

## **HUD CNA eTool**

### **CNA e-Tool Naming & Grouping of Components**

Janine Cuneo: Great. We're now recording. I'm going to start -- officially start the CNA Virtual Classroom for the Naming/Grouping of components. Let's just talk a little bit about components. They're really, what I consider, a key element of the CNA e-Tool. It's the form on the assessment tool where you identify all the existing structures and systems of the property as well as you're going to establish with the new structures or systems you'd like to have developed on site.

Often, I find people who think, oh, this is really going to be the easy part. I just walk around and I'm an assessor and I can tell you where -- what I'm seeing. And on some of them, that's actually really true. You know, you're going to say, I see these many windows, this is the shape of the windows, etc. But what is essential -- we're going to be talking about today -- is understanding how the components part of the assessment tool is used in subsequent forms of the assessment tool and how you need to name and group each component entry in a way that supports the final loan application that you're submitting.

So, you really want to think about things like, "Well, I have 20 windows. Do I want to replace them all at one time? Are a couple of them actually in need of repair today vs. some -- they don't need to be replaced for a long time?" You might not enter that as just one component, i.e., all 20 windows. So, there's multiple ways for you to think about how 20 windows might become three entries into your assessment tool vs. just one and that's really what we're going to be talking about today.

HUD does not define or require a specific way to name your components. There's just too many items, options that could happen on your site and how you need to think about your financials. So, there's no way that you could actually say here's how you do it. Rather the goal here today is to give you some helpful tips to get your -- to get you there.

Again, our three major morning objectives is we're going to go back to naming and grouping of components. And then we're going to be looking at -- I just want to give a couple minutes on how to access available resources and tools. And then, lastly, we'll be able to have some time to discuss problem areas that you might be having.

Let me tell you guys a little bit about some prep highlights in the CNA e-Tool realm. First is that, you're seeing a table here and it's updated a couple weeks ago -- as of May 15th. I think the biggest takeaway I have from this table is there's been a lot of applications right now that [inaudible] been approved. As of May 15th, there's 167. However, just a few days ago, I've heard now we're up to 200 approvals.

So really, the CNA e-Tool's getting traction. People are using it. Fields are getting approved. So, I want to make sure you guys are hearing that because -- as in -- folks are still struggling with it and I want to make sure you're hearing that people are getting through there. So, there is light at the end of the tunnel.

That said, the biggest chunk you're seeing in this pie chart is that 223 of the e-Tool submissions have been returned to the applicant. Some of these are probably going to return more than once. And so, I'm happy that they're doing this today so you can continue to understand and get insight into this process so you don't have to get that application returned.

I want to talk to you guys a little bit about where you can find some resources. I'm actually going to go to this homepage so that we can look at it together. Give me one moment while we do that. Great. So, we're now on HUD.gov. This is the CNA e-Tool homepage. All resources kind of come out of here.

That said, I was just fine. I just googled each home page so I can get there or you find the link that is going to be on the slide presentation. The biggest things I always want to make -- to remind people of is there is this instruction manual right here. As you see, Instructions for Use of CNA e-Tool. It's long. I'm not going to kid you guys. It's about 200 pages long. But what I find that is so dynamic about this is you can shuffle through it by way of clicking on certain items you want at the Table of Contents. So, you don't have to go through it all the time.

And then, the second thing I think is very useful about this is it literally defines every input cell that is in the assessment tool. And I know sometimes I've gotten myself confused. Like, "Hmm. What unit of measure are we talking about here? Are we talking about years? Are we talking about months? Days even?" So sometimes, the assessment tool doesn't tell you what unit of measure. You've got to go look that up in the instructions. And in the instructions, you can find literally -- for every single input, you're able to find the definition. For me, that has been really useful.

