



OFFICE of
INSPECTOR GENERAL
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UNITED STATES DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT

HUD's Office of Multifamily Housing Needs To Improve Its Oversight of PBRA and FHA- Insured PBV Properties Converted Under RAD

Audit Report Number: 2025-CH-0001

December 18, 2024

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//signed//
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Subject: HUD Needs To Improve Its Oversight of PBRA and FHA-Insured PBV Properties Converted Under RAD

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our audit of HUD's oversight of the physical condition of Project-Based Rental Assistance (PBRA) and Federal Housing Administration (FHA)-insured Project-Based Voucher Program (PBV) units converted under the Rental Assistance Demonstration Program (RAD).

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, as amended, requires that OIG post its reports on the OIG website. Accordingly, this report will be posted at <https://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call Kelly Anderson, Audit Director, at (312) 913-8499.

Highlights

HUD Needs To Improve Its Oversight of PBRA and FHA-Insured PBV Properties Converted Under RAD | 2025-CH-0001

What We Audited and Why

The U.S. Department of Housing and Urban Development (HUD) estimated that before the creation of the Rental Assistance Demonstration Program (RAD) 8,000 to 15,000 public and federally assisted housing units were lost each year to demolition or disposition, due to deferred maintenance and the backlog of funding needed to address capital improvements. HUD's Rental Assistance Demonstration Program (RAD) was created to give public housing agencies (PHA) a tool to preserve and improve public housing properties and address the huge nationwide backlog of deferred maintenance. RAD seeks to convert public housing and other HUD-assisted properties to project-based Section 8 rental assistance. The conversion allows owners access to public and private funding to address the physical capital needs of the converted properties. Our audit objective was to assess HUD's oversight of the physical condition of public housing units that converted to Project Based Rental Assistance (PBRA) and Federal Housing Administration (FHA)-insured project-based vouchers (PBV) under RAD.

What We Found

HUD's Office of Housing contracts with performance-based contract administrators to administer the housing assistance payments (HAP) contract with owners. Through RAD, HUD oversees the HAP contracts for converted properties and monitors owners for compliance with HUD's requirements, which include maintaining (1) units in decent, safe, and sanitary condition and (2) reserve for replacement accounts to help defray the cost of replacing properties' capital items.

We found HUD needs to improve its oversight of the physical condition of public housing units that converted to PBRA and FHA-insured PBV under the RAD program. Of the 242 units we observed, 65 percent contained 576 deficiencies, 63 of which were life-threatening deficiencies. Converted properties are required to maintain reserve for replacement accounts to fund extraordinary maintenance, repair, and replacement of capital items. However, owners' reserve for replacement accounts' balances were not supported for 13 of the 14 properties reviewed. Further, HUD did not ensure that initial inspections of converted properties occurred in a timely manner.

The unit deficiencies occurred because the properties' (1) management officials did not ensure that staff or contractors inspected the physical condition of RAD units annually and (2) maintenance departments were understaffed, resulting in delayed inspections and repairs. Further, HUD did not ensure that its staff consistently performed management and occupancy reviews (MOR) to monitor the operation of the properties for compliance with HUD's requirements for the physical condition of RAD units and reserve for replacement accounts. Specifically, for the properties that we reviewed, HUD's staff had not conducted (1) initial MORs for 50 percent of the properties even though they had been converted under RAD between 3 to 10 years ago and (2) timely initial MORs for nearly 48 percent of the properties. HUD

also did not have a (1) process for monitoring the timeliness of properties' initial inspections and (2) clear guidance specifying the timing of initial inspections for non-FHA-insured PBRA properties.

As a result, families resided in units that were not decent, safe, and sanitary. Further, there is an increased risk of (1) additional families' residing in units that are not decent, safe, and sanitary and (2) properties' reserve for replacement accounts being insufficiently maintained to address extraordinary maintenance, repair, and replacement of capital items. Further, HUD did not have necessary information to determine the (1) initial physical condition of the units, including identifying deficiencies that require timely corrective actions, and (2) timing of properties' next inspection, which is based on each property's previous inspection score.

What We Recommend

We made several recommendations to HUD to improve its oversight of properties converted under RAD. Specifically, we made recommendations related to determining the timing and completion of initial and subsequent MORs, including issuing updated guidance that includes a system to track the timeliness of initial MORs. We also made recommendations to provide training to staff members to ensure that they have the skills necessary to complete MORs of converted properties and to review the reserve for replacement account balances for all properties to ensure the accuracy of the account balances. Lastly, we made recommendations for HUD to implement adequate procedures and controls to ensure that servicing lenders comply with HUD time requirements in initial inspections of converted properties and determine an appropriate timeframe for when noninsured PBRA converted properties should be initially inspected and work with the Real Estate Assessment Center to ensure that inspections are ordered and completed within that timeframe.

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Background and Objective

With the aging of the public housing stock, HUD estimated that before the creation of the Rental Assistance Demonstration Program (RAD), 8,000 to 15,000 public and federally assisted housing units are lost each year to demolition or disposition, due to deferred maintenance and the backlog of funding needed to address capital improvements. RAD¹ provides the opportunity to test the conversion of public housing and other HUD-assisted properties to long-term, project-based Section 8 rental assistance to achieve certain goals, including the preservation and improvement of these properties through enabling access by public housing agencies (PHA) and owners to private and public debt and equity to address immediate and long-term capital needs. By addressing capital needs, RAD allows property owners to shift more resources toward preventative maintenance. RAD is also designed to test the extent to which residents have increased housing choices after the conversion and the overall impact on the subject properties.

RAD has two components. The first component allows projects funded under the public housing program to convert their assistance to long-term, project-based Section 8 rental assistance contracts. The second component allows owners of (1) projects funded under the Rent Supplement, Rental Assistance Payment, and Moderate Rehabilitation programs and (2) project rental assistance contracts under Section 202 Supportive Housing for the Elderly program to convert to PBRA or PBV contracts. This audit focused on the conversion of public housing to PBV units with FHA-insured loans² and PBRA housing with or without an FHA-insured loan, under the first component of RAD. Congress does not authorize incremental funding for this component; therefore, assistance is converted at the current public housing subsidy levels.³

Under the first component of RAD, PHAs may choose between two forms of long-term Section 8 housing assistance payments (HAP) contracts – PBV and PBRA – with initial contract terms of generally 15 to 20 years. These contracts are tied to a specific property and number of units.

PBV: The PHA executes and administers the HAP contract with the property owner. In the case of FHA-insured PBV, HUD and the lender also have contract oversight responsibilities.

PBRA: HUD executes the HAP contract with the property owner. Traditionally, PBRA⁴ units are administered by HUD's Office of Housing, with HAP oversight functions contracted to performance-based contract administrators (PBCA). Under RAD, HUD administers and enforces the RAD PBRA HAP contracts, rather than contracting with PBCAs.⁵

¹ Public Law 112-55, approved November 18, 2011, as amended.

² As part of HUD, FHA provides mortgage insurance on loans made by approved lenders for single-family homes and multifamily properties. FHA mortgage insurance protects lenders against losses. If a property owner defaults on his or her insured mortgage, FHA pays a claim to the lender for the unpaid principal balance.

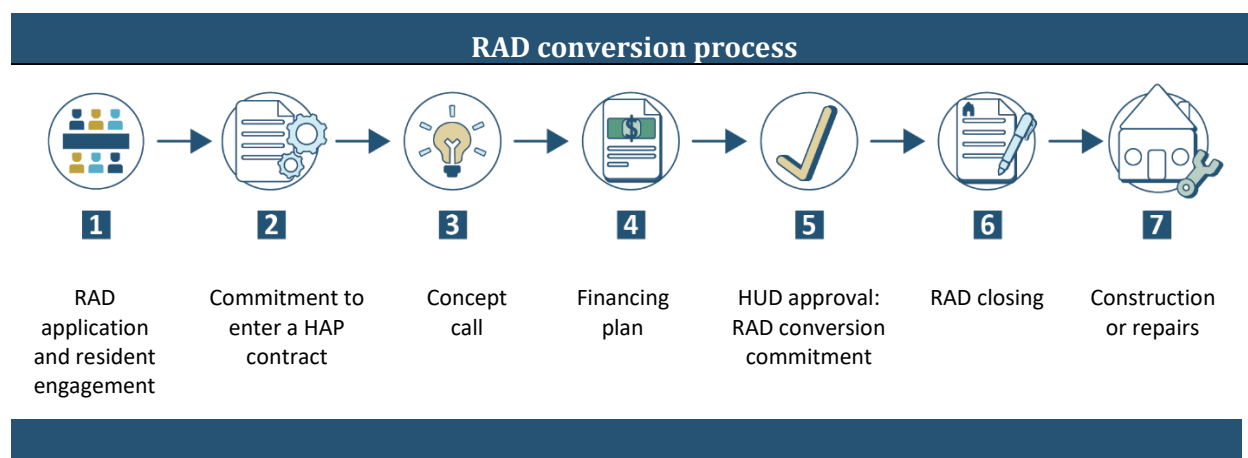
³ RAD is a cost neutral program; therefore, the subsidy for converted units is established using the property's current funding levels received through public housing operating and capital funding and rental receipts from the assisted households.

⁴ PBRA properties may or may not have an FHA-insured loan.

⁵ In June 2023, HUD began transferring contract oversight of some converted properties to PBCAs.

The conversion of public housing properties to long-term Section 8 contracts under RAD involves a series of actions from the application to the completion of construction or repair of the properties. Chart 1 below provides a brief description of the conversion process.

Chart 1: Steps in the RAD conversion process



As part of the conversion, PHAs are required to have capital needs assessments and RAD is intended to address those capital needs. Due to the timing of when our sample of properties converted under RAD, between 2014 and 2021, and when the capital needs assessments were performed, which was during the conversion process, we were unable to determine whether the RAD conversion improved the conditions of the properties, which would have required an updated physical needs assessment to estimate short-term and long-term capital needs after conversion.⁶ Therefore, this audit focused on the current physical conditions of properties based on our observations performed in 2023.

Based on data from HUD’s RAD Resource Desk, there were a total of 706 conversions of public housing to PBRA⁷ or PBV with an FHA-insured loan under the first component of RAD. See table 1 below for a summary of converted properties from September 20, 2013,⁸ through March 31, 2024.

Table 1: Type of conversion, number of properties converted, number of units converted, properties’ total construction costs, and properties with no construction costs

Conversion type	Total closed projects	Total closed units	Total with hard construction costs	Total hard construction costs	Total with no construction costs
PBRA	607	73,919	508	\$4,038,225,263	99

⁶ RAD projects are required to have an updated capital needs assessment every 10 years.

⁷ A property that converts to PBRA may or may not have an FHA-insured loan.

⁸ Although RAD was authorized in 2012, the first RAD conversion closed on September 20, 2013.

Conversion type	Total closed projects	Total closed units	Total with hard construction costs	Total hard construction costs	Total with no construction costs
FHA-insured PBV	99	16,291	97	2,935,930,653	2
Totals	706	90,210	605	6,974,155,916	101

Post Conversion

After converting under RAD, properties must have an initial inspection, the project owners must maintain a reserve for replacement account,⁹ and HUD conducts management and occupancy reviews (MOR) to monitor the operations of the converted properties.

