



Government Lending and Easement Encroachment

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Detrimental Effect: Financing

In general, any power line along a home is considered a detrimental effect on value and can cause limitations on financing.

VA, FHA FNMA and FHLMC are all government entities that all lenders follow for guidelines for home lending.

We have researched VA, FHA, FNMA & FHLMC guidelines and found the following:

Detrimental Effect for Veterans/VA loans

“No part of any residential structure may be located within a high voltage electric transmission line easement.

Any detached improvements even partially in a transmission line easement will not receive value for VA purposes.”

Detrimental Effect for Freddie Mac Financing

The following exceptions to the title insurance policy or to the attorney's opinion of title are acceptable:

(a) Subsurface public utility easements

Exceptions for subsurface public utility easements for local residential distribution, such as lines for gas and water, and cable for electric, telephone or television utilities, are acceptable provided that the location of the easements is ascertainable and fixed. The exercise of the rights thereunder must not interfere with the use and enjoyment of any present improvements on the Mortgaged Premises or proposed improvements on which the appraisal or Mortgage is based.

(b) Surface public utility easements

Exceptions for surface easements for public utilities for local residential distribution are acceptable provided the location of the easements is ascertainable and fixed. The exercise of the rights thereunder must not interfere with the use and enjoyment of any present improvements on the Mortgaged Premises or proposed improvements on which the appraisal or Mortgage is based.

- Present improvements on the Mortgaged Premises
- Proposed improvements upon which the appraisal or Mortgage is based
- Part of the Mortgaged Premises outside the easement and not occupied by improvements

(c) Encroachments on public utility easements

Exceptions for encroachments on easements for public utilities for local residential distribution (including encroachments on dwelling structure) are acceptable provided that the location of the easements is ascertainable and fixed. The exercise of the rights thereunder must not interfere with the use and enjoyment of any present improvements on the Mortgaged Premises or proposed improvements on which the appraisal or Mortgage is based.

(d) Restrictive agreements and restrictive covenants

Exceptions for restrictive agreements or restrictive covenants (including minimum size and building materials, and architectural requirements) are acceptable provided that the location of the easements is ascertainable and fixed. The exercise of the rights thereunder must not interfere with the use and enjoyment of any present improvements on the Mortgaged Premises or proposed improvements on which the appraisal or Mortgage is based.

- The restrictive agreements or restrictive covenants must provide for the elimination of the lien of the restrictive agreement or restrictive covenant.
- The terms and provisions of the restrictive agreement or restrictive covenant must not be in conflict with the interests of investors in the area where the Mortgaged Premises are located.
- An endorsement to the title insurance policy must be obtained and that any future violation shall not result in a claim against the title insurance policy.

“Must not interfere with the use and enjoyment...”

“Location of the easements is ascertainable and fixed”

FHLMC Guidelines, 2019

Detrimental Effect for Fannie Mae Financing

FNMA allows above-surface public utility easements that extend along the property line only as long as they do not extend more than **12 feet** from the property line and do not interfere with any of the buildings or improvements within the property itself.

The proposed changes would require a larger easement for safety reasons, according to RMP's own guidelines and requirements.

Detrimental Effect for FHA loans

Is a property eligible for FHA Insurance if there are overhead electric power transmission lines nearby?

The Mortgagee must confirm that any Overhead Electric Power Transmission Lines do not pass directly over any dwelling, structure or related property improvement, including pools. The power line must be relocated for a Property to be eligible for FHA-insured financing.

The residential service drop line may not pass directly over any pool, spa or water feature. If the dwelling or related property improvements are located within the Easement Area, the Mortgagee must obtain a certification from the appropriate utility company or local regulatory agency stating that the relationship between the improvements and Local Distribution Lines conforms to local standards and is safe.

