



A Systematic Approach to Asset Management



- TRANSITIONING FROM FINAL CLOSING TO SERVICING
- INSURANCE ISSUES AND CHALLENGES
- PROCESSING OF REPLACEMENT RESERVES REQUESTS
- A LOOK AT REAC, FASS AND PASS
- MIP (GREEN INITIATIVE)



HUD's Real Estate Assessment Center
March 13, 2019



PIH Real Estate Assessment Center (REAC)

- Addresses numerous challenges in HUD's oversight of its housing portfolio
- Generates unbiased independent assessments of the property
- Provides actionable data/information for asset managers and property managers to enable effective portfolio management



Financial Assessment of Multifamily Housing (FASS)

WHAT FASS-MF DOES

- Owners/agents of insured and assisted properties submit annual audited financial statements to HUD
- FASS-MF conducts a two-part assessment of each submission:
 1. financial compliance assessment
 2. financial performance assessment



FASS Submissions

Number of submissions received over the past 5 years:

Fiscal Year	AFS Submissions Received
FY 2014	25,863
FY 2015	25,085
FY 2016	28,667
FY 2017	27,369
FY2018	27,741



FASS-MF COMPLIANCE REVIEW

- REAC reviews financial submissions for compliance with the regulatory agreement with HUD
- Financial submissions with compliance deficiencies are referred to either field office or DEC depending on whether there is a violation of the agreement and the severity
- No score is issued; information is provided to field staff



Physical Assessment Subsystem - PASS

- The HUD regulatory standard for HUD-assisted and insured property is the Uniform Physical Condition Standard (UPCS).
- UPCS is HUD's definition of decent, safe, and sanitary housing in good repair (24 CFR Part 5 Subpart G and 24 CFR Part 200 Subpart P).
- HUD developed UPCS to provide uniform criteria for inspections of properties regardless of type, size, or location
- Protocol designed to produce reasonable, reliable, and replicable results
- Protocol validated by an independent engineering company (The Louis Berger Group)



Five Inspectable Areas

Inspectable Areas	Nominal Weights
Site	15
Building Exterior	15
Building Systems	20
Common Areas	15
Units	35



FREQUENCY OF INSPECTIONS

- Frequency of inspection is determined by risk.
- Generally a property with a score of:
 - 90 and above is inspected every 3 years
 - 80 - 89 is inspected every 2 years
 - 80 or less is inspected every year



Plan to Improve Inspection Process

Inspection Task Force Mission

- Conduct a wholesale reexamination of REAC inspections
- Place the greatest emphasis on **eliminating health and safety hazards**
- Ensure owners adopt sound maintenance practices year-round



Goals of New Inspection Model

Provide Inspections that:

- Protect families and reflect the property's true physical condition
- Convey HUD's property management expectations to owners - failing scores remain unacceptable
- Strengthen current standards, scoring models, and protocols used to assess properties
- Implement stricter enforcement protocols against owners who are not meeting standards



Standardization of REAC Inspection Notification Timelines

- Issued Noticed H-2019-04/Notice PIH-2019-02 (HA) on February 22, 2019.
- Government Personnel and Contractors inspecting on behalf of HUD and under REAC procurement procedures.
- Applicable MF Programs
 - Projects listed in 24 CFR Sec.200.853(a) – Section 8, 202/811
 - Non-insured properties under Section 236 of NHA with active HAPS, RAP, Rent Supp or IRP contracts.
 - Properties under insured under Sec. 542(b) of the HCDA of 1992 with a Sec.8 contract
 - HUD-held projects



14 Calendar Day Inspection Notification

Goal is to achieve a more accurate picture of how the project is being maintained year round.

General Concept

- Property notified 14 calendar days before the inspection
- Unless state or local law requires a longer resident notification window
- If owner/agent refuses to schedule or cancels, the score will be a zero
- One additional reinspection within 7 calendar days; otherwise, score held at zero



New Inspection Model (3 X 3 X 3)

3 Types of Inspections – Confidence Increased

- Property Owner/Agent (POA) Self-Inspections
- REAC Contracted Inspections
- HUD Quality Assurance Inspections



New Inspection Model (3 X 3 X 3)

3 Categories of Deficiencies – Resident Focused

- Safety and Health
- Function and Operability
- Condition and Appearance



New Inspection Model (3 X 3 X 3)

3 Inspectable Areas– Complexity Reduced

- Unit
- Inside
- Outside



Inspection Improvements Timeline

Phase I –Property self-inspections -Begin in 3rd Quarter of FY2019

- Leverages existing authority to collect required annual unit inspections
- Will require POAs to inspect and submit results to HUD
- Self-inspections evaluated but not scored
- Iterative approach with increased capabilities as demonstration continues



Inspection Improvements Timeline

Phase II –CTQ inspections - Begin in 4th Quarter FY2019

- Comprised of contractor and government employees using new standards
- Validates new standards and protocols
- Development of new scoring model



Communication and Feedback Sessions

March 19, 2019: Region VI HUD Regional Office Fort Worth, TX

<http://www.hud.gov/emarc/index.cfm?fuseaction=emar.registerEvent&eventId=3511&update=N>

March 26, 2019: Region V Hotel Conference Room Detroit, MI

<https://apps.hud.gov/emarc/index.cfm?fuseaction=emar.addRegisterEvent&eventId=3510&update=N>



Communication and Feedback Sessions

March 28, 2019: Region X HUD Regional Office Seattle, WA

Morning session:

<https://apps.hud.gov/emarc/index.cfm?fuseaction=emar.addRegisterEvent&eventId=3508&update=N>

Afternoon session:

<https://apps.hud.gov/emarc/index.cfm?fuseaction=emar.addRegisterEvent&eventId=3521&update=N>



Communication and Feedback Sessions

April 4, 2019: Region IV HUD Regional Office Atlanta, GA

<http://www.hud.gov/emarc/index.cfm?fuseaction=emar.registerEvent&eventId=3513&update=N>

Stay tuned for a Federal Register Notice to be issued very soon announcing public comment period on the demonstration in Region III.



Your Feedback...

Questions & Comments