Initial Inspections

Once a public housing property has completed the conversion to a PBRA or FHA-Insured PBV property under RAD, it transfers from the Office of Public and Indian Housing (PIH) portfolio and becomes part of the Office of Multifamily Housing Programs' portfolio. The Office of Multifamily Housing Programs does not order inspections for newly converted properties. For properties that are FHA-insured, the servicing lender is responsible for scheduling the initial or baseline inspection. For noninsured PBRA properties, the Real Estate Assessment Center (REAC) schedules the inspections.

Before the implementation of the National Standards for the Physical Inspection of Real Estate (NSPIRE)¹⁰ on October 1, 2023, PBRA properties and properties with an FHA-insured loan were subject to inspections under Uniform Physical Condition Standards (UPCS).¹¹ HUD's REAC conducts the physical inspections and issues an inspection report, and score based on a 100-point scale. Under UPCS, points can be deducted for deficiencies identified in units and other inspectable areas of a property, which include the site, exterior, systems, and common areas (when applicable). Deficiencies under UPCS can fall into the following categories, based on the impact to a tenant's health and safety: exigent health and safety, health and safety, and non-health-and-safety deficiencies.

⁹ Reserve for replacement accounts are used to address extraordinary maintenance, repair, and replacement of capital items.

¹⁰ According to Federal Register (FR) Notice 88 FR 30442, dated May 11, 2023, the purpose of NSPIRE is to strengthen HUD's physical condition standards and improve HUD oversight through the alignment and consolidation of the inspection regulations used to evaluate HUD housing across multiple programs.

¹¹ For our observations of the physical conditions of selected PBRA and FHA-insured properties, since the HAP contracts were effective between January 1, 2014, and April 1, 2021, HUD's UPCS inspection standards were in effect.

Reserve for Replacement Account

Generally, each property selected for conversion under RAD is required to complete a capital needs assessment¹² (CNA), which is a detailed physical inspection of the property to determine (1) the short-term rehabilitation needs to be included as a scope of work that will be completed as part of the RAD conversion and (2) the long-term capital needs to be addressed through a reserve for replacement account. A CNA must be submitted with the properties' financing plan and includes the 20-year capital needs schedule and the total amounts to be deposited to the initial deposit to replacement reserve (IDRR) and the annual deposit to replacement reserve (ADRR).¹³ HUD details the required amounts of the IDRR and ADRR, as well as when the ADRR deposits should begin, in the RAD conversion commitment (RCC) and in the property's HUD business documents, either directly or through reference to the RCC.

For FHA-insured PBV properties, the reserve for replacement must be maintained in accordance with the HUD regulatory agreement.¹⁴ Each year, HUD reviews the converted properties' Section 8 rents on the contract renewal dates, provides adjustments called operating cost adjustment factors, and determines the amount of the next ADRR. Property owners are required to establish and maintain a reserve for replacement in an interest-bearing account to aid in funding extraordinary maintenance and repair and replacement of capital items. The reserve must be built up to and maintained at a level determined by HUD to be sufficient to meet projected requirements, as detailed in the HUD business documents and subsequent annual adjustments.

Management and Occupancy Reviews

HUD requires monitoring of property operations to ensure that (1) its multifamily housing programs are administered as intended; (2) owners follow their HAP contracts; and (3) assisted units are maintained in decent, safe, and sanitary condition. One of the integral monitoring efforts HUD uses to ensure that property owners and agents comply with the requirements of the regulatory agreement, mortgage, HAP contract, and other relevant HUD business agreements is the MOR.

The MOR is meant to assess the overall management of the property, including management's ability to maintain a property in decent, safe, and sanitary condition. The physical assessment component of the MOR supplements REAC's physical inspection and provides additional insight into the physical condition of the property. The financial management elements analyzed in a MOR are supplemental to those assessed in an audited financial statement. The MOR provides an assessment of the day-to-day financial management of a property. A full MOR should be conducted within 6 months of the effective date of the HAP contract and annually thereafter,¹⁵ subject to available funding. If funding is not available, the Office of Multifamily Housing Programs regional center or satellite office will conduct a limited MOR, also

¹² HUD's Office of Housing Notice H 2019-09, section 1.4.A.1.a-d, lists certain exemptions to this requirement. None of the 14 owners' deposits into the reserve for replacement were documented as being exempt from completing a CNA or submitting a 20-year reserve schedule as part of the CNA.

¹³ Notice H-2019-09 and Notice PIH-2019-23, section 1.4.A.1

¹⁴ Notice H-2019-09 and Notice PIH-2019-23, section 1.6.D.9

¹⁵ Before June 2022, MORs were required to be completed annually. In June 2022, HUD changed the annual requirement to a risk-based approach.

referred to as a desk review, which is completed remotely and does not include onsite property or unit observations.

MORs consist of a desk review, which is conducted remotely, followed by an onsite review of the project. A desk review involves reviewing project files and information in HUD's systems related to a property and includes a review of the property's reserve for replacement account. An onsite review includes the work performed during the desk review and includes an evaluation of seven categories of a property's operations: general appearance and security, follow up of REAC property inspections, maintenance and standard operating procedures, financial management and procurement, leasing and occupancy, tenant and management relations, and general management practices. HUD then rates each category and issues a score from 0 to 100 points to assess the overall performance of the property.

Our objective was to determine whether HUD had adequate oversight of the physical condition of public housing units that converted to PBRA and FHA-insured PBV under the RAD program, specifically, whether (1) units converted under RAD were maintained in decent, safe, and sanitary condition and (2) owners' reserve for replacement accounts were appropriately maintained in accordance with HUD's requirements.

To assess HUD's oversight of the physical condition of public housing units that converted to PBRA and FHA-insured PBV under the RAD program, we focused on the following three areas:

1. physical condition of properties converted under RAD,
2. reserve for replacement, and
3. initial Inspections.

Results of Audit

Overall Assessment of HUD's Monitoring of the Physical Condition of RAD Properties

We assessed HUD's monitoring of the physical condition of public housing properties converted under RAD in three areas, as noted in the table below.

Review areas	Exception identified?	Details of assessment
Physical condition of properties (units and associated buildings)	Yes	Sixty-five percent of the 242 sampled units contained deficiencies. Eighty-five percent of the 14 sampled properties contained nonunit deficiencies.
Reserves for replacement	Yes	Account balances for 13 of 14 sampled properties were not supported.
Initial Inspections	Yes	Fifty-five percent of our sample of 11 FHA-insured properties were not inspected in a timely manner. For all 29 of our sampled noninsured properties, we were unable to assess whether the initial inspections had occurred in a timely manner because HUD's requirements for the timing of the initial inspections varied.

Additional details of the exceptions identified in each of the areas are discussed in the following sections.

HUD Did Not Consistently Monitor Converted Properties in Accordance With Its Requirements

We observed 242 converted units in 14 properties and determined that 65 percent of the 242 units contained 576 deficiencies, of which 63 were life-threatening deficiencies. Additionally, reserve for replacement accounts' balances for 13 of the 14 properties were not supported. The unit deficiencies occurred because the properties' (1) management officials did not ensure that staff or contractors inspected the physical condition of RAD units annually and (2) maintenance departments were understaffed, resulting in delayed inspections and repairs. Further, HUD lacked oversight of its field staff to ensure that staff consistently performed management and occupancy reviews to monitor the operations of the properties for compliance with HUD's requirements for the physical condition of RAD

units and reserve for replacement accounts. As a result, families resided in units that were not decent, safe, and sanitary. Further, if property maintenance staff does not improve its oversight of unit and property conditions, there is an increased risk of additional families' residing in units that are not decent, safe, and sanitary. There is also an increased risk of properties' reserve for replacement accounts' being insufficiently maintained to address extraordinary maintenance, repair, and replacement of capital items.

Converted Properties Were Not Maintained in Decent, Safe, and Sanitary Condition

We selected 14 properties¹⁶ containing 2,661 units across 13 PHAs to observe the physical condition of the units and buildings. We observed 242 of the 2,661 units and determined that 158 units (65 percent) contained 576 deficiencies, of which 63 were life-threatening exigent health and safety, 96 were non-life-threatening health and safety, and 417 were non-life-threatening non-safety deficiencies.¹⁷ Additionally, 85 percent of the 14 properties contained 134 non-unit deficiencies,¹⁸ 6 of which were life-threatening exigent health and safety, 26 were non-life-threatening health and safety, and 102 were non-life-threatening non-health-and-safety deficiencies. Examples of (1) life-threatening deficiencies included missing or inoperable smoke detectors, missing or broken outlet plates, and exposed electrical wires; (2) non-life-threatening health and safety deficiencies included a knife lodged into a doorframe for security, sharp edges, tripping hazards, and standing water in a basement; and (3) non-life-threatening non-health-and-safety deficiencies included a rusted metal door frame, missing doorknobs, holes in a door surface, damaged or deteriorated refrigerator door seals, and a bulging wall surface due to water damage.

We completed our observations from May 15 through July 14, 2023.¹⁹ See table 2 below for the categories of inspectable items that contained deficiencies.

Table 2: Unit deficiency categories, number of deficiencies, and number of units in which the deficiencies were observed

Unit deficiency category ²⁰	Number of deficiencies	Number of units ²¹
Walls (non-HS)	123	57

¹⁶ Twelve of the properties converted to PBRA, and two properties converted to FHA-insured PBV.

¹⁷ Deficiencies refer to specific problems recorded for inspectable items, such as a hole in a wall. REAC inspectors assign severity levels to deficiencies. Because we performed observations, unlike UPCS inspections, we did not assign severity levels to deficiencies or assign scores to properties.

¹⁸ Nonunit deficiencies are deficiencies outside the unit, in locations such as the property grounds, common areas, hallways, laundry rooms, etc.

¹⁹ See appendix C for the total number of units at each property, the number of units observed, the number of unit deficiencies and type, and the number of nonunit deficiencies and type.

²⁰ The acronym LT is used to define a life-threatening exigent health and safety deficiency, NLT is used to define a non-life-threatening health and safety deficiency, and non-HS is used to define a deficiency that is not an LT or NLT health and safety deficiency.

²¹ Each unit may have one or more deficiencies in the categories listed in the table.

Unit deficiency category ²⁰	Number of deficiencies	Number of units ²¹
Doors (NLT or non-HS)	93	65
Hazards (NLT) ²²	60	47
Ceiling (non-HS)	43	33
Electrical (LT, NLT, or non-HS) ²³	35	23
Infestation (NLT)	30	29
Smoke detector (LT)	30	17
Interior stairs and railings (NLT)	20	17
Windows (LT, NLT, or non-HS)	24	20
Tub-shower (NLT)	20	20
Sink (NLT)	19	17
Floor (non-HS)	15	14
Food preparation – storage (NLT)	15	15
Range (non-HS) and refrigerator (non-HS)	15	15
Plumbing - water supply (NLT or non-HS)	14	14
Water closet – toilet (NLT)	11	11
Garbage-debris (NLT)	5	5
Bathroom cabinet (non-HS)	2	2
Improperly stored materials (NLT)	1	1
Dryer vent (non-HS)	1	1
Total	576	

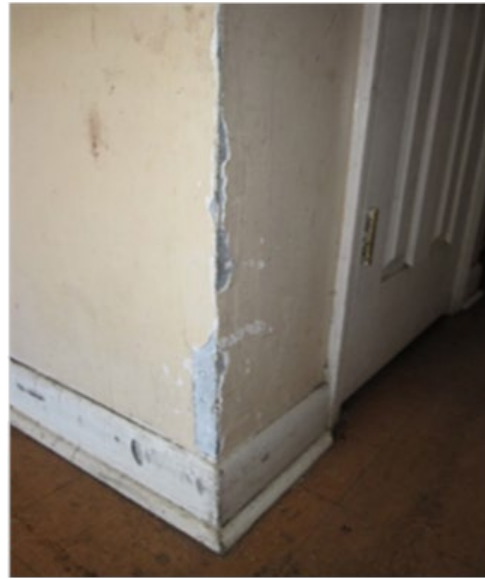
The following photographs illustrate examples of the categories of unit deficiencies noted during our observations.

