

HUD CNA eTool

CNA e-Tool New Release 2.3

Chantel Key: Over to David. David?

David Wilderman: Thank you, Chantel. And welcome to the third of our three webinar briefings on the CNA e-Tool release 2.3 and the revised assessment tool version 1.2 version seven that was issued last what, July 31st, I think. We had a webinar session early -- two of them early in August. The last one, I think was on August 9th, presumably the folks that are tuning in today are folks who were on vacation and didn't have an opportunity to tune into either of those first sessions.

And so you will see for the most part, exactly what people saw in early August, but there are a few new wrinkles that we've added since then. And I'll describe those when we get to them. So this is our agenda for the day.

We're going to talk about the assessment tool, which is the Excel template and the changes that have been made to the template. We're going to talk about corresponding changes to the portals to the Web-based application. And we're going to talk about some necessary revisions to our HUD or for our financial factors tool, which is a separate spreadsheet used to calculate or measure whether or not minimum balances have been met and not met if they are mitigated by amortization of the corresponding loan.

And then we're also going to talk about an administrative memorandum that was issued by the deputy assistant secretaries office at the same time as the release 2.3 went live. And that administrative memoranda covers narratives, photos, and re-description or redefinition of minimum balance versus an actual deficit and how the actual arithmetic works in that calculation.

So let's get it back to the beginning here and talk about the primary changes that were made in release 2.3. So the first thing that we want to talk about is project ID numbers. So you might ask, well, what's a project ID number? Most people I think realize that every project has at least one number.

So all of the assets in HUD's office of multifamily have at least one ID number they -- some of them will have two. And of course all of USDA's assets have an identifying number, USDA calls their number something labeled an amass number.

HUD's office in multifamily has a project ID numbers, which are sometimes also called iREMs numbers. And these are the unique identifiers that are given to any project after it enters the multifamily portfolio. But of course we also have applications for mortgage insurance, not all of which result in a closing.

And so not every project that has an application actually winds up entering the portfolio. And for that reason we have an FHA number because it's necessary that we keep track of applications

separately from projects there that are actually approved, a loan is closed and they wind up in our asset management portfolio.

So there are three numbers: AMS, project ID number, and FHA number. And it was possible to enter these before, but it was not possible to -- the system did not make full use of these numbers. So now it will and there are particular combinations of ID numbers that are required for certain CNA types and/or programs. And so a system of rules has been created to make sure that we get the right ID for the right program.

And now an ID number is required. You will not be able to submit without one. So what happens if you don't enter an ID number? Well, you don't get to submit. A severe flag will occur on validation and that won't prevent you from validating as many times as you like. But when you get ready -- when the lender gets ready to submit if they don't have the correct ID number, it will create a flag or they will be unable to submit because of the flag issued is a severe one.

So here's where that happens. It's on the property information form in the assessment tool. In this box you'll see the relevant entries for ID number. So the first thing you do is identify the department or the agency for which the CNA is being prepared. And, in this case, we're saying it's a HUD project, if it were a USDA project, then you would need an AMS number right here in this box.

But since it's a HUD project, you can have either a HUD project or HUD FHA number, you must have one or the other, you cannot submit without one or the other. So when would you have this HUD project ID number? Well, you would have that when the projects already in portfolio, and you might be refinancing it with a new application or you might be doing a 10 year update or some other activity for asset management that's requiring a CNA.

And if it's an application for a new mortgage loan, then it must be -- there must be an FHA number. And that's what we go here. So I will show you momentarily how the system now regulates what you can put in these boxes and the flags that you will get when you don't enter them correctly.

So the other part of this is that when you get to the assessment stroke, you have to define exactly why you're preparing the CNA or why you're -- you've had it prepared. That means that you select the type, CNA type, if it's a HUD deal. You also do the same thing if it's a USDA deal and there's a separate list of values or a separate set of possibilities for each of these answers.

So on the HUD side, if you get to this point and you're identifying which are the offices within the larger office or multifamily housing, is operating the program that you're preparing this CNA for. So for example, if it's a loan application, then it's going to be asset development. If it's a 10 year update CNA, then it would be asset management. And if you were doing a RAD deal or a Mark to Market a dealing with and preparing a CNA for that kind of a project, and it would be asset recapitalization.

