

HUD CNA eTool

Attachments & Photos

Charlie Wilkins: Welcome to HUD's virtual classroom. We'll be starting the presentation now. You can see the welcome slide up on the screen. You will want your phone line to be muted during this first part of this session. You'll see a microphone icon on the right side of your screen to the right of your name. That icon should show red. If it shows black, click on it and that will show red and then your phone will be muted.

If your PC has a microphone, please make sure the microphone is turned off so we don't get feedback during this initial part of the session. You should see a chat box on the right side of your screen. If you don't see it, there will be a chat icon at the top right of your screen. Click on that and the chat box should appear.

And this is your way of communicating with me during this first part of the webinar. You can send the chat only, I'm CNA webinar, or you can send it to everyone. Either method is fine. This is the method we'll use for initial questions at the end of the first part of the presentation.

We'll be talking about attachments and photos today. This is HUD's opportunity to provide feedback on the first 400 CNA e-tool submissions. A number of those submissions had to be returned and a lot of the reason submissions needed to be returned had to do with attachments and photos. So this is a particularly timely topic.

There will be two parts to the webinar. In the initial part, I'll be providing lessons learned from HUD reviewers. We'll have some initial questions limited to the topics of attachments and photos. After that, I'll turn the recording off. Everyone will unmute their phone lines and we'll talk voice to voice. And during that part, we can talk about anything that's on your mind about the CNA e-tool.

This is one of four deliveries of this particular webinar. One of those deliveries will be posted on the HUD Exchange website within two or three weeks. So you'll get a chance to review the webinar, see the slides, and anyone who didn't participate can also view the webinar.

If there are technical issues, you can use the chat box to let me know about them. For example, if you're having audio problems or video problems. The slide here talks about a Q&A box. We don't have that available today so you can use the chat box to communicate with me.

Primarily, we'll be talking about lessons learned about attachments and photos. Secondly, we'll talk about resources and tools and where to find them. At the end of the session, we'll have a voice to voice discussion about any problem areas and we'll explore potential solutions.

As I mentioned, there have been 400 CNA e-tools submitted. The volume has been ramping up quickly. And about a fourth of those have been approved, about a fourth of them have been returned, and the rest are in process at some stage. The HUD CNA e-tool webpage is ground zero for information about the CNA e-tool. You'll see the URL there on the screen. The simplest

way to access the CNA e-tool homepage is to go to your search engine, type in something like HUD CNA or HUD e-tool or HUD capital needs assessment, and your search engine will take you to this page.

Wanted to bring out some key resources that have been posted recently. There's a new version of the Excel assessor tool. That's 1.2A, version 6. You don't have to use that one. Any version 1.2A will be accepted for validation or submission. But of course, if you're starting a new CNA, it would be a good idea to use the most recent version of the assessor tool.

This is part of the overall CNA e-tool release 2.2 that includes updates to the submission portal and the validation portal. The e-tool release document will detail everything that changed in release 2.2. HUD periodically issues operational bulletins. This is HUD's way of communicating with CNA e-tool users about what's going on technically and what users can expect in future releases.

There's a known issues and solutions document that talks about issues that have been identified in the current release, and if there are workarounds or solutions, those are discussed in that document as well. So if you're having technical issues with the CNA e-tool, this is a good place to look.

There's a new version of the RfR financial factors tool, version 2.0. It's available on the CNA e-tool page. It's also available on HUD's MAP guide webpage. We'll talk about that later in the discussion today. And finally, the rental assistance demonstration program has posted a PowerPoint about using the CNA e-tool for RAD transactions.

What you're going to get now is feedback from HUD reviewers on what they found in the first 400 submissions and suggestions they have for practitioners. One of the things that HUD reviewers have seen is a lot of people are simply attaching the old-style 200 or 300-page PDF report and that is technically compliant, but it's not actually helpful to your HUD reviewer because they have to wade through the 200 or 300 pages to find the portion that they're interested in.

The preferred approach is to use the attachments feature to the maximum extent and to use helpful document names for each attachment so that your HUD reviewer can quickly find whatever it is that he or she is looking for. Similarly, if you combine a lot of attachments into one generic document, that's difficult for your HUD reviewer as well.