For additional information see Handbook 4000.1 II.A.3.a.ii.(B) available at https://www.hud.gov/program_offices/administration/hudclips/handbooks/hsg
(https://www.hud.gov/program_offices/administration/hudclips/handbooks/hsg)

All policy information contained in this knowledge base article is based upon the referenced HUD policy document. Any lending or insuring decisions should adhere to the specific HUD policy document.

“...Transmission Lines do not pass directly over any dwelling, structure... including pools”

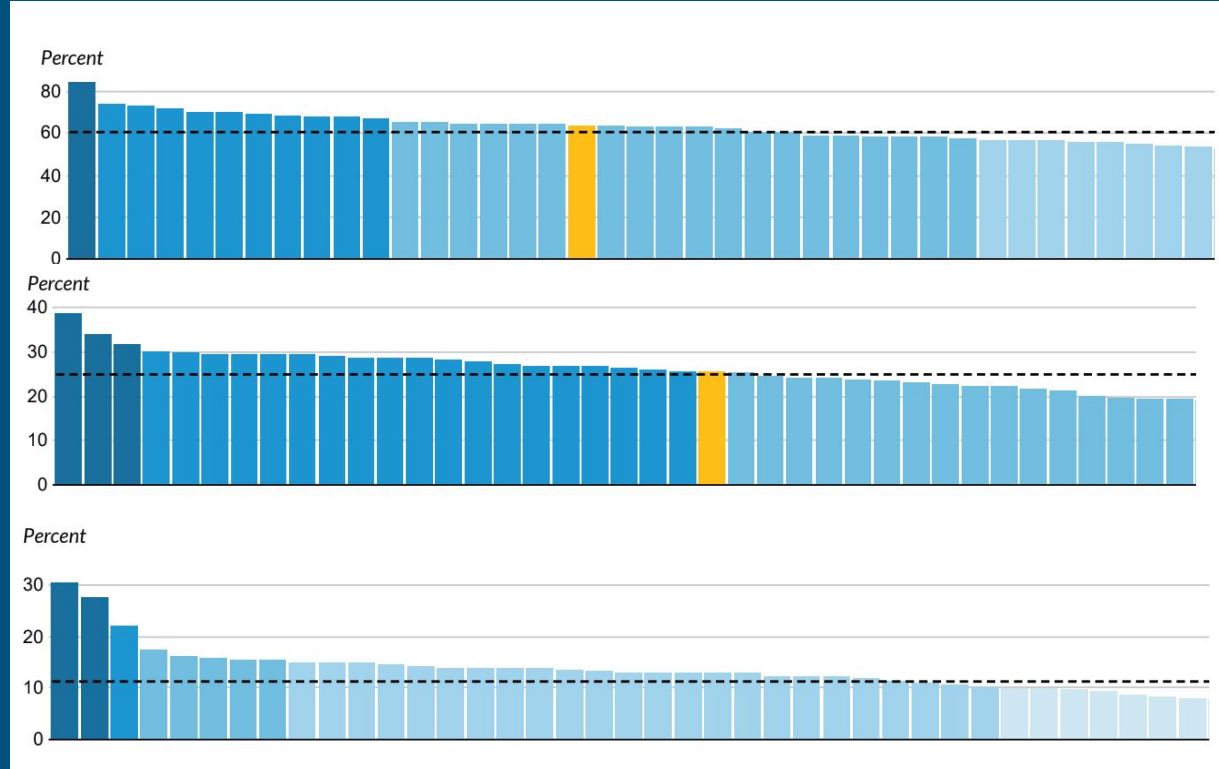
FHA guidelines, 2019

Loan Types in Utah 2018 According to the Urban.org

Conventional - 63.6%

FHA - 25.4%

VA - 7.3%

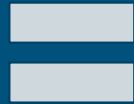


Detrimental Effect: Our Homes Can't Be Financed

Conventional - 63.6%

FHA - 25.4%

VA - 7.3%



96.3% of loans
will NOT qualify with this
proposed transmission line
expansion.