

Dear NAHMA Members –

This week, HUD HQ invited NAHMA and other industry stakeholders in for a briefing on overhauling the Real Estate Assessment Center (REAC) and its physical inspection protocols. The briefing comes after recent and past negative news publications on deplorable living conditions at troubled properties across the nation. Recently, HUD's Office of Multifamily Housing published the policy updates below on **Physical Condition Standards and Inspection Requirements (H 2018-08)** and an [update](#) on **wholesale REAC re-examination** in response to these events. However, this week's HUD briefing provided a glimpse into their decision-making on the future of REAC and physical inspections. The following are policy proposals that NAHMA believes are important to share with members:

*****Please note that No FINAL Policy has been issued by HUD and these are proposals under consideration.*****

1. REAC and Physical Inspection overhaul is a cross-cutting priority of HUD Secretary Carson, which likely means Public Housing, Housing Choice Voucher, and MF Project-based programs will all be impacted. This decision is also largely in reaction to negative press and subsequent political pressure from Congress. HUD has said it pursuing a dual Short and Long Term strategy.
2. **Short-Term (Likely enacted in February 2019):** HUD leadership was clear that everything is on the table, when it comes to physical inspections policy changes. A few notable items under consideration are:
 - a. In terms of scheduling a physical inspection, HUD will substantially reduce their inspection notification timeframe, and the inspection date may no longer be “mutually agreeable”. Severe penalties and enforcement protocols will be assessed for cancellations, including a score of Zero.
 - b. Emphasis on exigent health and safety (EH&S) hazards and interior condition of units, less focus on exterior grounds.
 - c. A year-round “Industry Standard” will be expected, not just improvements before physical inspection.
 - d. HUD will consider ending their reverse auction for hiring inspectors and explore an alternative procurement.
 - e. HUD leadership said it will plan to schedule Listening Sessions with local stakeholders. No information on dates and times were provided. HUD Leadership continues to conduct site visits and participate in physical inspections.
3. **Long-Term (Enacted throughout 2019):** HUD plans to launch a pilot program to analyze and design new physical inspection standards and protocols.
 - a. HUD may work with local governments to promote shared oversight of physical inspections.
 - b. HUD will be working on legislative and regulatory changes to establish permanent changes and possible changes to REAC itself.
4. HUD HQ specifically wanted to convey that failing scores are unacceptable and their belief that the current standard may not reflect the portfolio's true physical condition. Their goal is to improve property standards and inspection scoring models. HUD will not delay in taking enforcement actions against owners who are not meeting standards.

In conclusion, this week's meeting was likely the first of many and NAHMA plans to keep members updated on future meetings. It is important to note that NAHMA was a forceful advocate on behalf of

members, pointing out ways in which proposals were not fair, realistic nor appropriate, especially given that HUD MF's own data shows that 96% of its portfolio receives passing REAC scores.

Best,
Larry

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NAHMA is the leading voice for affordable housing management, advocating on behalf of multifamily property managers and owners whose mission is to provide quality affordable housing.*