Also, I just want you to see, there's a couple of places for trainings -- training and record the webinars. Here's where you get your operational bulletins. And then, lastly, I want to show you the Ask A Question down here. I'm going to go ahead and click on that. It's going to get you -- you're going to push okay -- it's going to get you to another website called HUD Exchange Info. This is the website where -- I'm assuming most of you -- if not all of you -- actually signed up for this webinar.

And on this website, you're able to ask any questions of an expert on the CNA e-Tool. So yeah. It's a two-step process. You put your own information in on the next page. You'll put your problem. Highly recommend you using this. People have been able to get questions in a pretty quick timeframe turnaround. There are as hard as questions that's going to be like, "I'm seeing this amount of savings for this line item and that can't be correct. I didn't mean it for a \$20,000 savings. So, it should only be about \$5,000. I can't figure how to back my way out of it."

Remember the type of questions then we literally get into your tool and help you back your way out of it all the way to, "I'm still struggling in just understanding the tool. Where do I go for resources?" So, no small or big question.

That said, I do want to show you guys that there is a way -- excuse me while I go back. I'm back now at the HUD.gov homepage. There is a Frequently Asked Questions document right under the AAQ. You might want to double-check that before you submit a AAQ. It's a way where you

can get your question immediately answered by looking at that as well as -- excuse me -- it might save you some time in digging through these issues.

So then, I'm back up in PowerPoint. I just want to highlight -- there's been some recent updates I just want to highlight for you guys. The first one is the assessor tool -- literally the tool that you do everything on that you then validate and submit. The most recent update has been on version six. It was on April 2018. There's been things in the last couple of changes that -- regarding information about parking as well as some new assignments.

I want to make sure you guys read -- if you're starting today with a new application, you want to grab the version six tool. And some of you -- which happens often -- you might've started this assessment process back in March or February. So, you're using the old assessment tool. That is fine that you submit that old assessment tool. Just anytime they're starting new -- for all new assignments, you should now be using version six.

Two other items I want to point out for you guys is the fourth bullet down which is called the CNA e-Tool Known Issues and Solutions. We jokingly call it internally, the KIS document. And what this document has done -- HUD has consistently been updating it when they're finding out whether there might be a technical issue or an issue with someone trying to read the flag notes -- that becomes -- that is not on their end but is on HUD's end and the issue comes in.

And so, what they're able to do is provide for you -- I'm sorry but we're going to make sure you guys are muted. That'd be great. It can provide for you guys updates. So, if you're getting confused or stuck or you're feeling like the technology is not working for you, double-check this KIS document because it usually tells you, okay, this wasn't working but here's a solution and wraparound.

I also want to make sure that you guys know that the RAD folks at HUD have developed a CNA e-Tool for RAD transactions document and it's a helpful guide that's been published recently for all -- the RAD program. So, if you're doing any RAD transactions through the CNA e-Tool, I highly recommend you double-check that.

So, let's start diving in now to our top 10 tips. Before we get there, I just want to back up and make sure we all understand components and the relationships with some of the other tabs in the system. First, is this reminder, component is a building or site improvement system or a physical part of the property. So, the refrigerator that you're looking at, the HVAC system, the window -- everything you're seeing in the property around you.

Who completes this component? That is the assessor. The assessors are the ones that are onsite that's completing this and it's usually -- if not all is completed onsite. Now, you don't understand how it's related to an inspector -- I'm sorry -- an alternative, a recommendation, and a decision in the e-Tool.

So, one thing we want to think about here is an alternative. An alternative is actually what's called the Functional Replacement for the component. So, you need to have at least one alternative per component and, often, you're going to have more than one. So, let me give you a good example here. You're going to see the refrigerator onsite. That's going to be your

component. Then you're going to figure out your alternatives which is -- well, the refrigerator component might be the existing refrigerator -- the same model -- or it might be, maybe, an EnergyStar model -- meaning, you might want to do an upgrade. So, you got to think that through a little bit and go, "What are my alternatives as related to my component?"