²² The “hazards – health and safety” category includes deficiencies such as sharp edges or tripping hazards, as well as other hazards that are not specifically defined elsewhere under HUD’s UPCS.

²³ Electrical issues can be LT or NLT.



Picture 1 – Doors (NLT): Property ID 5129; damaged frame with knife wedged into doorframe for security.



Picture 2 – Walls (non-HS): Property ID 1435; damaged wall in living room, chipped corner, and missing paint.



Picture 3 – Other hazard (NLT): Property ID 6978; high entryway step with approximate 11-inch rise, elderly occupant uses a walker, poses a falling hazard.



Picture 4 – Other hazard (NLT): Property ID 6978; railings not connected, set to the side, causing possible falling hazard on entry steps.



Picture 5 – Floors (non-HS): Property ID 6978; tears in basement flooring, partially covered with tape, tripping hazard.



Picture 6 – Infestation (NLT): Property ID 6438; rodent droppings under kitchen sink.



Picture 7 – Hazard (NLT): Property ID 3812; rusted ceiling vent in bathroom, water damage, and possible mold or mildew on ceiling.



Picture 8: - Infestation (NLT): Property ID 3812; insect traps with dead insects under kitchen sink.



Picture 9 – Ceiling (non-HS): Property ID 2652; cracked and bulging ceiling above a child's bed.



Picture 10 – Ceiling (non-HS): Property ID 1435; hole in kitchen ceiling.



Picture 11 – Ceiling (non-HS): Property ID 3812; water stains, water damage, and possible mildew or mold on bathroom ceiling.



Picture 12 – Electrical (LT): Property ID 6978; missing outlet cover in basement, exposing interior of outlet box.



Picture 13 – Electrical (LT): Property ID 3812; broken outlet cover plate where electrical plug is inserted, in bedroom.

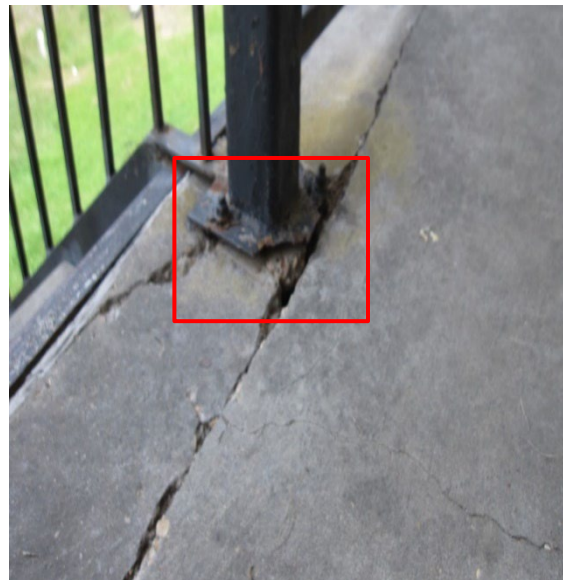


Picture 14 – Electrical (non-HS): Property ID 6438; exposed, frayed electrical wires on exterior light fixture, and light fixture is not secured.

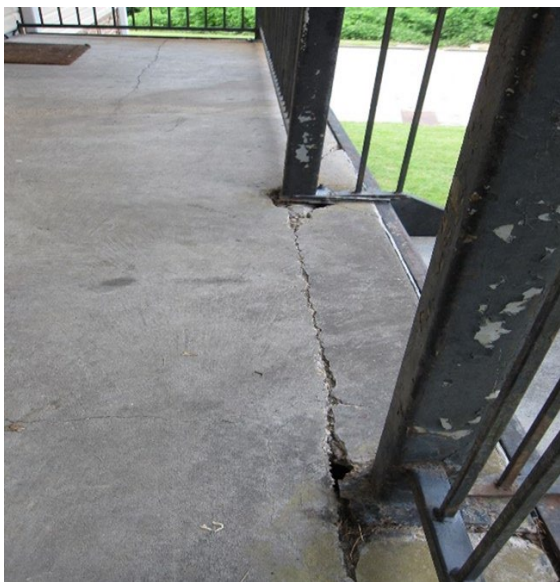
Pictures 15 through 20 – Patio-porch-balcony and stairs (non-HS): Property ID 5129; baluster and handrail to second story unit damaged; baluster and handrails not secured at bottom due to damaged concrete and not secured at the top due to missing screws, causing falling hazard.



Picture 15 – Two-story building showing stairs to second floor.



Picture 16 – Crumbling and cracked concrete and rusted and damaged base with missing screws.



Picture 17 – Alternate view of crumbling and cracked concrete at the railing base.



Picture 18 – Top of railing off center and missing all screws.



Picture 19 – Crumbling concrete with rusted base showing screws missing or not connected.



Picture 20 – Alternate view of base with missing and crumbling concrete showing missing screws.

These deficiencies occurred because the managers of the properties did not always inspect all RAD units. Specifically, management officials for 8 (57 percent) of the 14 properties observed did not provide documentation to support that they had conducted annual inspections of all units, although the policies or procedures for 3 of those properties identified the performance of annual inspections. Management officials for the remaining five of the eight properties did not provide policies or procedures for unit inspections. Management officials described conditions that impacted their ability to perform annual inspections, such as the inability to access units because tenants were unavailable and the impact of the

coronavirus (COVID-19) pandemic on operations. In addition, several properties had experienced shortages with maintenance staff, resulting in delayed inspections and repairs. Of the 14 properties, 1 property, containing 278²⁴ units, had only 1 staff member performing maintenance, which may have caused delays in the correction of deficiencies. As a result, families resided in units that were not always maintained in decent, safe, and sanitary condition.

We provided our observation results and photographs to HUD management officials at the Office of Asset Management and Portfolio Oversight and Office of Recapitalization, as well as the properties' HUD account executive and property owners and management staff. During the audit, we received documentation, such as work orders, invoices, or photographs, to confirm that all of the identified life-threatening exigent health and safety deficiencies had been corrected. However, HUD does not require owners to provide evidence that non-life-threatening health and safety deficiencies have been corrected. Therefore, we do not know whether those deficiencies were resolved.

Properties' Reserve for Replacement Account Balances Were Not Supported

Of the 14 properties observed, we determined that the reserve for replacement account balances were not supported²⁵ for 13 properties.²⁶ When we recalculated the account balances for each of the 13 properties, our computed balances and the account balances reported in the properties' financial statements and bank statements varied by nearly \$1,200 to more than \$1.3 million. Based on our calculations, the reserve accounts appeared to have been underfunded for the remaining 11 properties and overfunded²⁷ for 2 properties. See table 3 below for our calculation of the reserve account balance at fiscal yearend in comparison to the reserve account balance reported in the annual financial statement and bank or investment account for each of the 13 properties.

Table 3: A comparison of the reserve account balances for the 13 properties

Property ID	Fiscal yearend date	OIG-* calculated balance (a)	Financial statement balance (b)	Variance OIG to financial statement (a-b)	Bank statement balance (c)	Variance OIG to bank (a-c)	Over-funded	Under-funded
6978	12/31/2022	\$369,341	\$339,825	\$29,516	\$358,517	\$10,824		X
5497	12/31/2021	408,604	331,119	77,485	331,119	77,485		X
9394	12/31/2022	338,139	299,357	38,782	299,356	38,783		X

²⁴ Of the 278 units, 69 were non-RAD.

²⁵ To recalculate the reserve balances, we determined the amount of the required initial deposit and the required annual deposits to the reserve accounts, as determined by HUD, and deducted any HUD-approved expenditures. Because interest rates vary based on the bank or type of investment, we did not recalculate interest earned for each account. See the Scope and Methodology section for additional details.

²⁶ The replacement account balance for the remaining one property was generally appropriately funded, except for \$415, which we attributed to interest earned.

²⁷ Overfunded reserve for replacement accounts can cause less money to be available to the property and could impact cashflow. Funds in these accounts cannot be accessed by the property without HUD's permission for certain uses. Additionally, HUD cannot refund overfunded amounts.

Property ID	Fiscal yearend date	OIG-* calculated balance (a)	Financial statement balance (b)	Variance OIG to financial statement (a-b)	Bank statement balance (c)	Variance OIG to bank (a-c)	Over-funded	Under-funded
5088	12/31/2022	587,002	585,811	1,191	585,811	1,191		X
6438	12/31/2022	276,789	224,011	52,778	224,011	52,779		X
2713	3/31/2023	252,409	187,890	64,519	53,264	199,145		X
7380	12/31/2022	211,200	188,288	22,912	188,288	22,912		X
5129	12/31/2022	1,338,333	712,734	625,599	19,996	1,318,337		X
1435	9/30/2022	1,406,575	1,695,076	(288,501)	1,695,076	(288,502)	X	
2652	6/30/2022	817,820	457,937	359,883	457,937	359,882		X
3812	6/30/2022	1,052,592	1,050,060	2,532	1,050,060	2,533		X
9218	12/31/2022	316,616	0	316,616	11,731	304,885		X
6861	12/31/2022	252,232	893,447	(641,215)	632,445	(380,213)	X	
Total overfunded				(929,716)		(668,715)	2	11
Total underfunded				1,591,812		2,388,756		

* OIG = Office of Inspector General

During our review, we identified several reasons why discrepancies occurred between the amounts we calculated and the amounts reported in the annual financial statements and bank accounts for each property. See table 4 below.

Table 4. Reasons for variances in reserve account balances

Reasons for variances ²⁸	Description
Most restrictive requirements were not followed	The reserve accounts for seven properties did not comply with the most restrictive requirements between the HUD business agreements and partnership agreements.
Lack of documentation to support HUD's approval for withdrawals	Five properties had withdrawn funds from the reserve for replacement accounts without documentation supporting HUD's approval.

²⁸ The reason for variances in the reserves for replacement can apply to more than one property.

Reasons for variances ²⁸	Description
Inconsistent deposit information	Four properties' HUD business documents, such as the RAD conversion commitment, HAP contract, and regulatory agreement ²⁹ (when applicable), did not contain a consistent amount for required monthly deposits or state when the deposits should begin.

During a meeting with HUD management officials, a senior advisor for the Office of the Deputy Assistant Secretary for Multifamily Housing Programs and Director of the Office of Recapitalization said that if there are differences between the HUD business documents, an amendment would be needed to correct the discrepancy. Additionally, the management officials said that in cases in which there are property business documents in addition to the HUD business documents, the property must ensure compliance with both the external and HUD business documents. Therefore, the most restrictive document requirements, such as the earliest date on which the property was required to establish its reserve for replacement account or the higher initial or annual deposit, would need to be met. However, as shown in table 4 above, for 50 percent of the properties reviewed, the owners did not use the most restrictive documents; therefore, they may not have been aware of this requirement. As a result, there is an increased risk of properties' reserve for replacement accounts' not being appropriately maintained to address extraordinary maintenance, repair, and replacement of capital items.