And each one -- so this choice here of type will restrict what you can put in the next box, which is programmed events. So there's a separate and distinct list of entries that goes with asset development, another set that goes with asset management and another set that goes with the

officer or with asset recapitalization. So the intent here is that if you select asset development, you get the right set of choices for a loan application.

If you select asset management, you get the right set of events that might have occurred in the life of the project that's requiring you to do the CNA, same way with office of recapitalization. So this will also tell you which of those ID numbers you need. So if you have the rules operate to merge the choices that you've made here with the number that you've entered here. Okay. So if you're a needs assessment, you probably don't know these numbers or frankly don't care about them, but so it's not really your job to get the right number.

It's the lender's job or the submitters job to know what the correct number is and to provide it to you. Or you can always just leave this blank and the lender will have to put the number in. All right. So I want to demonstrate these, so if no ID is provided you get a severe flag and if the ID does not match the agency, the CNA type and/or the program, you got a severe flag when you validate.

So I will go here and I'm going to share my screen here now. I think I'm going to -- I don't know what that is, but we're going to move this over here. So you see here is an assessment tool. We're going to open the form. I'm told that this is not visible, so hang on just a second. I did not select the correct monitor, that's what's wrong. Okay.

So now we have -- here's the assessment tool behind the form that's open and you'll see here that we've selected the approving agency, HUD, and you didn't see the choices here and I haven't entered any number. So let's move over to this next screen and you'll see I've selected asset development and you can see the three choices that I had. And so this is the list of values for asset development.

These are all Sections of the housing act, titles of the act under which we are authorized to issue mortgage insurance, and that's why they get these peculiar numbered names, but obviously you select the Section of the act for that covers -- that authorizes us to ensure the mortgage that you're proposing.

So d4 construction loans, this is the d4 pilot tax credit pilot. This is 223(a)(7), which is a refinancing and asset already in portfolio and this is the 223(f) typical refi or acquisition insurance program and so forth. So you select the one that corresponds to what the loan application that's being filed. And if you select this combination, then over here you have to enter it at least the HUD FHA number.

So let's enter a HUD FHA number here. And what we'll do sort of a fakey one, you'll noticing it gives you the format, which is three numbers, a dash, and then five more numbers. So there I've entered it and we'll click add and update and then we'll click save. And now when I validated this, I'll get no flag, it'll be just fine. So what if I were to make a mistake though? What if I didn't do this? Didn't provide that. And now I try to submit this.

So we will move this over here out of the way and then we'll open the validation engine and we're going to choose that file. And make sure I get the right one. This WebEx tool that we used to broadcast these webinars takes up a lot of space on my computer, slows everything down.

All right. So we're going to go to flags and sure enough, boom. There's the severe flag and the note for it says incorrect combination of HUD type and HUD project ID, iREMs number, and FHA number or required ID is missing. So it doesn't tell you exactly what you did wrong, but it points you to the exact cells that you need to look at.

So what I did here was, if you remember, I left all three of these blank and it's not going to let me unless I have a number here. And indeed, since I chose asset development, it's going to require me to put an FHA number here. Now, if I had, for example, well, let's say that I was refinancing with 223(f) for a loan that was already in portfolio or project already in portfolio, which would mean that it would have two possible -- it would have two numbers, it would be required that you have the FHA number, you could, as an option, additional option, it wouldn't be harmful, and it might be helpful to enter the project ID number since it's already in portfolio.

All right. So that's essentially how this works. I don't want to demonstrate every combination of possibilities because that takes too much time. So we're going to stop sharing and go back to the slide deck. So this outlines, this slide here outlines the different rules and combinations of rules. So when you're preparing a CNA or you're a lender about to submit one or someone -- another user to submit one, you need to check the IDs and asset types that go with the program that you're working with.

All right. So another thing that we've done is corrected the calendar year change error. So some people may say, well, what was that? And this was an error that we detected last New Year's Day or shortly after New Year's, where we've discovered that a CNA prepared in 2017 yielded different results, from New Year's Eve to New Year's Day, simply because of the passage of the - of midnight.

And the reason for that is that both the assessment tool and the application at a current year function which always identified the current year and made that current year equal to relative year zero. As you remember in the financial schedule, there are two ways that years are identified. They're identified sequentially as just number one, number two, number three, number four through the total number of years in the estimate period.

And then the system also attaches a calendar year to those. And it was using this function to attach the calendar year and similarly in the assessment tool, it was using this calendar year function to establish the age of the items entered as components and that in turn affected the remaining useful life.