Then, a recommendation is going to happen. And a recommendation is the alternative that the assessor recommends. [Inaudible] that particular alternative, the recommendations -- you're also going to include details on when the alternative is needed. So, for example, is that refrigerator repair needed now? Or can it be done later via the cycle?

So, for example, again -- refrigerator is our example -- maybe the assessors going to recommend replacing that refrigerator with the same model right now. So, they don't want to do the Energy Star. They're going to do the same model. And maybe they see that there's some type of a deficiency happening with the refrigerator and it really needs to be replaced now. Then, at the decision point of this reference tool, the lender is the one that may override -- again, they may override a recommendation.

And so, for example, the lender may decide to override the assessor's recommendation and say, okay, you know what? I don't think that -- I saw the photos. That refrigerator doesn't need replacing now and we want to do some energy efficient upgrades. So, I want to use the EnergyStar model. But to visually see this in this diagram -- so, get on the left-hand side and it shows the component is the existing refrigerator. The alternative one is the refrigerator -- the same model. Alternative two is an EnergyStar model.

Again, the assessor's the one that does the recommendation and they're recommending to do the alternative one now. And then, the lender is getting the decision and they're choosing to do the alternative two which is the EnergyStar model at the end of cycle. I want to make sure that you're understanding that I'm not telling you guys yet how to name your component. I'm just using this as a generic example to show you how these all work together.

But, for example, onsite, you may have two components in your tool for refrigerators -- and we'll talk through that in a second. One of those kind of refresher tips I want to make sure everyone knows and understands is really how to enter a component in the assessment tool. I'm going to give you guys the [inaudible] are five steps to do that and then we'll go ahead, and we'll get that in a tool.

Again, please keep remembering to go ahead and mute yourself. So, the five-step process is, first, you're going to select the need category, then the need item ID, and then the component type. These are all predefined lists and the goals of these lists is it helps categorize initially kind of the component types -- or components into a component type. The important part about the component type is once you choose that, the standard estimated useful life of a component -- that's where it's defined.

So, for example, if refrigerator has a standard estimated useful life, then once you choose component type, refrigerator, for an interior dwelling unit, it will show up as 20 for you. You don't make that assumption. It makes it for you.

Then, the next step is you're going to create your own component ID and this is describing the actual object seen onsite. And this is where you need to figure out your naming and how you're going to group your components as you see them. So, an example -- I use the refrigerator again and you guys are going to get sick of my refrigerator example -- but an example there is that it would be 15 CS Frost Free 2008. And why this was chosen is, for example, 15 might be the size. And so there might be a couple sizes of refrigerators.

For example, the -- a three-bedroom might be larger than a studio. So, you want to make sure they're clearly doing a component idea that talks about the size because when you get to the point of when you're making decisions about replacing or repairing something -- a refrigerator, you've got to know the size and the size differential will be a cost differential, as we all know. So, it's important to think about, "Hmm. That refrigerator's probably going to need -- the 20 different refrigerators I see onsite might need two different component IDs. One's 15 and maybe one be 18." And because of that is because the price differential might be very strong.

You might also utility consumption different for those different sized refrigerators that you want to acknowledge, so different ways to do that. Another example is you see this 2008. Sometimes, also, you want to make sure you're thinking about your components as it relates to when they either came onsite or how old they are. So again, you might decide to replace the different ages of the refrigerators at different times. And so therefore, you might have to create multiple component IDs to ensure that you're grouping them accordingly so that you're able to make decisions at the backend with regards to cost and alternatives.

Lastly, you're going to enter a whole host of component details it requires. An example here -- and I'll show you the rest of them -- is where you're actually going to define the assessed remaining useful life. So, while the component type gives you a standard -- it's going to say 20 years for that refrigerator. But onsite, is where you're going to say, "Hmm. No. No. Let's talk about how much I really think is going to be remaining."