And of course, in the last bullet, if you don't include all the attachments your particular CNA requires, that is a technical violation and it will result in the CNA being returned for resubmission. So let me talk first about some things that are not required. With the CNA e-tool, the 2264 is no longer a required attachment. You don't actually have to attach the RfR financial factors tool.

We'll talk in a few minutes about why you should use it, but it's not necessary to attach it. The MAP guide does have a requirement that they call chart of accounts. That requirement has been suspended for the moment, and we'll talk about why that is later in this presentation.

And previously, you had to attach the 92329, which is the property insurance coverage form. You had to attach repair lists and you had to attach a 20-year repair schedule. Those are no longer required because the CNA e-tool generates those internally.

So wrong is probably not exactly the correct word. This is just not a helpful way of providing attachments. So what the lender and CNA provider did here is to just break up the 200 or 300-page PDF into five chunks and post each of the five chunks as an attachment. That's okay. It's technically compliant, but it doesn't help your HUD reviewer find what she's looking for.

I think by way of background, it's useful to say that the feedback we've had from HUD reviewers is that they would like to conclude quickly that your CNA is correct, that you've reached good conclusions, but in order to get to their, they have to understand what you recommended, why you recommended that, and then they have to conclude that you made good decisions.

So if you -- in preparing your submission, if you think about the kinds of questions a reviewer will have and make it easy for the reviewer to answer those questions, it's good for you, it's good for the reviewer, and it leads to quicker approval. So here's a better approach for attachments.

Use multiple attachments and use descriptive titles. This way, the HUD reviewer can skim down the list of attachments, find exactly what she's looking for, and get the information she needs without any waste of time. Now, I'm going to talk a little bit about the chart of accounts requirement.

Chart of accounts is a term that the MAP guide and feedback from industry has been that the MAP guide language really isn't helpful and doesn't communicate what HUD has in mind. So here is the problem that led to the requirement. When a HUD reviewer is reviewing a CNA, the reviewer will notice components that are present at the property. For example, the reviewer will notice that this property has carpet.

Then, in the CNA, the reviewer doesn't see carpets mentioned anywhere. And so, the reviewer doesn't know whether that's a mistake in the CNA or whether the CNA provider thinks the owner is paying for carpet out of operations or the owner actually is paying for carpets out of operations. And so, HUD wanted an attachment that is the statement from the owner or the management company that says yes. We do pay for these things out of operations. There's a sufficient budget for it. We're perfectly happy not having those things in the CNA and not funding those things from the reserve.

There's no required format. It's not an official HUD form. It's just a confirmation from the owner or management agent about things that are -- that might be covered in the reserve, but at this property, that are paid for out of operations. So now that you know what the intent is, you're definitely invited to include this sort of attachment, but at the moment, it's not a required attachment. If it's not there, it won't result in your CNA being returned and you should expect to see some sort of communication from HUD in the next month or two clarifying this requirement.

We'll talk for a moment about the RfR financial factors tool. The new MAP guide has a lot of guidance about acceptable minimum reserve balances in the 20-year schedule. And summarizing a little bit, the minimum balance has to be at or above the HUD minimum in each of the first 10

years. After that, the balance can be below the HUD minimum if it's not too far below. And the MAP guide has parameters about how far below the HUD minimum is okay.

HUD published the RfR financial factors tool. This is an Excel tool that helps HUD reviewers figure out what the ending balances are in each year and whether the year '11 through '20 balances are below the HUD minimum and if so, how far below. You are invited as lenders to use the financial factors tool to anticipate issues that might come up in the review of the CNA. However, you don't have to submit the financial factors tool itself. But you should realize that your HUD reviewer will be using it. So it's a good idea for you to use it so that you make a submission that's likely to be approved.

There were a number of issues in the first 400 submissions about seismic attachments. That is, attachments having to do with earthquake risk and the property's resilience to earthquake activity. There are two kinds of seismic attachments. One is common and one is relatively uncommon. The common one is the screenshot from the USGS website that shows the two parameters the CNA provider has to enter in the assessment tool. I'll show you in a moment what that website looks like. That attachment is required for all existing properties and that's why I said it's a common attachment.