And when the calendar year changed, everything suddenly got a year older and this was disruptive to lenders who had already prepared most of their work and had already underwritten a certain R4R schedule and set of deposits that would manage that schedule. And then when everything got a year older, well, the numbers changed and this was disturbing. And it also violated our usual six month shelf life rule for the life of a CNA. So we needed a way to preserve the results of a CNA at least for six months so that underwriting could work properly.

So how did we fix this? Well, we had a work around if you remember that required some particular entries in the assessment tool early on, but now that's no longer necessary because we've actually corrected the problem in both the assessment tool and in the system and basically

we deleted that current year function in the calculations and instead we are now using the date of site visit from the property form.

And you can see a detailed discussion of this in Section 3.4 of the July issue of Known Issues and Solutions which says just posted, but that was true on August 1st and now it's over a month and a half ago since it was posted. And I want to talk about briefly how you enter dates. So the date here, the date of site visit, we chose not to change the label of this even though we're changing the -- sort of the function of the number. So this tool was set up essentially to do capital needs assessments for existing properties.

A primary focus of its original design was not new construction, but we've arranged to do new construction R4R analysis using the same tool, but the dating's always been something of an issue. And now we've been able to correct both that calendar year change error as well as getting a better management of dates for new construction proposals.

So for anytime that you're dealing with an existing asset and you're using a CNA to describe both any immediate repairs and the schedule of future R4R cost and the corresponding resources or deposits that are required to cover those costs.

You will be doing an inspection of the property and you will enter the date of that inspection or effectively the date that the needs assessor is saying this is the date of my work. And so typically this will be some months in the past. And if it's an application for an insured mortgage, it's going to be a date that's not greater than six months prior to the date that the CNA is submitted. But what if you're doing on 221(d)(4) new construction loan?

Well, there's no property there to inspect, no units to inspect, so you're going to enter a minimum sample percentage of zero, but you're also going to want to align relative year zero with the date when you think construction's going to be completed. Well, in FHA speak, the date of construction completion is called final endorsement. Now, technically that's usually about 60 days after substantial completion, but it's close enough and that's when amortization of the loan starts and that's when a property owner would start paying his annual deposit.

So that's a good day to use whenever you're working with a new construction deal or substantial rehab deal, gut rehab where you're not using the CNA to define the scope of work. So this works for any of our construction loan program, Section 221(d)(4), Section 231, Section 220 and sometimes -- and not for 241(a) because for 241(a), you really shouldn't -- you always have an existing property and you're evaluating both the existing property plus anything new that may be added as a consequence of the supplemental loan.

So that's why this little note is here. It's to explain to people that when you're doing a construction loan, you should obtained from the lender the anticipated date of final endorsement. Now, some people may wonder, well, how would we know that? Well, by the time a lender submits, they pretty well know or they have a pretty good indication and indeed they've been required to estimate this date because they have to account for the payment and the capitalization of interim interest during the construction period; and as well as MIP payments during the construction period.

So it's a calculation that's always done and if you ask the lender what's the probable or estimated date for final endorsement, it's something that they should be able to tell you. And if they say, well, we don't know yet and I would simply enter a future date and the lender can change it to an updated date if they choose to.

Oh, yeah. What about the year to install for components? So year install for components, if it's a new construction or gut rehab deal will be the same year that you've entered -- will be the year of the date that you entered as the probable date of final endorsement. So if you're saying final endorsement will be in August of 2020, then year install is going to be 2020.

If it were a rehab deal though, substantial rehab, you might have some items that are remaining that were installed previously and you might have a bunch of other items that are installed during the construction and you would enter whatever the correct dating here is.

You might wonder also about, and of course, if you're working with existing buildings that are not being substantially rehabilitated, then year installed is sometime in the past, whatever year you can either establish factually or in the absence of facts when -- potentially when a component is 10 or 15 or 20 years old, we don't really know exactly what year it may have been installed, but the estimated year installed based on the needs assessor's best judgment is the correct entry.

So here, again, is the explanation for what -- how to do dates for new construction. And in that case, as I said, if you were estimating construction completion in 2020, then you would enter year installed 2020. And you'll see that when you do that, the system is automatically doing the calculation for current age, which is zero. And establishing the standard remaining useful life based on its age, which in this case for carpet, I think. Yes, it's six years.