I want to go ahead and check out the assessment tool. Bear with me while I open that file. Great. Hopefully, you can all see me really clearly right now. And what I have open here is the assessment tool and underneath -- you can kind of see it. Sorry. It's a little hard. Underneath it, you're seeing the Excel document in the blue. What I did is I entered -- hit this open form and up pops this open form. And I've had -- I have it large hopefully for you guys all to see.

We highly recommend people use the open form when manually entering in the data. It gives you prompts on when errors have been made, etc. And the worksheet does not. So, I'm going to scroll all the way down to components. I want to remind you guys, this one that you're seeing is actually a final -- actually, completed and approved assessment tool. So, if you're starting from scratch, you wouldn't see any of these information in the added component IDs. These have all been added prior to us opening this page.

So, if you're starting from scratch, you would see nothing. And you'd start by looking at the -- first, the need category, the need item ID, and then the component type. To remind you, the need category -- it'd be -- once you choose that, then a separate list will show up. So, for example, site systems -- I'll choose that first -- and then a specific set of need item IDs will show up. So, water drainage is the first example that's showed here.

If I show another list, like, building frame and envelope, then a separate need item ID's Foundation. So, each time we do make one decision, then it will cascade to the next decisions -- or need, need item ID, and component type. So, let's go ahead and look at maybe interior dwelling units. The need item ID -- let's do appliances. And then, we'll do refrigerator and freezer because I'm sticking with -- I'll use that as my example for the day.

You'll notice, right when I entered that, the standard estimated useful life of 12 showed up. And again, you can go ahead and look in the instructions in Appendix C and it gives you what each one of the standard estimated useful lives are for each one of the component IDs? And then, at that point, you'll go ahead and start entering in what your component ID name is and then tons of different details. And we'll go through all of those details in a second. I just want to show you guys how this looks at this level.

So, since this has already been entered -- again, because this assessment's all done, there's been one-unit refrigerator that has been done and you'll notice that once I click on that, all of this information shows up. Let's say I made an error and actually the unit cost is not \$1,000. It was \$900. I go ahead and put \$900 in here and then I'd hit add -- or, really, I'd hit update here. So, let's -- let me do that. You see how the update now allows me -- and I'd hit update. I'm not going to do it because I'm going to have some errors if I do that but I want to make sure everyone remembers that every time you add a new component -- or anytime you update one, you've got to hit add update. You can't just hit close or x out of here. You've got to hit add or update or it will not record your change.

Let me go back now. Let's start getting into the top 10 and I think once we start this, you guys are going to start getting more and more familiar with at understanding naming and grouping of your component IDs. Okay. Remember. Component ID is where you are the one who is manually entering in the name and the component type is the predefined list -- the third of the predefined list. You do the needs, other needs, and then you do component type, and then by component ID, you're starting to enter in.

So, the first big top 10 tip I want to make sure you guys all understand is that multiple component IDs, may point to just a single component type. The description you've given at component ID may be as specific as brand name, color, size, capacity, age, specific location, or any adjectives that an assessor might deem necessary to describe a particular component -- or multiples of the same items and to distinguish it from the other component of the same component type.

So again, giving the example of refrigerators -- so that is one component type was a refrigerator or freezer in the interior unit dwellings. But it may have multiple component IDs. Again, it may have -- you're going to distinguish it by the size -- again, because all the three bedrooms have an 18 inch and all the studios have a 15 inch for example. So, you're going to have two -- or multiple component IDs just for that single component type.

Now, I'm giving you that as an example. It's not required to go back to your tool and say, "Okay. I've got to change all these refrigerators." No. You'd do that because you'd want to think about why you're doing that and how you're doing that. And we'll talk a little bit about why. But I do

want to make sure everyone walks away that multiple component IDs may point to just a single component type.

Second is, only the component ID will be visible in later forms. And it won't have any additional characteristics such as, year installed, or comments. So again, a component ID -- the name that you give it when you go to the alternatives or the recommendations or the decisions, you will not get to see any of those details that you have put in there. You will not be able to say kind of what the unit cost was -- the original unit cost. You will not be able to look and see utility savings or the estimated useful life. Only what you'll see in alternative stages and recommendations is really the component ID name.

