

# Supporting Statement for Paperwork Reduction Act Submissions

## Uniform Physical Inspection Reporting Requirements

### 2502-0369

#### A. Justification

1. Section 207 of the National Housing Act authorizes the information collection. All other multifamily regulations and statutes reference the Section 207 requirements. Regulations at 24 CFR Parts 5, 207, 266, 880, 881, 882, 883, 884, 886, 891, and 965 establish uniform physical condition standards for public housing, and housing that is insured and/or assisted under certain HUD programs which are critical in the life of a HUD multifamily project and of the mortgage encumbering the project. The uniform physical condition standards are intended to ensure that HUD program participants carry out their legal obligations to maintain HUD properties in a condition that is decent, safe, sanitary, and in good repairs. The Department of Housing and Urban Development (HUD) has both the authority and the duty to closely monitor the operation of the properties encumbered by mortgages that HUD insures or holds. The authority for this function can be found in the National Housing Act and the Regulatory Agreements between the Secretary of HUD and the mortgagor of each HUD related project. The duty to perform this function stems from HUD's responsibility to the taxpayers to guard the insurance fund. The best way to prevent claims on the fund is to anticipate and identify problems (e.g., physical, financial, managerial, legal) with the project before they precipitate delinquencies and ultimately assignments of the mortgages in the case of the insured projects or nonpayment in the case of HUD-held projects.
  
2. All multifamily properties owned by HUD or with HUD-insured mortgages must be inspected regularly to ensure that they are maintained in a condition that is decent, safe, sanitary, and in good repairs. Depending on the results of the inspections, a multifamily housing property is assigned one of the following designations:

<u>Score</u>	<u>Designation</u>	<u>Next Inspection</u>
90 or above	Standard 1 performing property	Must undergo a physical inspection once every three years
80 - 89	Standard 2 performing property	Must undergo a physical inspection once every two years
79 and below	standard 3 performing property	Must undergo a physical inspection annually

Mortgagees/lenders of HUD insured mortgages are required to perform physical inspections on the mortgaged properties, and must do so using the same physical inspection protocol HUD uses to collect data on the physical condition of their inventory. HUD/REAC performs inspections of HUD-owned properties. Lenders and HUD/REAC use a Data Collection Device (DCD) to collect the information.

The uniform inspection protocols are intended to ensure that, to the greatest extent possible, there is uniformity and objectivity in the evaluation of the physical condition of HUD properties. HUD's Real Estate Assessment Center (REAC) is charged, with the responsibility for assessing and scoring physical condition of HUD properties. Regulations established for multifamily housing properties certain administrative processes by which (1) HUD notifies owners of HUD's assessment of the physical condition of their multifamily housing properties; (2) the owners, under certain circumstances, are provided an opportunity to seek technical or other review of HUD's physical condition assessment of the multifamily housing properties; and (3) HUD may take action in certain cases where a property is found not to be in compliance with the physical condition standards.

Based on the 3-2-1 inspection cycle, HUD estimates that lenders will perform an average of 5,224 inspections annually. HUD estimates that HUD/REAC will perform an average of 4,006 inspections annually. HUD does not ascribe burden hours to the HUD-performed inspections.

There are approximately 32,167 properties within the Multifamily Housing Portfolio which require annual inspections completed as indicated in Section 2 above. Regardless of who performed the inspection, owners/agents are required to respond to Exigent Health & Safety (EH&S) deficiencies discovered during the inspections. EH&S deficiencies observed by inspectors during the inspection are recorded in the DCD and downloaded to HUD. These observations are subsequently reported to the owner/agent who must certify to HUD that the observed EH&S deficiencies have been corrected or mitigated. The number of EH&S certifications received will depend on the number of inspections completed annually. We estimate that 9,500 properties will be inspected on an annual basis depending on the inspection cycle. Out of the 9,500 inspections it is estimated that 5,400 will be cited for EH&S deficiencies and require a response. The number of respondents will vary from year to year because of the number of inspections that are performed annually and the cycle of the inspections scores.