So what about the building year built? Well, here's something you should know about the year built on the property -- on the buildings form for when a building is built. That date is not logically or connected by the system to relative years on the financial schedule, that date is entered a for good and for information purposes, but also because it is used to apply the various accessibility statutes which have dates of construction as an essential portion of a determination of whether the law applies or does not. And for the most part those laws are applied by building.

So that's why the system asks you to give a year built for each individual building. But again, there's no logical connection between that date and this date or that date; right? So when I say logical connection, I mean, there's no use -- there's no calculated connection between those dates in the system. Is as a matter of objective fact, is there a logical connection? Certainly. You wouldn't expect a building to be built in some year outside the parameters that you've already described in these other forms.

So it needs to make sense. And basically if you enter what's true in each case and in response to each question, you'll have the right answer. So here's an illustration of what I'm talking about on the year built on the buildings form. So this year here, first of all, may be different from building to building. And so when you say a project was built in X year, it's not the same thing in saying that particular building was built in that year. Okay.

So one of the things that's true in release 2.3 is that we corrected this date matter in the assessment tool, but it was not corrected in the portals, that is in the application. And at the time that we first did our broadcast, we thought that the date when the system would be corrected would be in release 2.4, which we thought would occur in late October or early November.

Well, in fact, a minor release caused by circumstances other than anything that the e-Tool has or the e-Tool team is requesting is in preparation right now and will be available on October 13th. And we managed to squeeze a couple -- this particular change or correction into that release instead of waiting for the larger release that we have scheduled for late October or November. So that will be an effect on October 13th. So that's an update or a change to the slide which I've tried to indicate in red.

So the period of time where some interim instruction is necessary for new construction deals, as described in Known Issues and Solutions as published in late July is now shorter. We were going to be having to do a little work around through until we had released 2.4 and now that work around will be done within a matter of weeks. So we haven't actually updated Known Issues and Solutions.

I'm showing here on the slide that, in red, that this is a change from what we said in on August 9th and what's different is the dates. Same here. So this is where you can read about this calendar year matter on this Known Issues and actually I spelled Known wrong, I left off the N. You can read about it in Known Issues and Solutions on page 10 and some more on page 14, but when you do so or if you do so, just remember that the date's October 13th now not October 29th. Another thing we did was we changed the financial schedule on the -- the financial schedule panel that results from validation.

You can see a detailed explanation of that change and all other changes in the -- in either the assessment tool or the system or application at this website. And I will briefly show you that. Well, I'll try to. Hang on. Oh, so this is what release CNA e-Tool release notes look like, this describes changes in the application, and so you might ask, well, where would I get that document?

Well, you would get it here at the CNA e-Tool homepage, and each time you click say on the assessment tool here, it's going to take you to this screen and you'll notice that for the assessment tool there's a brief thumbnail sketch of changes made in the assessment tool, there's a more detailed description of changes made in the assessment tool in the tool after you've downloaded on one of its initial pages.

And then for system changes, system update notes or release notes are down here at the bottom. So the release notes for 2.3, the document I just showed you is right here and you click there and it will open for you. And so each time there's a release, this is what you should do if you're using the e-Tool a lot you should check the release notes and it'll tell you what's changed. And it'll refresh your memory for everything I'm telling you today.

Okay. So we'll close that and stop sharing. Go back to the slide deck and this is what I've just explained to you, so you click here and it'll open that screen I just showed you and you'll be able to download release notes and here are the system notes down here at the bottom as I showed

you. And here's the change in the financial schedule, so there's an additional row of information and that information is the total for each relative year of un-inflated needs.

This makes the calculation of inflated needs a bit more transparent and you should know that this figure here, un-inflated needs is total needs for each year without any changes made over time for inflation, but this distribution of needs does include any spreading of a cost of particular component replacement items across years by use of the duration feature in the assessment tool.

I think we're going to stop here a minute and let -- have Kevin explain what has to happen as a consequence of this particular change when you're using the HUD or for our financial factors tool. So Kevin, if Chantel can pass the baton to you, then you can share your screen and explain this to folks.

Kevin Han: Okay. Thanks, David. Hello, everyone. I am going to share my desktop now so you can see what I'm seeing here.

So as David mentioned, we did add an extra row of data and information to find a schedule which is the un-inflated needs. So in order to accommodate for that, we had to revise the using some financial factor tools.