One that's important is, it's really important to ensure that your name has enough information so that you're thinking about how easily to identify as an alternative. So, for example, if you create three different refrigerator components, the component ID for each [inaudible] enough information to distinguish one from another.

So, you want to make sure it says the 15-inch, the 18-inch, and so that, when you're at the city or you're trying to decide what alternative you're going to use, you don't just see refrigerator and you're like, "Wait. What size was that refrigerator?" Or, "Where was that refrigerator? Does that refrigerator have FHA compliance issues? That's -- if you put in enough information in your component ID name, you will not just backtrack yourself all the way to the component tab to find out those details. Now, you're able to just make that decision right there.

Third -- and really the most important part of this -- is, you're going to want components that should be grouped to names consistent with your expected solution. So, if your expected solution is you're going to be thinking about how to replace something or repair something because of FHA compliance, it might not be a bad idea to put FHA compliance in the name. So, you want to think about -- ahead a couple steps on what your alternatives and what your recommendations are going to be in order to set your component names.

Some of the things that trigger that you are going to want to think about in considerations is a different alternative is expected for one group of items vs. another group of the same component. So, you think an alternative is going to be expected that's going to be different from one group to another, you're going to want to think about the naming of that then and grouping them differently.

Maybe a different action is going to be expected. I gave you guys an example of -- you know, some refrigerators in the group of 20 that's on the property -- some might need to be repaired now because three of them are completely defunct where the other 17, you're going to want to put on a cycle of how you're going to replace those. So, you're probably going to need to think about maybe making those three -- one grouping of a component ID and the other 17 another grouping.

Lastly of the considerations that might trigger naming or grouping your components by digging through the expectation of your solution is that as -- excuse me -- there may be a material difference among the actual components. You know, we talked a little bit about age. It could also be where it is on site, the condition, the size. Those may suggest and require a separate treatment.

So, the goal here -- what I want to hit on for you guys is you got to think ahead when you're describing and figuring out your component ID names but also your grouping of your components. Think ahead.

So, I want to talk a little bit more about an example and show you guys one. Before I completely go into that, what I'd like to do, is talk to you a little bit more about what the details are in the component so you understand them -- understand how to get to them. So again, remember that component ID is what you manually enter in.

They have decided that -- the good news is they don't have to make a lot of changes and make a lot of decisions here. They could easily make these just as unit refrigerators. I'm going to be honest with you -- probably not the strongest -- I would probably say -- unit refrigerators -- enter a dwelling or maybe the age. But because they decided they don't need to group unit refrigerators except for one grouping -- one component.

So, some notes they put down -- notes in here -- they put that it needs to be 20-year average annual replacement. So, they were giving you -- you want to think about these as a 20-year turnaround on the replacement. Again, I changed this unit cost but this was \$1,000. But what you want to do here is -- unit cost is you want to enter the estimated original costed dollars of the existing component.

And I want to figure, again, estimated of original cost. And a lot of people we've seen are not putting the original cost. They're putting -- maybe the replacement cost. That will 100 percent throw off your financials. I guarantee it. So even though this number -- you're thinking, "Oh, this is just a small thing I've got to enter," it is important you do your original cost and you want to do it by unit of measure. So, if -- you want to make sure -- here we just did it by each. A lot of yours is going to be by each. But double-check. There might be examples of why it not be of each.

And then, also in that is the figure's not just used for financials on the backend but it's also used to estimate the value of any of the unused remaining useful life and that will really help when you're thinking through the cost benefit analysis of the alternatives. So, let's talk through, for example, the remaining useful life. So standard -- if you remember, I said the standard estimated useful life is actually 12 years for this component. The year that it was installed is 2011 and that's something that the assessor put in.