HUD Did Not Ensure That Field Staff Conducted MORs for RAD Properties

HUD requires monitoring of properties to ensure that (1) its multifamily housing programs are administered as intended; (2) owners are following their HAP contracts; and (3) assisted units are maintained in decent, safe, and sanitary condition. In addition to the REAC inspection, the MOR is one of HUD's integral monitoring efforts to assess owners' ability to maintain properties in decent, safe, and sanitary condition. The physical assessment component of the MOR supplements the REAC physical inspection and provides additional insight into the physical condition of the property. The MOR also includes a review of properties' reserves for replacement. However, for the RAD-converted properties, HUD staff did not consistently conduct MORs within 6 months of RAD conversion and annually thereafter to assess physical and financial conditions as required.³⁰

Completion of Management and Occupancy Reviews

According to HUD requirements,³¹ an initial MOR must be completed within 6 months of the effective date of a HAP contract and annually thereafter. We reviewed a sample of 40 properties,³² which included the 14 properties for which we observed the physical conditions and recalculated the reserves for replacement. The 40 properties had converted from public housing to either PBRA or PBV with an FHA-

²⁹ Regulatory agreements are required for properties with FHA-insured loans.

³⁰ RAD Quick Policy Reference Guide to Multifamily Project Based Rental Assistance Requirements, section 3.1, and 24 CFR (Code of Federal Regulations) 880.612

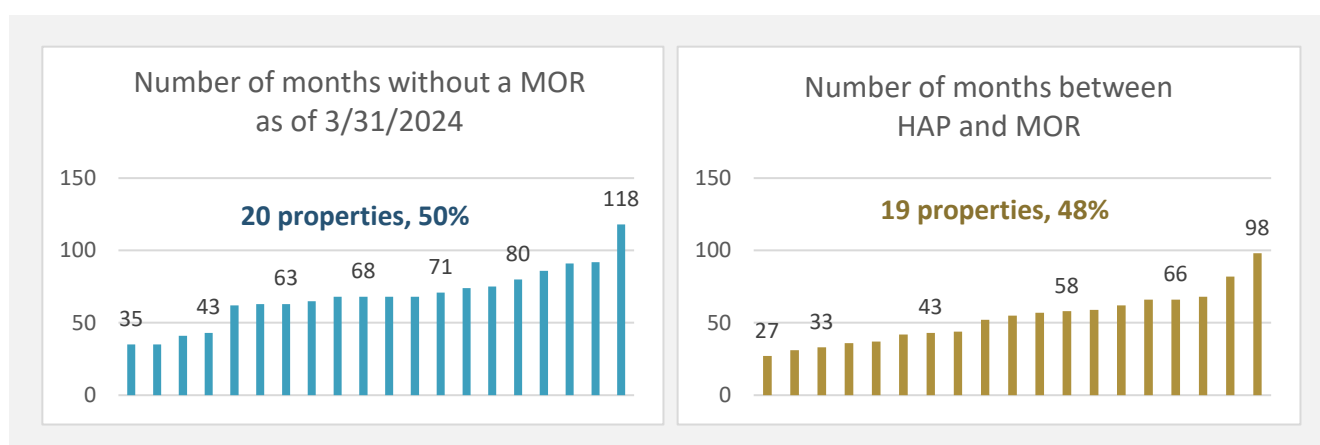
³¹ 24 CFR 880.612

³² See appendix D for list of the 40 sampled properties.

insured loan and a HAP contract effective date between January 1, 2014, and April 1, 2021. Of the 40 properties reviewed, we determined that contrary to HUD’s requirements, HUD had not performed initial MORs for 20 properties (50 percent). Based on the effective dates of the HAP contracts for the 20 properties, as of March 31, 2024, the MORs for the properties were between 35 and 118 months overdue.

For the remaining 20 properties,³³ we determined that HUD had conducted (1) MORs for 19 of the 20 properties from 6 to 98 months after the effective date of the properties’ HAP contracts³⁴ and (2) a MOR for only 1 property in a timely manner. See chart 2 below.³⁵

Chart 2. The number of months without MORs for the 20 properties as of March 31, 2024, and the 19 properties with untimely MORs



Of the 20 properties that had an initial MOR, we determined that 18 properties did not have a second MOR completed during our audit period. HUD completed second MORs for only 2 of the 20 properties. However, the MORs for those properties were nearly 5½ to more than 6 years after the initial MORs.

The Physical Assessment Component of the MOR

The physical assessment component of the MOR supplements the REAC physical inspection³⁶ and provides additional insight into the physical condition of the property. For instance, the MOR requires reviewers³⁷ to review a sample of life-threatening exigent health and safety deficiencies and non-life-threatening deficiencies that were identified by the REAC inspection to ensure that owners made

³³ HUD’s Integrated Real Estate Management System (iREMS) listed 21 properties as having a MOR; however, when we requested the supporting documentation, HUD stated that one MOR was entered into iREMS in error and that the data would be removed from the system. We confirmed that HUD had removed the MOR completion data for the property.

³⁴ The average number of months for completion of MORs was 51 months after the effective date of the HAP contracts.

³⁵ See appendix E for the timing of the MORs for the 40 properties.

³⁶ HUD’s REAC inspections review a sample of units depending on the size of the property, with a maximum sample size of 27 units.

³⁷ HUD staff person, lender, or the PBCA contractor.

corrections. Therefore, by HUD's not performing MORs in accordance with its requirements for nearly all of the properties reviewed, HUD could not assess the condition of properties yearly and hold owners accountable for the correction of physical deficiencies that may impair the health and safety of families residing in assisted units.

The Reserve for Replacement Component of the MOR

Property reserve accounts must be maintained at a level determined by HUD to be sufficient to meet projected requirements, as detailed in the HUD business documents and subsequent annual adjustments. The MOR includes a review of properties' reserves for replacement. However, HUD did not consistently perform initial and annual MORs for RAD-converted properties in a timely manner. Had HUD performed timely MORs, it would have been able to review owners' reserve accounts from the beginning to determine the accuracy of reserve accounts' balances and whether they were appropriately funded yearly based on the established requirements.

HUD Lacked Oversight of Its Field Office Staffs' Performance of Management and Occupancy Reviews

According to a senior advisor for the Office of the Deputy Assistant Secretary for Multifamily Programs, most MORs are performed by PBCAs. However, HUD manages and performs the MORs for RAD-converted properties. In June 2023, HUD began transferring some properties in the States of Georgia and Texas to PBCAs. For the rest of the country, the RAD-converted properties remained part of the field staff workload, which was "already full." Therefore, according to the senior advisor, HUD headquarters did not designate performing MORs for converted RAD properties as a priority for field staff. HUD headquarters only tracked whether PBCAs performed MORs for assigned properties. According to the senior advisor, HUD does not have a mechanism to track the completion of MORs performed by its field staff.

Additionally, according to the senior advisor, the Office of Multifamily Housing Programs had issues with staff capacity, which impacted the field office staff's ability to perform oversight, particularly the MORs. Over the past 10 years, the Office has experienced staffing changes, such as losing experienced staff without commensurate additions. For instance, in 2017, the Office lost 100 staff members and hired 81 new staff members for a net loss of 19. The senior advisor stated that in 2018, the Office lost 98 staff members and gained 24, for a net loss of 74. In 2020, because of the COVID-19 pandemic, the Office lost more staff members and had to hire 63 percent of its current staff.

According to HUD's former Director of Multifamily Asset and Counterparty Oversight Division (MACOD), the staff members who were onboarded during the pandemic and thereafter were not experienced in conducting onsite MORs. Therefore, HUD has some capacity building to do with those staff members before they have the necessary experience to conduct onsite MORs. According to a senior advisor for the Office of Asset Management and Portfolio Oversight, during the pandemic, staff members conducted MORs remotely, which meant that they did not have access to certain documents and information such as tenant files because there was no way to securely electronically transmit the files to them for review.

In June 2022, HUD changed its requirement for MORs to be completed annually to instead be performed using a performance-based approach.³⁸ Under the performance-based approach, HUD will establish a timeframe for each project's MOR schedule, based on the results of the first MOR completed after the effective date of the final rule. The performance-based approach considers a property's risk rating and previous MOR score to establish when its next MOR will occur, which would be within 1 to 3 years of the previous MOR. As previously mentioned, 58 percent of the RAD properties reviewed had not had an initial MOR, and HUD's performance-based MOR schedule does not include a timeframe for when the initial MOR should occur. All 40 properties in our sample had HAP contract effective dates between January 1, 2014, and April 1, 2021, which was before the new policy became effective.

The Future of MORs for RAD-Converted Properties

The Office of Multifamily Housing Programs plans to transfer the administration of RAD-converted properties to PBCAs in more States, depending on funding, to ensure that MORs are completed. It will also inform field staff to prioritize MORs for converted RAD properties and include the MOR process as part of field training to ensure that the hiring of new staff does not inhibit the completion of MORs.

Conclusion

RAD units and associated properties were not consistently maintained in decent, safe, and sanitary condition, and the reserve for replacement accounts' balances were not supported. The unit deficiencies occurred because the properties' (1) management officials did not ensure that staff or contractors inspected the physical condition of RAD units annually and (2) maintenance departments were understaffed, resulting in delayed inspections and repairs. Further, HUD did not designate the monitoring of properties converted under RAD as a priority. Therefore, it did not ensure that its field office staff consistently monitored the operations of the properties for compliance with HUD's requirements for the physical condition of RAD units and reserve for replacement accounts. As a result, families resided in units that were not decent, safe, and sanitary. Additionally, without HUD performing its oversight responsibilities there is an increased risk of (1) additional families' residing in units that are not decent, safe, and sanitary condition and (2) properties' reserve for replacement accounts' being inappropriately maintained to address extraordinary maintenance, repair, and replacement of capital items.

Recommendations

We recommend that the Director of the Office of Multifamily Asset Management and Portfolio Oversight

- 1A Review the non-life-threatening health and safety and other deficiencies observed by the audit team and ensure that property owners and agents make the necessary corrections to the deficiencies as appropriate.
- 1B Determine the appropriate timeframe for when initial MORs should be completed for all properties that convert under RAD and issue updated guidance that includes a system to track the timeliness of initial MORs.

³⁸ On June 27, 2022, HUD issued Federal Register (FR) Notice 87 FR 37990, which amended the regulation for the timing and frequency of MORs. The notice was effective September 26, 2022.

