the equivalent.

- ◆ **Section III:** The Phoenix RLC requires Section III recommendations to be satisfied prior to issuing a guaranty. All infestation must be cleared and the damage corrected.
- ◆ **Section IV:** Action on Section IV items should be at the underwriter's discretion. When reviewing these items, keep in mind that VA's general criteria must be followed and enforced, and all items must be considered to determine their impact on value. Items such as peeling paint, health and safety issues, and those leading to structural unsoundness (earth to wood contact, dry rot, excessive moisture, etc.) are general criteria items and should not be waived.
- ◆ **Waiver:** If a condition is waived, the underwriter is to address the item and document the effect of that action. In many cases, this will require contact with the appraiser to determine the impact on the value assigned on the appraisal. The buyer is to be made aware that these conditions are not being cleared.

F. Obtaining Forms: The NPCA-99a, NPCA-99b, and NPMA-33 forms can be obtained from the **National Pest Management Association**, 9300 Lee Highway, Suite 301, Fairfax, Virginia 22031, telephone (703) 353-6762, or at their website <http://www.pestworld.org>, as well as other form suppliers. These are not VA forms and therefore not available from VA or the U.S. Printing Office.

/Signed/
SUSAN A. LLOYD
Acting Loan Guaranty Officer

RESCIND: Loan Guaranty Bulletin Nos 26-05-05 and 26-05-05 Addendum