So, what automatically happens is the tool then figures out the current age of the refrigerators are seven. And so right now, there's about a standard remaining useful life of only five. The assessor put no information in the assessed remaining useful life. Didn't put nothing in and that is okay. You will put nothing in if you and the assessor agree that the standard remaining useful life of the fridges are about five. If you disagree -- they could be less, they could be more -- you'll want to put that in under your assessed remaining useful life and you will be required to put a comment in the comment field here

I also want to go back up to the type of utility. If you're not applying for a green [inaudible] or asking how to enter a utility cost savings or if there are no utilities by the component IDs and it

has no impact on utility consumption, then you can select NA here. So, I'll just drop down and show you. You can select NA.

Now, planning this example, it's not necessarily true. This person does want to add some type of utility cost savings -- excuse me -- and or they're applying for a green [inaudible]. And so, what they're doing here is they're telling you that the unit refrigerator -- the utility is actually a tenant electricity. It's not, for example, common electricity. So, the tenant is paying for that electricity and they're able to give their usage per year average.

The type of utility box, you must enter a value in the usage year, okay? So, it's zero. It's -- you're going to enter zero if the component is a next year utility user -- not that he's here. You're going to put zero if the component is not a utility user but does impact utility consumption and conservation measure that will be proposed as an alternative. So, you've got to think a step ahead.

Or, you're going to put a positive number in order to report the actual or estimated usage of a utility in the indicated unit of measure. And that was a condition here. Let me just show you that for one quick second. So again, if you do enter a value in the type of utility box -- in the type of utility box, you'd be only entering in a value if you're going for a green [inaudible] or you want HUD to underwrite other G savings.

So, if you do enter something over there, you must enter a value in the usage per year. And here's some good rules of thumb. Zero if the component is at zero. Zero if the component is not a utility user but does impact utility consumption and conservation measures in the proposed alternative. So, if you're going to do an EnergyStar upgrade in the alternatives, you're going to want to think about putting a zero here. Or you're going to put a positive number in order to put the actual -- or even estimated usage of a utility and the indicated unit of measure. So not going to apply to everyone but it is important that you understand those rules of thumb for that purpose.

Lastly, I want to show you TCO premier. This is the final number you're putting in and this is the total cost of ownership and this displays the average annual cost of ownership and it includes an amortized annual cost of acquisition plus those yearly utilities over the estimated life of the component. This could get very, very, very distorted if you don't estimate your year installed reasonably accurate.

So, if you're looking at your year installed, and you're making a wild guess, stop and think it through, if you can't figure out a more reasonable guess here. Can you ask the landlords? Etcetera. And so, you want to make sure you get a reasonably accurate year installed number. Again, remember, the year installed is literally the estimated -- or, hopefully, actual time that that unit was installed. If you don't do that, your TCO is going to be way distorted. So, I want to make sure people understand that.

I want to give an example, too, of an actual way in which a component ID has been grouped in several different manners. And I'm showing you this because you're going to see some -- a good way of doing it and I'm going to show you a way that I don't think is as strong and an area you might be improved upon. So interior dwelling here is -- [inaudible] -- and then I'm going to do the interior hall or doors.

So right now, of the interior doors, there's three component IDs that the assessor put in. Now, these are all bathroom doors. So again, for -- in terms of [inaudible], you think you're not going to try and talk about the bathroom doors being replaced at different times -- meaning some might be broken or some might not be. Or if you don't have any energy efficiency upgrades for some of them. Or you don't have any FHA compliance issues. You might only have to have one component ID here.

But there's a reason why they put three in. So, let's see if we can't figure that out and understand a little bit more. So, the first one I'm going to click on is the last one and you'll notice this is a 2868 bathroom doors. And what's important here is -- I, personally, don't know what 2868 is so I'm not going to try to make estimates here. But what I think is important is you'll notice that the 2868 is different from the other two which is 2068.