- 1C Complete the initial MORs for RAD properties that have not had an initial MOR.
- 1D Develop and implement a plan to determine how to implement the risk-based approach to review the RAD properties that have not had subsequent MORs in more than 3 years and to require periodic MORs going forward.
- 1E Provide training to field staff members to ensure that they have the skills necessary to complete MORs of converted properties.
- 1F Review the reserve for replacement account balances for the 13 properties (11 underfunded and 2 overfunded) to determine whether the balances are maintained in accordance with the applicable HUD requirements and executed HUD business documents and require owners to fully fund any underfunded reserves and determine whether any overfunded accounts should have the deposits suspended for a specified period.
- 1G Review the HUD business documents, such as the RAD conversion commitment, HAP contract, and regulatory agreement, for the four properties that did not contain consistent reserve for replacement information and update the documents to be consistent as appropriate.
- 1H Issue guidance to RAD property owners clarifying that the owner is responsible to follow both the HUD business documents and the property's business documents and that the most restrictive document indicates the amount and timing of the annual deposits into the reserve for replacement account.
- 1I Develop and implement a process to ensure that the reserve for replacement requirements in HUD's business documents are consistent for all converted properties.
- 1J Develop and implement a plan to review the reserve for replacement accounts for all converted properties from the date on which the account was established to the date of the review. Based on the reviews completed, HUD should take appropriate actions to ensure that reserve for replacement accounts are appropriately funded or determine whether overfunded accounts should have the deposits suspended for a specified period.

HUD Did Not Ensure That Initial Inspections of Converted Properties Were Conducted in a Timely Manner

HUD did not ensure that initial inspections of converted properties occurred in a timely manner. This condition occurred because HUD did not have a (1) process for monitoring the timeliness of properties' initial inspections and (2) clear guidance specifying the timing of initial inspections for non-FHA-insured PBRA properties. As a result, HUD did not have necessary information to (1) assess the physical conditions of the units, including identifying deficiencies that require timely corrective actions and (2) determine the timing of properties' next inspection, which is based on each property's previous inspection score. Thus, there is an increased risk of families' residing in units that are not in a decent, safe, and sanitary condition for a longer period.

Initial Inspections of Converted Properties Were Not Conducted in a Timely Manner

Of the 40 properties reviewed, 11 were FHA-insured³⁹ PBV and PBRA (FHA insured), and 29 were converted to PBRA without FHA insurance. All 40 properties had HAP contract effective dates between January 1, 2014, and April 1, 2021. For the FHA-insured properties, the servicing lender coordinates the inspections, whereas for noninsured PBRA properties, REAC determines when an initial or baseline inspection should be scheduled and inspection services procured, based on information obtained from the Office of Multifamily Housing Programs' Housing Enterprise Real Estate Management System (HEREMS).⁴⁰

FHA-Insured RAD PBRA and PBV Inspection Timing

Of the 11 FHA-insured properties, 4 were inspected within required timeframes.⁴¹ For the remaining seven properties, (1) one was inspected 14 months too early; (2) one property, with an inspection due date of December 31, 2020, had not been inspected as of March 31, 2024; (3) one property's inspection is due no later than December 31, 2024; and (4) four properties were inspected between 7 and 43 months late. See chart 3 for a summary of the number of months from final FHA endorsement to first inspection for each of the 11 RAD properties.⁴²

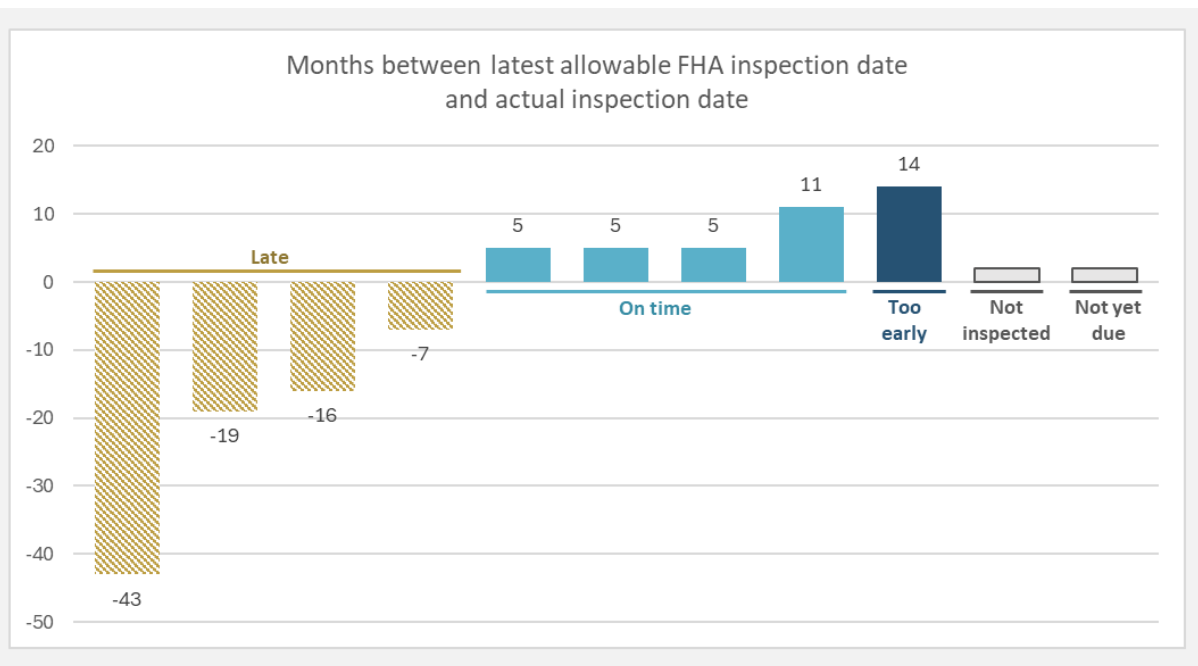
Chart 3: The number of months from FHA final endorsement date and first inspection

³⁹ Four properties were converted to FHA-insured PBV properties, and seven were converted to FHA-insured PBRA properties.

⁴⁰ The Real Estate Management System (REMS) - iREMS database is termed the HEREMS database. HEREMS is an integrated, shared database serving multiple Office Multifamily Housing Programs systems.

⁴¹ At the time of our review, regulations at 24 CFR part 200, subpart p, 200.855(c)(4), state that the first inspection required will be conducted no earlier than 21 months but not later than 27 months from the date of final endorsement. FR Notice 88 FR 30442 dated May 11, 2023, page 30498, states that effective October 1, 2023, HUD will remove and reserve 24 CFR 200.855.

⁴² See appendix F for a detailed summary of our analysis of the timing of the initial inspections of FHA-insured PBRA and PBV properties based on HUD's requirements.



According to HUD's MACOD Branch Chief, the servicing lender is responsible for ordering initial inspections. Therefore, HUD relies on the servicer to schedule initial inspections in accordance with HUD's requirements. However, HUD does not monitor the timeliness for when lenders procure inspection services to ensure that properties' inspections occur within required timeframes. If the lender does not ensure that initial inspections are performed in a timely manner and HUD does not monitor lenders, there is an increased risk of families' residing in units that are not in a decent, safe, and sanitary condition for a longer period.

RAD PBRA Without FHA Insurance Inspection Timing

HUD was not consistent with the timeframe for which the first inspection for non-FHA-insured PBRA properties should occur. For the 29 PBRA properties, we were unable to assess whether the initial inspections had occurred in a timely manner because HUD's requirements for the timing of the initial inspections varied. For instance, we found three differing requirements for when an initial inspection should occur.

- HUD's Office of Housing Notice H-2019-09, part 1, section 1.7.A.11, states that under RAD, once all units under the HAP contract become occupied, HUD will order a REAC inspection of the property.
- HUD's RAD Quick Policy Reference Guide to Multifamily Project Based Rental Assistance Requirements, section 3.2, states that projects that do not have FHA insurance after a RAD conversion, should be inspected 3 months before or after the original date of the HAP contract. However, HUD has the right to inspect before these dates if it determines that an inspection is justified.

- HUD's RAD Resource Desk, RAD knowledge base, question 4, states that under PBRA conversions, a physical inspection will take place as soon as possible after closing. If rehabilitation is being done and the project does not have an FHA-insured loan, the owner may submit a formal written request to the local Office of Multifamily Housing Programs field office to postpone the initial inspection until rehabilitation is complete.⁴³

We tested all three requirements and determined that HUD was not consistent with inspection timing under any of the requirements. Of the 29 properties, 1 was not inspected and 1 received a waiver for the initial inspection to occur later.⁴⁴ For the remaining 27 properties,

- We reviewed the occupancy dates for the 27 properties in HUD's Online Property Integrated Information Suite⁴⁵ (OPIIS) and determined that 12 of the properties did not have occupancy dates listed. The remaining 15 properties had occupancy dates that ranged from January 1, 1953, to April 1, 2021. Therefore, HUD did not always update the occupancy dates after the properties converted under RAD.
- We reviewed the original date of the HAP contract for the 27 properties and determined that the properties were inspected between 12 and 69 months after the original date of the HAP contract, instead of 3 months before or after the original date of the HAP contract.
- We reviewed the RAD transaction closing dates for the 27 properties and determined that the properties were inspected between 12 and 71 months after the closing dates.

During a meeting with HUD management officials, HUD's MACOD Branch Chief said that to determine when a property's initial inspection should occur, HUD uses the guidance that a physical inspection will take place as soon as possible after the effective date of the HAP contract. However, this method was not listed as an option in HUD's various guidance documents. Using HUD's stated method, we determined that the initial inspection for 27 properties occurred from 12 to more than 69 months after the effective date of the HAP contract. See chart 4 below for a summary of the number of months between the HAP contract and the first inspection for PBRA properties converted under RAD.⁴⁶

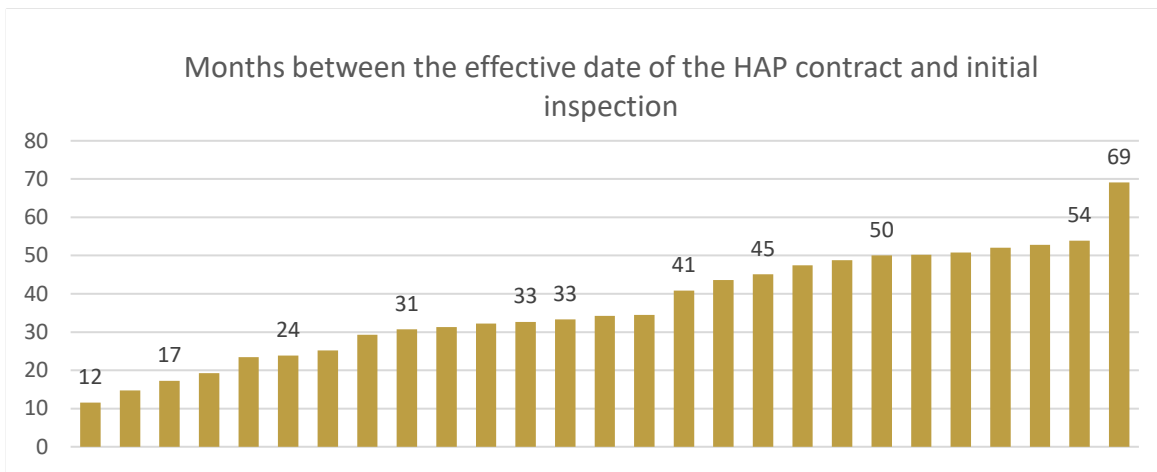
Chart 4: The number of months between properties' HAP contract effective dates and initial inspection

⁴³ Of the 29 properties, 1 (ID 8664) had a waiver for the inspection timing; however, the waiver was due to a disaster, not conversion rehabilitation work.

⁴⁴ The inspection for this property complied with the due date of the waiver.