3. HUD developed and implemented software programmed into a hand held data collection device (DCD) that inspectors (HUD contractors) and lenders use to record and transmit information concerning physical conditions observed at each property. All inspections are performed using the DCD. If EH&S deficiencies are noted during inspection then owners/agents are provided with a written EH&S deficiency notice. Response to notice is expected within 72 hours of notification and a written certification is provided to the local program center or Project Based Contract Administrator (PBCA). Following the inspection, inspectors download the physical inspection report data to HUD to assess. Subsequent to HUD's assessing and scoring its properties' physical condition, owners are notified, via email, of the physical inspection results. Owners/agents may certify by email.
  4. There is no duplication among the documents and information requested.
  5. The collection of information does not impact small businesses or other small entities.
  6. The consequences to the Federal program if this collection is not conducted may result in addition burden to the taxpayers regarding the insurance fund.
  7. There are no special circumstances.
  8. In accordance with 5 CFR 1320.8(d), this information collection soliciting public comments was announced in the *Federal Register* on March 18, 2013 (Volume 78, Number 52, Page 16701). No comments were received.  
  
Three individuals were consulted regarding the collection procedures for the certification of EH&S deficiencies. Those individuals were Ms. Melanie Marston, Director DC Program Center, Ms. Nancy Dowdy, Assisted Housing Services Center (DC-PBCA) and Mr. Fred Mifflin, Budget Director, Edgewood Management Corporation. Each individual was sent an email message outlining the need for their views in the following areas: Data Availability, Frequency of Collection, Clarity of Instructions, Record Keeping format, Disclosure, Reporting and the Data Elements collected.
  9. There will be no gifts or payments given to respondents.
  10. None of the information covered in this request is of personal or confidential nature. Normal practices of the Department should assure adequate privacy of these forms.
  11. There are no sensitive questions involved in this collection.
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12. Estimate of public burden.

	Number of Respondents	Frequency of Response	Number of Responses	Average Hours per Response	Total Annual Burden	Hourly Cost	Total Annual Cost
<b>Inspections:</b> Mortgagees Lenders inspections of HUD-insured properties	5224	1	5224	6.0	31,344	\$120	\$3,761,280
<b>Certifications:</b> MF Owners or Agents (see tables below)	5352	Varies	5330	0.3	1,609	\$35.14	\$56,540
<b>Totals</b>	<b>10,576</b>		<b>10,554</b>		<b>32,953</b>		<b>\$3,817,820</b>

- (a) The estimated annual cost to mortgagees/lenders is based on an estimated \$120.00 per hour, including overhead and staff time.  
 (b) The number of respondents and responses has decreased from prior period due to the inspection cycle and number of the deficiencies observed during inspections.

The estimated annual burden for owners/agents to respond to EH&S deficiencies are provided in the tables below.

**Total Burden Hours Estimates for MF Owners/Agents  
Exigent, Health & Safety (EH&S) Deficiencies**

Number of EH&S Deficiencies	Number of Respondents*	Frequency of Requirement	Est. Avg. Time for Requirement (Hrs)	Est. Annual Burden (Hrs)
1	1923	1	0.20	384.60
2	1058	1	0.20	211.60
3 – 4	1077	1	0.30	323.10
5 – 6	500	1	0.40	200.00
7 – 8	255	1	0.50	127.50
9 – 10	170	1	0.60	102.00
11+	347	1	0.75	260.25
<b>Total</b>	<b>5,330</b>			<b>1,609.05</b>

\*MF properties that have no EH&S deficiencies are not included.

\*\*Hourly cost for response assuming a managers annual salary of \$73,100; hourly rate is \$35.14

13. There is no additional capital or start up costs.

14. Annualized cost to the Federal Government:

HUD solicits contractors to perform the inspection for HUD-held, 202/811 and Section 8 assisted properties. There are an estimated 4,006 properties. The cost for HUD contractors to perform physical inspections is \$340 per inspection. By multiplying \$340 by 4,006 inspections the total cost is estimated at \$1,362,040.

15. This is an extension of a currently approved collection. The number of respondents will vary from year to year because of the number of inspections that are performed annually and the cycle of the inspections scores. Responses are only necessary from owners/agents who receive EH&S violation notices during the inspection.

16. Collection of this information will not be published. Each inspection report will be maintained with the HUD program offices or the Project Based Contract Administrator (PBCA) in property case files.

17. HUD is not requesting approval to not display the expiration date of OMB approval.

18. We are not requesting exceptions to the “Certification for Paperwork Act Submissions.”

## **B. Collections of Information Employing Statistical Methods**

No statistical methods are employed for the collection of this information, owners/agents are provided with a written copy of the EH&S deficiencies during the inspections process. Once the deficiency notice is received a written certification is required from the owner/agent within a 72 hour timeframe. The written certification must be provided to the local Program Center if the property does not have a Section 8 Contract. For those properties with Section 8 Contracts the certification is provided to the PBCA.

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