And so, if I were trying to distinguish the 2868 -- probably the size or style. And so, it's important to note because, most likely, they're not going to have a different unit cost. Let's double-check that. So, 2868 -- the unit cost is \$110. For the 2068, it was \$100. So important that they distinguish these because the unit cost is differentiation enough that they'll need to make sure that they're thinking about that when it comes to alternatives and duration. Because, if you don't think about that ahead of time, and you're lumping these all together, your numbers and your cost benefits might get really out of whack.

So, we're seeing here the 2868s are \$110 and there's 252 of those. The 2068s is only \$100 for each and there's 28 of those. So, they spread those out. Then let's look at, specifically, the 2068s. There's two 2068s. There's 2068s and there's 2868 bathroom doors. No FHA compliance required.

So, to me, it's signaling that, probably out of these -- all of the 2068 bathroom doors, they decided to break this into two different component types -- or IDs. So, they're basically grouping bathroom doors into -- the 2068-bathroom doors into two separate component IDs most likely because there's an FHA compliance item here.

So, let's see if we can't unpack that a little bit. So, the no FHA compliance required, they say the year installed was 2005. They're -- the cost is \$100, and the quantity is 140. Now, let's look at the 2068 bathroom doors -- what doesn't have that FHA. Okay. Here we go. The year installed is 1991. So, when the assessor was onsite, he recognized that there was a certain amount 28 -- think it was all in one building, for example. We can see if we can't get more information around that.

But something happened when he looked and saw 28 of the 2068 bathroom doors were actually installed in 1991. For those of you that are accessibility experts, you'll know that those that are -- it's a phasing of a property. Construction is done around '91. You also want to understand '95, as well. But at least in the phase that's done in '91, they're subject to the Fair Housing Act Design and Construction Requirements.

I'm not going to go into accessibility measures, etc. But I do want to make sure you know that 1991 and years installed, that means it's got to have some Fair Housing Act Design and Construction Requirements compliance. So, you'll note here that what they did is they showed us that this has 1991. So, doors -- he put in, "The [inaudible] doors violated the Fair Housing Act

[inaudible] Requirement and they must be replaced. Each unit has two baths. Both doors too small."

And he also told us that these were in specific units. So, it really helped the more information they were willing to provide in the sense that where these need to be installed and I need these separate than those that don't have FHA compliance. Why? Most likely because when he gets the alternative and the decisions phase, he's going to say, "These that have Fair Housing Act Door with Requirement out of compliance, they're going to need to be replaced now. You got to make sure you get up to speed now." Whereas those that don't have FHA compliance requirements, when he gets to alternatives and decisions, he might decide, "These don't need to be done now. They can be repaired over time."

Let's go ahead and go back to the slideshow and keep going through some tips. So, fourth tip. We talked a little bit about somebody who's already been onsite -- on home, you're going to want to consider the type of repair or replacement you'll want when naming your component ID. Again, I give you the example of -- for the refrigerator -- one component ID could be called 15CF Frost Free 2008 versus 18. So that's the type of repair you're going to want. You're going to type the repair that's going to be done at an 18-incher or a 15-incher.

Consider when you'll want to do the repair or replacement. So, for example, do you have immediate repairs and you've got to make sure that you group those together vs. those that are going to have replacements later on. Are you going to want to do stagger replacements? So, for example, all those that are built in 2000 vs. those that are built in 2005. Are you going to stagger those across the duration? So, you want to think through staggering.

Lastly, you're also going to want to think through adding a new item to the property. I've had a lot of people ask me, "So I'm at the decision phase of the assessment tool and I want to add a new property here. I'm deciding to add a new property. I can't do it. How do I do that?" Well, here's the tricky part. To add a new property, you must start at the component section, okay? So, you've got to start at the component section.

How do you do that? Well, kind of easy to be honest with you. You're going to go ahead and identify the proposed component by making a component ID name. You might even want to put new in the name just to remind yourself. And then, the assessor's going to give the component and assessed remaining useful life of zero if it's to be installed immediately. If it's going to be installed at a later time, then the number of the relative year in which the installation is proposed is what you'd want to RUL.