⁴⁵ OPIIS is a data mart that receives data from REMS, Physical Assessment Subsystem (PASS), and Financial Assessment Subsystem. The intent of OPIIS is to make better use of the disparate data that HUD already possesses within these independent legacy systems. OPIIS also calculates a risk assessment score for each property and ranks each property as high, moderate, and low risk.

⁴⁶ See appendix G for a detailed summary of our analysis of the timing of the initial inspections of the noninsured PBRA properties based on HUD's various guidance.




Further, according to HUD’s MACOD Branch Chief, HUD’s Office of Multifamily Housing Programs does not order inspections for newly converted PBRA properties. HUD relies on REAC to retrieve data from HUD’s HEREMS to determine when a PBRA property’s initial inspection should be scheduled. However, HUD does not monitor REAC to ensure that initial inspections have been requested and performed.

Although ordering initial inspections is not the responsibility of a HUD account executive, according to HUD’s MACOD Branch Chief, if an account executive realizes that no inspection has occurred for a property, he or she may enter an inspection request into HUD’s internal SharePoint site. MACOD will then review the inspection request and determine whether the inspection should be made a priority and if so, will coordinate with REAC to schedule a quality assurance inspector to complete the inspection. If the only reason for the inspection request is that the inspection is overdue, MACOD may decline the account executive’s request unless there are other issues, such as owner noncompliance, the property is troubled, or the property has congressional or media interest regarding the physical condition of the units. If the inspection request is approved, MACOD will coordinate with REAC to complete an initial inspection of the property. We determined that an account executive did not request an inspection for the properties reviewed.

As a result of HUD’s not (1) having clear guidance specifying the occurrence of initial inspections for PBRA properties and (2) monitoring the timing of the initial inspections for PBRA properties, HUD did not ensure that initial inspections of these properties occurred in a timely manner to determine the condition of the properties and ensure that deficiencies were corrected, thus preventing families from living in units that were not decent, safe, and sanitary for a longer period.

Conclusion

HUD did not ensure that initial inspections of converted properties occurred in a timely manner because it did not (1) have clear guidance specifying the occurrence of initial inspections for non-FHA-insured PBRA properties and (2) monitor the timeliness of properties’ initial inspections for compliance with its requirements. Without an initial assessment of the physical condition of converted units, HUD could not determine (1) the physical condition of the units, including identifying deficiencies, in particular life-threatening deficiencies, which require timely corrective actions and (2) the timing of the properties’ next



inspection, which is based on each property's previous inspection score. Additionally, there is an increased risk of families residing in units that are not in a decent, safe, and sanitary condition for a longer period.

Recommendations

We recommend that the Director of the Office of Multifamily Asset Management and Portfolio Oversight

- 2A Implement adequate procedures and controls to ensure that servicing lenders comply with HUD time requirements in scheduling initial inspections of FHA-insured RAD PBV properties.
- 2B Determine an appropriate timeframe in which non-FHA-insured PBRA properties converted under RAD should be initially inspected, work with REAC to ensure that inspections are ordered and completed within that timeframe, and update HUD's publicly available and internal guidance to ensure consistent messaging in accordance with HUD's determination.

Scope and Methodology

We conducted the audit from October 2022 through February 2024, in the Columbus, OH and Cleveland, OH, offices and remotely in Knoxville, TN. The audit covered the period September 1, 2013, through August 31, 2022, and we expanded our scope as necessary.⁴⁷

To accomplish our objective, we

- Reviewed applicable laws, Federal Register notices, the Code of Federal Regulations (CFR), Housing and PIH notices, and guidebooks.⁴⁸
- Interviewed HUD management officials to gain an understanding of HUD's responsibilities for monitoring the physical condition of PBRA and FHA-insured PBV units converted through RAD.
- Interviewed HUD account executive field office staff members to gain an understanding of their experiences monitoring properties that had converted through the RAD program.
- Interviewed property owners and management agent staff to gain an understanding of their experiences with the RAD program.
- Obtained and reviewed RAD program data from HUD's RAD Resource Desk.
- Obtained and reviewed inspection reports from HUD's Physical Assessment Subsystem (PASS) and Integrated Real Estate Management System (iREMS).
- Obtained and reviewed post-RAD conversion property documents from TransAccess Imaging.
- Obtained and reviewed public housing inventory removal applications from the Inventory Management System - Public and Indian Housing Information Center (IMS/PIC).
- Observed the units, common areas, building exteriors, building systems, and sites for the 14 properties selected for an onsite review.
- Obtained and reviewed MOR reports.
- Obtained and reviewed bank statements, mortgage statements, and accounting records for reserve for replacement accounts for the 14 properties selected for an onsite review.

On November 16, 2022, we obtained a listing of 664 properties from the RAD Resource Desk, which contained a total of 84,411 units that completed conversion from public housing to PBRA or FHA-insured PBV under RAD from September 20, 2013, through August 30, 2022. Because our sampling methodology was designed to select a nonstatistical sample, we cannot project the results of our sample to the universe of inspections. For the 664 properties, we obtained the final public housing UPCS inspection score before the RAD conversion and the most recent inspection UPCS inspection score after the conversion. We compared the public housing and post conversion inspection scores and identified properties that were not inspected after the RAD conversion, as of November 16, 2022. We also calculated the per unit construction cost of each conversion. From the 664 properties, we determined that 548⁴⁹ properties containing 72,710 units could be assigned to 1 of the following categories: (1) inspection scores that increased by 10 or more points after conversion, (2) inspection scores that

⁴⁷ We expanded our audit scope until March 2024 to update the (1) universe of RAD properties and (2) number of MORs and initial inspections completed.

⁴⁸ See appendix B for specific criteria.

⁴⁹ Of the 664 properties, 116 had single-digit inspection score changes and a per unit construction cost greater than \$16,983 per unit.

decreased by 10 or more points after conversion, (3) properties not inspected after conversion, and (4) properties with a per unit construction cost under HUD's substantial rehabilitation threshold of \$16,983⁵⁰ (low-cost or no-cost conversions).

From the HUD RAD Resource Desk data, we created a subuniverse of properties that completed conversion. We randomly selected 10 properties from each of the four categories, for a total of 40, for a more detailed desk review. The 40 properties consisted of 36 PBRA and 4 FHA-insured PBV units and contained a total of 5,228 units. The desk reviews consisted of reviewing data and supporting documentation maintained in HUD systems, such as the RAD Resource Desk, iREMS, IMS/PIC, PASS, and TransAccess Imaging. Specifically, we reviewed capital needs assessments, HAP contracts, RAD conversion commitments, mortgage documents, inspection reports, public housing inventory removal applications, and financial reporting related to the reserve for replacement accounts to obtain an understanding of each conversion and how the physical condition and reserve for replacement reporting were impacted. We considered potential issues identified during the desk reviews to select properties for onsite observations.

Based on the results of these reviews, we targeted 14 of the 40 properties containing 2,661 units across 13 PHAs for onsite physical observations and reserve for replacement balance reviews as follows:

- 3 properties with inspection scores that increased by 10 or more points after conversion,
- 4 properties with inspection scores that decreased by 10 or more points after conversion,
- 3 properties not inspected after conversion, and
- 4 properties with a low-cost or no-cost conversion.

The 14 properties consisted of 12 PBRA and 2 FHA-insured PBV units. We targeted our sample of properties to those that underwent rehabilitation and excluded those that had assistance transferred to a different or newly constructed building as part of the conversion. We did not observe other PBRA properties that did not convert through RAD. From May through July 2023, we performed physical observations of the units, common areas, building exteriors, building systems, and sites for the 14 properties. Property and HUD staff were informed of any potentially exigent health and safety deficiencies on the day they were observed. We also obtained bank statements, mortgage statements, and accounting records for the reserve for replacement accounts and compared the deposited amounts to the required deposits stated in HUD's business agreements. We provided our observation results and reserve for replacement accounts' analysis to HUD officials during the audit.

To achieve our objective, we relied in part on data provided by HUD. Although we did not perform a detailed assessment of the reliability of the data, we found the data to be sufficiently reliable for our purposes.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

⁵⁰ The base amount per unit to meet HUD's definition of substantial rehabilitation was \$16,983 for 2022.

Appendixes

Appendix A – Auditee Comments and OIG’s Evaluation

Ref to OIG Evaluation – Auditee Comments

 **Comment 1 >**

 **Comment 1 >**

 **Comment 1 >**

 **Comment 1 >**



OFFICE OF HOUSING

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

MEMORANDUM FOR: Kilah S. White Assistant Inspector General for Audit,
Office of Inspector General, GA

FROM: **ETHAN HANDELMAN** Digitally signed by ETHAN HANDELMAN
Date: 2024.11.12 12:32:12 -05'00'
Ethan D. Handelman, Deputy Assistant Secretary for Multifamily
Housing Programs, HT

SUBJECT: Draft Audit Comments, HUD Needs to Improve Its Oversight of
PBRA and FHA-Insured PBV Properties Converted

This memorandum responds to the Subject Draft Audit issued by the Office of the Inspector General (OIG) on October 15. We appreciate the willingness of the OIG staff to consider and potentially incorporate feedback from the Office of Multifamily Housing Programs staff. We observe that the Audit was limited in scope: it is neither a compare-and-contrast with the condition of the properties prior to Rental Assistance Demonstration (RAD) conversion nor a compare-and-contrast with the condition of properties that did not go through the RAD conversion process. Additionally, the report acknowledges that the initial set of properties selected were a non-statistical sample and that properties were non-randomly selected for on-site review based on potential issues identified during a desk review of the initial set. With these observations in mind, and after review of the Draft Audit and consideration of the Recommendations, the Office of Multifamily Housing Programs accepts the findings and looks forward to working with you and your staff on timely resolution of the Recommendations. Our plan is discussed below.

The Office of Multifamily Housing will review the non-life-threatening health and safety and other deficiencies observed by the audit team and ensure that the affected property owners and agents make the necessary corrections to the deficiencies as appropriate. We will also determine the appropriate timeframe for completing initial Management and Occupancy Reviews (MORs) for all properties that convert under RAD, issue updated guidance, and establish a system to track the timeliness of initial MORs.

In addition, we plan to complete the initial MORs for RAD properties that have not had an initial MOR; to initiate a plan to implement the risk-based approach for RAD properties that have not had subsequent MORs in more than three years and to require periodic MORs going forward; and to provide training to field staff members to ensure that they have the skills necessary to complete MORs of converted properties. This training has already begun.

We also will review the reserve for replacement account balances for the 13 properties noted to determine whether the balances are maintained in accordance with the applicable HUD requirements, and we will establish a process to ensure that the HUD business agreements have consistent reserve for replacement requirements going forward.

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espanol.hud.gov

Ref to OIG Evaluation – Auditee Comments

 **Comment 1 >**

Additionally, we will issue guidance clarifying owner responsibilities regarding timing of the annual deposits into the reserve for replacement account and review the reserve for replacement accounts for all converted properties. We are working on overall better monitoring for reserves in comparison to projected property needs captured in the Capital Needs Assessment (CNA) eTool.

 **Comment 1 >**

Finally, we will implement procedures to ensure that servicing lenders comply with HUD time requirements in scheduling initial inspections of FHA-insured RAD PBV properties. We also will determine an appropriate timeframe in which non-FHA-insured PBRA properties converted under RAD should be initially inspected and work with REAC to ensure that inspections are ordered and completed within that timeframe.

Should you have any questions, please contact Jen Larson, the Office of Asset Management Director.

