

Special Attention of

All Multifamily Hub Directors
All Multifamily Program Center Directors
All Multifamily Operations Officers
All Multifamily Directors of Project Management
All Multifamily Field Counsel
All Contract Administrators

Notice H 2010-17

Issued: August 23, 2010
Expires: August 31, 2011

Cross References:

Subject: Revised Procedures for Requesting Inspections from the Real Estate Assessment Center

Purpose:

This Notice expands on the revisions for servicing properties with physical condition scores below 60 that were announced in Notice H 2010-04¹. Specifically, this Notice delegates the authority to order certain special purpose physical inspections from the Real Estate Assessment Center (REAC) to the Hub Director or his or her designee².

As part of Secretary Donovan's FAST Initiative to delegate decision making authority and accountability to the field, the Department conducted a review of the procedures for requesting follow-up inspections of properties that receive scores below 60. The results of the review indicated that delegating the authority to request certain special purpose inspections to the Hub Director would likely: (1) reduce the number of days it takes to schedule and complete a follow-up inspection; (2) improve transparency by allowing all parties to see when an inspection was requested and where it stands in the queue; and, (3) make it easier to collect the baseline data needed to measure the time gap between the date when the inspection *should* take place (the ideal future date) and the date the inspection actually occurs.

Revisions:

As of the date of this Notice, the Hub Director has the authority to, and is responsible for, ordering physical inspections directly from REAC in the circumstances described below. In general, the Hub Director is now responsible for ordering a physical inspection directly from REAC when:

¹ Notice H 2010-04, captioned, "Revised Protocol for Placing Flags in the Active Partners Performance System (APPS) When a Property Receives a Physical Inspection Score Below 60 but Above 30" was issued on January 22, 2010. H 2010-04 expires on January 31, 2011. We will incorporate this guidance into that Notice when it is renewed.

² For simplicity, we will refer to the "Hub Director" throughout the remainder of the Notice instead of continually referring to "the Hub Director or his or her designee."

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- A property receives a first physical inspection score between 30 and 60 and the owner does not respond to the notice of violation by providing the Project Owner's Certification and a comprehensive survey of all physical deficiencies;
- A property receives a second physical inspection score between 30 and 60 one year after the owner submitted a Project Owner's Certification and comprehensive survey of all physical deficiencies in response to a first physical inspection score between 30 and 60. In this case, the Hub Director should follow Notice H 2010-04 by issuing a notice of violation and placing a flag in the Active Partners Performance System and request that a REAC Quality Assurance (QA) Inspector conduct a follow-up inspection.
- A follow-up inspection is required as part of a Compliance Disposition, Enforcement plan.

As a general rule, the Hub Director now has the authority to, and is now responsible for, ordering a physical inspection directly from REAC if the inspection should be conducted by a REAC QA Inspector. The Business Relationships and Special Initiatives Division, Office of Asset Management, will maintain responsibility for ordering all physical inspections that must be conducted through the Reverse Auction Program or by the mortgagee.

The New Process for Ordering Inspections:

The Hub Director will now order the types of inspections described above by entering his or her requests on a SharePoint document called the "Physical Inspection Request Log." The Hub Director must take every precaution to ensure that the owner is aware that an inspection must take place and that REAC will be contacting him or her to schedule a mutually agreeable date for the inspection.

The "Physical Inspection Request Log" is located on the Business Relationships and Special Initiatives Division SharePoint site at:

<http://hudsharepoint.hud.gov/sites/DASMFH/OMAM/brsi/default.aspx> .

Each Hub will have its own tab located near the bottom of the spreadsheet. Clicking on the tab will call up a spreadsheet where the Hub Director can enter the information needed to order an inspection (e.g., date request is made, servicing site, property name, iREMS ID, etc.). The next to last column on the spreadsheet is captioned "Date Inspection Confirmed." REAC will enter the date the inspection is confirmed with the owner in this column. REAC will confirm an inspection date with the owner within ten business days of the date the request appears on a Hub's spreadsheet.

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Once REAC enters a confirmed date on the “Physical Inspection Request Log” the physical inspection may only be postponed or cancelled in emergency situations such as severe weather, a recent fire, Presidentially Declared Disaster, etc. In the event that an inspection must be postponed or cancelled, the Hub Director should contact the Headquarters Physical Inspection Program Manager responsible for his or her Hub. The names of the Headquarters Physical Inspection Program Managers are posted on the SharePoint site and will be updated if any changes are made. The Headquarters Physical Inspection Program Manager will inform REAC that the inspection must be postponed or canceled.

Only three staff from each Hub will be granted editing rights to the SharePoint site; the Hub Director, a lead physical inspection coordinator, and a back-up. All HUD staff will have viewing rights.

It is crucial to keep all owner and management agent contact information up to date in iREMs so that REAC may contact the owner to schedule the inspection. If the wrong owner contact information is in iREMS, it will delay REAC’s scheduling and posting of the inspection date on the SharePoint spreadsheet.

As of the date of this Notice the Hub will no longer be required to fill out the spreadsheet on the bottom portion of Attachment 2 to Housing Notice 2010-04, entitled, “Properties Where Owner Did Not Submit Project Owner's Certification.” The Hub Director will now request these inspections on the “Physical Inspection Request Log” on the Business Relationships and Special Initiatives Division SharePoint site discussed above.

If you have any questions regarding this guidance, please contact the Office of Asset Management, Business Relationships and Special Initiatives Division at (202) 402-2629. Persons with hearing or speech impairments may access this number via TTY by calling the Federal Information relay service at (800) 877-8339.

/s/

David H. Stevens
Assistant Secretary for Housing-
Federal Housing Commissioner