So, let me say that again just to make sure because this is what's really important about adding a new component. The assessor's going to give the component an assessed RUL of zero if it is to be installed immediately. Or if it's to be installed later, then the number of the relative year in which installation is proposed.

Then, when we the assessor gets the alternatives form, they're going to specify the new component including an appropriate estimated useful life and pair that alternative with a component ID. Lastly, when they give you the recommendation form, the assessor recommends the alternative with the action add new.

So, on the recommendation form, there's actions. One could say, repair, replace, now, end of cycle. You're going to want to choose add new. And that's actually how you add a new item to a property. For example, if there was no AC onsite, it's a [inaudible] building. You've got to upgrade it to AC because maybe it's down south and you guys need some AC going. And so, I want to make sure I get that new component in. So, start at the component section and build it up from there.

With editing the component ID -- again, I talked a little bit about this -- you want to use that form vs. editing directly into the worksheet. Remember the worksheet is a little like an Excel worksheet. The form is where you click open form on the worksheet and it pops up that open form that I showed you a bit ago.

When the user edits an option -- an object like a component ID or any of the details, your assessment tool does not automatically update all the other related worksheets. And so, if you do it in the form, the form will actually say, "Hey. Wait a second. Your edit's going to impact X, Y, and Z entries on the other forms." But they're really helpful because I've done it before and I'm like, "Oh. I didn't mean it to impact it that way. Let me stop and rethink this." But if you do an edit in a worksheet, the form does not help you in that way.

Also, having duplicative component IDs does not trigger a warning. So, if you have unit refrigerators and unit refrigerators, it's not going to say, "By the way, do you know you have two, maybe, nondescript, generic component IDs." It will not tell you that. And so, you'll need to make sure you think that through a bit more.

Let me keep moving on. The last two tips are number nine which is, you really need to make sure when you are validating -- so if you're an assessor, you're going to go into the validation engine or if you're a lender and you're going through the submission portal -- in that, a series of panels pop up after you validate it. One is called the Transmission Integrity Check Panel. What's important about that as it relates to components is that the number of components in your assessment tool that you're getting validated must equal the number of recommendations.

Why is that? Every component must have a recommended action. So, if you have a refrigerator, you need to have a recommended action about what you ultimately are recommending for that to happen. So, is it going to be replaced by a new fridge? Is it going to be replaced by EnergyStar? Are you not going to wait for that time for 20 years? So there has to be a recommended action that's happening.

So, this is an example that there's total 76 components but there's only 75 recommended recommendations meaning one of the components that you have not defined what your recommended action is. The assessment tool is not going to tell you this. Only once you get it through the validation, will this pop up and only if you review this in the Transmission Integrity Check. This doesn't even become a flag, you guys. But I guarantee you, HUD will send this back to you. So, make sure you're looking at this.

Also, you want to make sure that the number of alternatives -- that they must equal or exceed the number of components. So right here, we have 83 alternatives and 76 components. So that's

good. The alternatives are more than the components. Because remember, for some -- actually, maybe a lot of components -- you might have more than one alternative.

Lastly, the site visit date is the expected date of the CNA report. So, if your site visit is not in the same year that you did your submission, then the age of those components may not report as expected -- excuse me -- because the assessment tool automatically recognizes a new calendar year of January 1. Right now, because we're in June, I have a feeling most of your site visits happened during 2018. So, this hopefully will not be a problem. But, as you can imagine, we did see this as a problem during some of the submissions in January and February of this year.

Again, we are making a correction -- HUD's making a correction for this January 1st, 2019. But, if you're unsure on how to do this, I want to make sure you go to that HUD's KIS document -- again, Known Issues and Solutions which you find at HUD.gov and it's going to help you walk through that.

I might go ahead here right now, and I'm going to go ahead and stop recording and then we can take some questions. Bear with me one moment while I do that.

(END)