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form HUD-713.1 (02/03)

OIG Evaluation of Auditee Comments

Comment 1 HUD's Office of Multifamily Housing Programs accepted the findings and provided comments stating actions it plans to take or have taken to address the recommendations cited in this report. We appreciate HUD's willingness to address the findings and recommendations in the report and look forward to working with HUD during the audit resolution process to ensure that its corrective actions are sufficient and fully address the recommendations.

Appendix B – Federal Regulations and Other Requirements

General Requirements

HUD Notice H-2019-09 - PIH-2019-23, section 1.7, states that 24 CFR part 880, Section 8 Housing Assistance Payments Program for New Construction, as modified in appendix I, applies to public housing projects converting assistance to under the first component of RAD.

HUD's RAD Guide to Choosing Between PBV and PBRA for Public Housing Conversions, section III, states that PBRA units are administered by HUD's Office of Housing, with the HAP oversight functions contracted to PBCAs. Under RAD, HUD decided to administer these contracts directly, at least for the near future.

Form HUD-52620, HUD's HAP contract for the conversion of public housing to PBRA, section 1.2(b), states that unless and until HUD assigns the HAP contract to a PHA, HUD should be the contract administrator and, in that capacity, a party to the HAP contract.

Management and Occupancy Reviews

HUD's regulations at 24 CFR 880.612, effective April 26, 1996, state that after the effective date of the HAP contract, the contract administrator will inspect the project and review its operation at least annually to determine whether the owner is in compliance with the contract and the assisted units are in decent, safe, and sanitary condition.

HUD's regulations at 24 CFR 880.612, effective September 26, 2022, state that the contract administrator will conduct management and occupancy reviews to determine whether the owner is in compliance with the HAP contract. Such reviews will be conducted in accordance with a schedule set out by the HUD Secretary and published in the Federal Register, following notice and the opportunity to comment. When a change in ownership or management occurs, a management and occupancy review must be conducted within 6 months following the change in ownership or management.

Federal Register Notice 80 FR 1860, dated January 14, 2015, section I, page 1860, states that under the HAP contract, the contract administrator agrees to subsidize certain units for a specified period for eligible low-income families. In certain circumstances HUD may act as the contract administrator, whereby HUD will directly enter into a HAP contract with an owner.

Federal Register Notice 80 FR 1860, dated January 14, 2015, section I.A., page 1861, states that contract administrators are responsible for assessing the management and oversight of housing projects and for ensuring that owners comply with the requirements of the HAP contract. To assess an owner's compliance with the terms and conditions of its HAP contract, contract administrators conduct MORs.

Federal Register Notice 80 FR 1860, dated January 14, 2015, section II.A, page 1861, states that HUD is proposing to revise the regulations that govern MORs for Section 8 HAP projects to provide consistency across programs and allow HUD the flexibility to set a schedule that is more in line with the needs of the programs. Because many of the properties that receive assistance under a Section 8 HAP program have consistently received high marks on their MORs, reducing the frequency of MORs for these properties would result in fewer interruptions in project operations and would allow HUD to focus its staff and resources on areas that require greater attention.

Federal Register Notice 87 FR 38171, dated June 27, 2022, established the MOR schedule with a frequency for the completion of MORs based upon a project's previous MOR score and the property's rating under HUD's risk-based asset management model.

HUD's RAD Quick Policy Reference Guide to Multifamily Project Based Rental Assistance Requirements, section 3.1, states that in accordance with 24 CFR 880.612, a MOR must be conducted at the project to ensure that the owner is in compliance with the HAP contract and determine whether the assisted units are in decent, safe, and sanitary condition. In accordance with existing multifamily guidance, a full MOR should be conducted within 6 months of the effective date of the HAP contract, subject to available funding. If funding is not available, the Office of Multifamily Housing Programs' regional center or satellite office will conduct a limited MOR.

HUD's Guide to Choosing Between PBV and PBRA for Public Housing Conversions states that converted (1) PBV properties are not subject to a MOR unless the property has an FHA-insured loan and (2) PBRA properties are subject to annual MORs and associated protocols as administered by HUD's Office of Housing.

Inspection Timing

Before October 1, 2023,⁵¹ HUD's regulations at 24 CFR part 200, subpart p, 200.855(c)(4), stated that for a newly endorsed multifamily property, the first inspection required under this subpart would be conducted no earlier than 21 months but not later than 27 months from the date of final endorsement. In no event, however, should the inspection be conducted after the end of the calendar year following the 2-year anniversary of final endorsement.

HUD Notice H-2019-09 - PIH-2019-23, section 1.7.A.11, states that under RAD, once all units under the HAP contract become occupied, HUD will order a REAC inspection of the property to ensure that conditions meet the UPCS.

HUD's RAD Quick Policy Reference Guide to Multifamily Project Based Rental Assistance Requirements, section 3.2, states that projects that do not have FHA insurance after a RAD conversion should be inspected 3 months before or after the original date of the HAP contract. However, HUD has the right to inspect before these dates if it determines that an inspection is justified.

Inspection Standards

Appendix II of 77 FR 47708, dated August 9, 2012, page 47738, contains the updated uniform physical condition standards dictionary of deficiency definitions. The dictionary provides a definition for the severity of each deficiency in each inspectable area of a property.

Federal Register Notice 88 FR 30442, dated May 11, 2023, implemented NSPIRE. Section II.A of 88 FR 30442, dated May 11, 2023, page 30443, states that public housing participants will be required to use

⁵¹ Federal Register Notice 88 FR 30442, dated May 11, 2023, page 30498, states that effective October 1, 2023, HUD will remove and reserve 24 CFR 200.855.

NSPIRE standards starting July 1, 2023. HUD will transition multifamily housing programs to NSPIRE on October 1, 2023.

Reserves for Replacement


HUD's regulations at 24 CFR 880.602(a) state that a replacement reserve must be established and maintained in an interest-bearing account to aid in funding extraordinary maintenance and repair and replacement of capital items. Section 880.602(a)(1) states that (ii) the reserve must be built up to and maintained at a level determined by HUD to be sufficient to meet projected requirements, (iii) all earnings including interest earned must be added to the reserve account, and (iv) funds may be drawn from the reserve and used only in accordance with HUD guidelines and with the approval of or as directed by HUD.

HUD Notice H-2019-09 - PIH-2019-23, section 1.6.D.9, states that for PBVs the project owner should establish and maintain a replacement reserve in an interest-bearing account to aid in funding extraordinary maintenance and repair and replacement of capital items in accordance with applicable regulations. The reserve must be built up to and maintained at a level determined by HUD to be sufficient to meet projected requirements. For FHA transactions, replacement reserves must be maintained in accordance with the FHA regulatory agreement. For all other transactions, replacement reserves should be maintained in a bank account or similar instrument, as approved by HUD, where funds will be held by the project owner or lender and may be drawn from the reserve account and used subject to HUD guidelines.

HUD Notice H-2019-09 - PIH-2019-23, section 1.4.A.1, states that each project selected for award will be required to perform a detailed physical inspection to determine both short-term rehabilitation needs to be included as a scope of work that will be completed as part of the RAD conversion and long-term capital needs to be addressed through a reserve for replacement account.

HUD Notice H-2019-09 - PIH-2019-23, attachment 1A, section I.5.h, states that the annual replacement reserve deposit should be equal to that amount which, if deposited annually, will be sufficient to fund all capital needs, as identified in the CNA, arising during the first 20 years and otherwise not addressed upfront in either the rehabilitation or an initial deposit to the replacement reserve account. The PHA should use reasonable estimates in the inflation, but in doing so the rate for escalating the increase in repair costs should not exceed the rate of interest on reserve deposits by more than 1 percent. HUD may consider alternative arrangements with respect to the initial deposit to the replacement reserve if risks to the covered project can be adequately mitigated.

HUD's Multifamily Accelerated Processing (MAP) Guide, chapter 3, section 3.1.28.A, states that a reserve for replacement escrow account is required for all insured mortgages. The escrow may be funded by an initial deposit at endorsement and by monthly deposits to the replacement reserve as determined in the financial schedule developed by the Lender in the CNA e-Tool and approved by HUD. The purpose of the escrow account is to set aside funds to pay for timely replacement of capitalized physical assets. See appendix 5, section A.5.7, for the minimum annual replacement reserve requirements for all program types and for guidance on completing a CNA. HUD Handbook 4350.4, chapter 2, details the lender's responsibility for managing funds held for the project and describes liquidity, draws, and investment requirements.



HUD's MAP Guide, chapter 3, section 3.7.16.A, states that the reserve for replacements is the Initial deposit and annual deposits that must be made to the reserve account in accordance with the CNA and underwriting conclusions.

Appendix C – Property and Unit Observation Results

Property ID	Total RAD units	Units observed	Unit deficiencies				Nonunit deficiencies			
			Total unit deficiencies	Life threatening	Health and safety	Other	Total nonunit deficiencies	Life threatening	Health and safety	Other
6978	75	11	38	13	11	14	3	0	1	2
5497	145	15	13	0	3	10	2	0	1	1
6958	240	15	22	0	5	17	14	1	3	10
9394	72	13	6	0	3	3	12	0	5	7
5088	243	17	74	5	18	51	19	0	4	15
6438	97	19	65	3	10	52	18	2	1	15
2713	95	14	2	0	0	2	0	0	0	0
7380	144	15	18	1	1	16	6	0	0	6
5129	430	27	105	7	13	85	24	1	9	14
1435	203	23	111	22	17	72	11	0	1	10
2652	95	13	71	6	10	55	11	0	1	10
3812	187	19	36	4	5	27	0	0	0	0
9218	209	19	9	0	0	9	8	1	0	7
6861	426	22	6	2	0	4	6	1	0	5
Totals	2661	242	576	63	96	417	134	6	26	102

Appendix D – Sampled Properties

Property ID	Category	Type of conversion	FHA insured	CHAP ⁵² date	HAP contract effective date	Initial inspection date after conversion	Initial MOR date after conversion	Selected for onsite review
9394	Increasing score	PBRA	Yes	1/1/2013	1/1/2014	11/14/2016	7/17/2017	Yes
0614	Low-cost conversion	PBRA	No	1/1/2013	5/1/2014	12/8/2015	N/A	No
0236	Increasing score	PBRA	Yes	1/1/2013	8/1/2014	8/7/2018	7/31/2019	No
0445	Decreasing score	PBRA	No	3/11/2013	8/1/2014	1/8/2016	9/14/2017	No
1256	Increasing score	PBRA	No	7/11/2013	10/1/2014	8/14/2017	5/9/2018	No
2652	Low-cost conversion	PBRA	No	1/1/2013	11/1/2015	10/18/2016	2/15/2018	Yes
2713	Increasing score	PBRA	No	1/1/2013	11/1/2015	7/20/2018	8/28/2018	Yes
1550	Decreasing score	PBRA	Yes	12/24/2013	12/1/2015	1/28/2020	N/A	No
3812	Low-cost conversion	PBRA	No	3/17/2015	7/1/2016	6/27/2018	N/A	Yes
2203	Not Inspected	PBRA	Yes	12/24/2013	8/1/2016	N/A	N/A	No
2694	Increasing score	PBRA	No	11/25/2013	12/1/2016	9/11/2019	6/27/2022	No
4502	Decreasing score	PBRA	No	12/16/2013	12/1/2016	8/7/2019	10/6/2023	No
4672	Decreasing score	PBRA	No	7/21/2015	1/1/2017	8/12/2019	N/A	No
5088	Decreasing score	PBRA	No	7/22/2015	2/1/2017	7/29/2021	8/8/2017	Yes

⁵² Commitment to enter into a Housing Assistance Payments contract.