Much less common is a actual seismic report. This is a report from a seismically qualified engineer to see whether the property is acceptably resistant to seismic activity. HUD's seismic requirements are contained in the MAP guide Appendix 5C [ph] and that appendix talks about how to access the website and to get the parameters. There is also on the MAP guide homepage a recorded webinar that HUD presented about -- that shows exactly how to get to the website, what information you need to enter in order to get the parameters. And if you haven't done that before, looking at that webinar is a great way to get a quick education on how to obtain the parameters for your existing property.

Now, let's take a look what that website looks like. I combined two or three steps from the website in order to produce this slide. So the website doesn't look exactly like this, but it's pretty close. At the top is information about the exact location that was input. In the middle is a map showing the location. And then, at the bottom are the seismic parameters, and I've put a read rectangle around the two parameters that have to be entered in the CNA e-tool, the assessment tool.

And you'll notice that the parameters are stated as zero dot three digits and then g. When you're entering the parameter in the assessment tool, just include the numbers. Don't include the g. The assessment tool is expecting numbers, not letters. All existing properties need these two parameters and all existing properties need an attachment that's a screenshot from the website so that your HUD reviewer can verify that you pulled the parameters correctly and you've pulled them for the correct location.

Now, we'll talk about photos. There were a number of issues about photos in the first 400 submissions and a lot of this came from new requirements that are in the current MAP guide that were not in the prior MAP guide. You'll see in the middle of the page where you find the discussion in the MAP guide about attachments. It's in MAP guide attachment 5G, and specifically in section Roman VII.D.2.

The requirement for photography is in D.2.g and there are three relatively new requirements that frequently cause submissions to be returned in the first 400 CNA e-tools. The first new requirement is a requirement to show photos for each unit type. And for each unit type, show all the rooms and all the baths.

Formerly, the requirement wasn't that explicit. So a number of people showed some of the unit types or they showed some of the photos that are required, but not all of them. Second, there's a requirement to show a photo for each immediate repair. And finally, there's a new requirement to document the actual interior condition of every fifth unit that was inspected. So if you inspect 30 units, then you would show actual interior condition of every -- of six of those, including the accessibility path of access.

Now, we want to say a little bit about reasonableness. If you have a property that's very old or very large or is not typical in some other way, those photo requirements might lead to an unreasonable result. Nobody wants to slow through 1,000 photographs. So if you have a property that's unusual, where you think the MAP guide photo requirements really don't make sense, what you're advised to do is to call your HUD office.

So if the CNA is for asset management, call the asset management rep for your property. If this is going to be for new production, call the production branch chief or somebody in the production branch at the field office. And explain that you're going to be submitting a CNA and you have this property that is unusual in these particular ways and you don't want to drown your HUD reviewer in photos. And you'd like to talk to somebody about what's the right number of photos to submit that will be reasonable and that will still give the reviewer what she's going to need.

And the feedback we've had from HUD reviewers is they're very open to those kinds of conversations so long as they take place before the CNA site visit is done. They don't want you to make the site visit, take a small number of photographs, and then call HUD to try to get them to okay the photographs you've already taken. But they're very happy to hear a proposal before you go to the site and to work out cooperatively with you -- you want to approach the photographs that's going to make sense.

That concludes the initial part of the session, where I've provided feedback from HUD reviewers on the first 400 transactions. At this point, if you have questions about attachments and photos, please put those questions into the chat box and either send them to everyone or send them to me and we'll talk about those while we're still in the recorded part of the session.

And while we're waiting for any particular questions, I'll just mention again that this is one of four deliveries of this topic. One of those four deliveries will have a recording on the HUD Exchange website within a few weeks so that anyone who wants to see the slides again or anyone who didn't attend one of the webinars wants to see it, that will be the way for everybody to receive this content even if they weren't part of the original audience.

I am not seeing any questions on attachments and photos so far. I'll wait just a little longer before I turn the recording off. Once I do that, then you'll want to unmute your phone line so the

microphone icon at the right side of your screen, once we've cut off the recording, will need to be black, not red. And after that, we'll be able to talk to each other in the virtual classroom.

Okay. I am turning the recording off now. We should go ahead and --