Property ID	Category	Type of conversion	FHA insured	CHAP ⁵² date	HAP contract effective date	Initial inspection date after conversion	Initial MOR date after conversion	Selected for onsite review
4319	Not inspected	PBV	Yes	3/30/2015	7/1/2017	7/18/2023	N/A	No
6331	Not inspected	PBRA	No	9/15/2015	10/1/2017	7/3/2023	6/18/2021	No
5295	Not inspected	PBRA	Yes	1/1/2013	11/1/2017	8/16/2023	7/12/2023	No
6438	Decreasing score	PBRA	No	3/30/2015	12/1/2017	9/2/2021	N/A	Yes
6958	Low-cost conversion	PBRA	No	3/30/2015	4/1/2018	8/24/2021	N/A	Yes
5129	Increasing score	PBV	Yes	5/15/2015	5/1/2018	8/4/2022	2/27/2023	Yes
5497	Decreasing score	PBV	Yes	3/25/2015	7/1/2018	7/19/2022	N/A	Yes
7380	Decreasing score	PBRA	No	3/27/2015	7/1/2018	7/25/2022	N/A	Yes
7535	Not inspected	PBRA	No	1/1/2013	7/1/2018	11/23/2022	N/A	No
8166	Increasing score	PBRA	No	9/11/2015	7/1/2018	9/6/2022	N/A	No
8275	Low-cost conversion	PBRA	No	3/19/2015	7/1/2018	11/1/2022	N/A	No
7562	Decreasing score	PBRA	No	2/6/2017	8/1/2018	10/25/2022	3/13/2021	No
8630	Low-cost conversion	PBRA	No	2/6/2017	10/1/2018	9/13/2022	N/A	No
5397	Not inspected	PBV	Yes	5/15/2015	12/1/2018	4/21/2023	N/A	No
6978	Not inspected	PBRA	Yes	6/24/2015	12/1/2018	7/19/2023	N/A	Yes
8307	Not inspected	PBRA	No	2/22/2017	12/1/2018	1/30/2023	N/A	No

Property ID	Category	Type of conversion	FHA insured	CHAP ⁵² date	HAP contract effective date	Initial inspection date after conversion	Initial MOR date after conversion	Selected for onsite review
8664	Low-cost conversion	PBRA	No	6/23/2016	12/1/2018	10/27/2021	N/A	No
6861	Not inspected	PBRA	Yes	8/4/2016	1/1/2019	N/A	N/A	Yes
8513	Decreasing score	PBRA	No	12/5/2016	1/1/2019	8/18/2022	11/14/2023	No
8875	Increasing score	PBRA	No	3/30/2015	2/1/2019	12/7/2021	2/25/2022	No
9218	Not inspected	PBRA	No	8/4/2016	5/1/2019	N/A	12/21/2023	Yes
9595	Increasing score	PBRA	No	10/30/2015	6/1/2019	11/8/2021	10/13/2023	No
9332	Increasing score	PBRA	No	2/13/2018	8/1/2020	7/15/2022	N/A	No
1435	Low-cost conversion	PBRA	No	3/30/2015	10/1/2020	4/24/2023	N/A	Yes
2156	Low-cost conversion	PBRA	No	10/23/2019	4/1/2021	6/22/2022	N/A	No
3413	Low-cost conversion	PBRA	No	7/19/2019	4/1/2021	5/8/2023	N/A	No

Appendix E – MOR Timing

Property ID	HAP effective date	MOR start date	MOR type	MOR rating	Number of months between HAP and MOR	Number months no MOR as of 3/31/2024
1435	10/1/2020	N/A	N/A	N/A	N/A	41
0614	5/1/2014	N/A	N/A	N/A	N/A	118
2652	11/1/2015	2/15/2018	Onsite	Below average	27	N/A
2156	4/1/2021	N/A	N/A	N/A	N/A	35
8275	7/1/2018	N/A	N/A	N/A	N/A	68
6958	4/1/2018	N/A	N/A	N/A	N/A	71
3812	7/1/2016	N/A	N/A	N/A	N/A	92
3413	4/1/2021	N/A	N/A	N/A	N/A	35
8630	10/1/2018	N/A	N/A	N/A	N/A	65
8664	12/1/2018	2/27/2024	Onsite	No rating in iREMS	62	N/A
5129	5/1/2018	2/27/2023	Onsite	Satisfactory	57	N/A
2694	12/1/2016	6/27/2022	Onsite	Satisfactory	66	N/A
2713	11/1/2015	8/28/2018	Onsite	Superior	33	N/A
9394	1/1/2014	7/17/2017	Onsite	Below average	42	N/A
9332	8/1/2020	N/A	N/A	N/A	N/A	43
0236	8/1/2014	7/31/2019	Onsite	Above average	59	N/A
8875	2/1/2019	2/25/2022	Remote	Satisfactory	36	N/A
9595	6/1/2019	10/13/2023	Onsite	Satisfactory	52	N/A
1256	10/1/2014	5/9/2018	Onsite	Satisfactory	43	N/A
8166	7/1/2018	N/A	N/A	N/A	N/A	68
5497	7/1/2018	N/A	N/A	N/A	N/A	68
7562	8/1/2018	3/13/2021	Remote	Satisfactory	31	N/A
7380	7/1/2018	1/11/2024	Remote	Above average	66	N/A
1550	12/1/2015	2/7/2024	Onsite	Unsatisfactory	98	N/A
0445	8/1/2014	9/14/2017	Onsite	Above average	37	N/A
5088	2/1/2017	8/8/2017	Onsite	Satisfactory	6	N/A
6438	12/1/2017	N/A	N/A	N/A	N/A	75
4502	12/1/2016	10/6/2023	Onsite	Satisfactory	82	N/A

Property ID	HAP effective date	MOR start date	MOR type	MOR rating	Number of months between HAP and MOR	Number months no MOR as of 3/31/2024
8513	1/1/2019	11/14/2023	Onsite	Above average	58	N/A
4672	1/1/2017	N/A	N/A	N/A	N/A	86
5397	1/1/2018	N/A	N/A	N/A	N/A	74
4319	7/1/2017	N/A	N/A	N/A	N/A	80
7535	7/1/2018	N/A	N/A	N/A	N/A	68
2203	8/1/2016	N/A	N/A	N/A	N/A	91
6978	12/1/2018	N/A	N/A	N/A	N/A	63
5295	11/1/2017	7/12/2023	Onsite	No rating in iREMS	68	N/A
6331	10/1/2017	6/18/2021	Remote	Satisfactory	44	N/A
6861	1/1/2019	N/A	N/A	N/A	N/A	62
9218	5/1/2019	12/21/2023	Onsite	No rating in iREMS	55	58
8307	12/1/2018	N/A	N/A	N/A	N/A	63

Appendix F – FHA-Insured RAD PBRA and PBV Inspection Timing

Property ID and type	FHA final endorsement date	FHA inspection earliest allowable date	FHA inspection latest allowable date	Calendar yearend by which inspection must occur no later than	First inspection after conversion date	Months between latest allowable FHA inspection date and actual inspection date	Disposition
5129 PBV	12/28/2017	9/28/2019	3/28/2020	12/31/2020	8/4/2022	(19)	Late
9394 PBRA	9/22/2015	6/22/2017	12/22/2017	12/31/2017	11/14/2016	14	Too early
0236 PBRA	6/16/2016	3/16/2018	9/16/2018	12/31/2018	8/7/2018	5	On time
5497 PBV	6/9/2020	3/9/2022	9/9/2022	12/31/2022	7/19/2022	5	On time
1550 PBRA	12/15/2017	9/15/2019	3/15/2020	12/31/2020	1/28/2020	11	On time
5397 PBV	9/5/2019	6/5/2021	12/5/2021	12/31/2021	4/21/2023	(16)	Late
4319 PBV	6/8/2017	3/8/2019	9/8/2019	12/31/2019	7/18/2023	(43)	Late
2203 PBRA	7/12/2018	4/12/2020	10/12/2020	12/31/2020	N/A	N/A	Not inspected
6978 PBRA	2/26/2021	11/26/2022	5/26/2023	12/31/2023	7/19/2023	5	On time
5295 PBRA	7/15/2020	4/15/2022	10/15/2022	12/31/2022	8/16/2023	(7)	Late
6861 PBRA	2/8/2022	11/8/2023	5/8/2024	12/31/2024	N/A	N/A	Not yet due

Appendix G – PBRA Without FHA Insurance Inspection Timing

Multifamily (MF) property ID	MF Inspection Date	Months between full occupancy and initial inspection	Months between closing and first MF inspection	Months between HAP and first MF inspection	Months between construction completion certification and first MF inspection	Notes
1435	4/24/2023	577	31	31	26	
0614	12/8/2015	401	19	19	(74)	Inspected before construction completion
2652	10/18/2016	766	12	12	N/A	No construction completion certificate in the RAD Resource Desk.
2156	6/22/2022	No occupancy date in HUD's system	15	15	7	
8275	11/1/2022	No occupancy date in HUD's system	52	52	6	
6958	8/24/2021	44	41	41	6	
3812	6/27/2018	484	24	24	(1)	Inspected before construction completion
3413	5/8/2023	25	26	25	12	
8630	9/13/2022	47	48	47	N/A	No construction work to be completed as part of this conversion
8664	10/27/2021	35	35	35	N/A	Property had a waiver for the inspection to occur after 10/26/2021 due to a disaster
2694	9/11/2019	No occupancy date in HUD's system	47	33	(6)	Inspected before construction completion
2713	7/20/2018	33	33	33	(31)	Inspected before construction completion
9332	7/15/2022	No occupancy date in HUD's system	35	23	5	
8875	12/7/2021	34	35	34	4	
9595	11/8/2021	29	31	29	N/A	No construction work to be completed as part of this conversion
1256	8/14/2017	No occupancy date in HUD's system	35	34	(35)	Inspected before construction completion

Multifamily (MF) property ID	MF Inspection Date	Months between full occupancy and initial inspection	Months between closing and first MF inspection	Months between HAP and first MF inspection	Months between construction completion certification and first MF inspection	Notes
8166	9/6/2022	33	51	50	24	
7562	10/25/2022	52	52	51	22	
7380	7/25/2022	43	50	49	28	
0445	1/8/2016	No occupancy date in HUD's system	17	17	(68)	Inspected before construction completion
5088	7/29/2021	No occupancy date in HUD's system	55	54	33	
6438	9/2/2021	No occupancy date in HUD's system	45	45	8	
4502	8/7/2019	No occupancy date in HUD's system	33	32	(2)	Inspected before construction completion
8513	8/18/2022	No occupancy date in HUD's system	56	44	5	
4672	8/12/2019	No occupancy date in HUD's system	32	31	(32)	Inspected before construction completion
7535	11/23/2022	53	71	53	27	
6331	7/3/2023	603	70	69	39	
9218	N/A	N/A	N/A	N/A	N/A	No inspection after conversion as of 3/31/2024.
8307	1/30/2023	318	51	50	28	