So then we took the opportunity to make it little bit better because one comment that we received in the past was the financial factor tool 2.0 was kind of complicated and there's a lot of information there that was a little bit overwhelming. So, again, we took the opportunity to revise it, to make it simpler and to make the information, oh, correct information more legible. So just as a refresher where you can download the financial factor tool, that's version 3.0 the again CNA e-Tool web homepage here.

You're going to see a link for it under the HUD with your Section here. You can also find it down here in the CNA guidance Section, there's also financial factor e-Tool 3.0 there. So if you click on that link, it will download the tool for you. So I already downloaded and opened it up. So let me show you what it looks like kind of tab by tab. So here is the instruction tab and it should tell you exactly what you need to do to get the data in here to run your -- the test, the R4R deposits test.

Okay. So let me kind of do a walkthrough for you. So let's go to a CNA e-Tool submission. So I pulled up the permits, which is our test submission. So if you go and expand the financial schedule panel here; okay? Here again, you'll notice this extra row of information that we added with the release 2.3, the un-inflated needs. So you could go ahead and export that and download for you. I already downloaded it, so I'm going to go ahead and open it. So here is the financial schedule exported from CNA submission.

Again, notice the extra row of data here, un-inflated needs. So the first thing that you need to do is highlight the cell C2 to B14, and once you do that, this little yellow warning sign is going to pop up for you. And that is because the numbers that you see here in this highlighted field, despite default through the system, they're stored as text right now even though they're numbers. So what you need to do is first convert those into a number.

Okay. So once you do that, you're right to copy that. So go ahead and select the same area again and go ahead and copy and then you can go over to your financial factor tool 3.0. So there's a tab here next to the instruction tab, the paste financial schedule tab and here you want to highlight the area that's marked by the red dash line.

So this matches the financial schedule field that you just exported to from. Then you want to go ahead and copy your data. So now the data that's showing up here is the data that you just copied from the financial schedule of your CNA. The next tab you want to go over to the one next to it project info entry. So here you want to make sure that you put the right mortgage amount for your deal, for your transaction.

So let's say for this transaction is \$15 million. And then also you have to put in the right MIP, obviously the mortgage insurance rate. So let's keep those 3.0, 3.5 percent mortgage term years -- 35 years; okay? So then you want to go over to the e-Tool data results tab. Here it will tell you whether it passes or fails. So this case, you notice that there is one violation here and it does not pass. So this tab here just shows you in a very simplified format exactly whether or not the deposit amounts proposed -- whether that meets our MAD requirements or not.

So in this case you notice that there's one validation here. So if you click on this link here, it'll tell you -- it will take you to a table where it shows you where he failed. So in this case, we noticed that in year 10, the minimum balance requirement is not met and that's why it's failing; okay? So you can see the results right away, but let's say the other requirements are met, you can go over to this tab, your attachment offer commit letter and you can put in the date of anticipated fund commitment and you can print this to make an attachment to the firm.

Now going back here, so you notice that the results, the current deposit amounts are not meeting our MAD required -- minimum balance requirement. And so, well, how much do you need to increase? You can go ahead and play with that number by going to the trial deposit analysis tab here; okay? So this is kind of where you can play with different deposit amounts to see what would indeed then pass; okay?

So you can do it by maybe increasing the initial deposit amount, so maybe -- a million so that'll definitely get you to pass, if you increase to 14 million dollars. Well, we could keep that maybe, again, change the annual deposit amount per unit. So in real time, it'll tell you where kind of the new -- your trial deposit amounts will pass or not pass here, that will be displayed here; okay? Going back to the useful data results, I just kind of want to highlight the risk analysis information that we added here at the bottom; okay?

So the first number here, what this is telling you is it's kind of self-explanatory, but to meet the required minimum balance for the entire estimate periods. Now, remember this financial factor tool is for FHA insured mortgage deal. So the rules are currently is that the required minimum balance amount needs to be met from year three through 10, but in year 11 through 20, typically that required minimum balance amount.

So the year annual balance from year 11 to 20 can fall below that, as long as you mitigate that by meeting our amortization tests for year 11, 20, 11 through 20, now you may have, for that mitigation we're allowing for that with certain set of assumptions, which is for example, market

rate deals 10 years down the line. That the property, may be able to refinance; right? And be able to take the money out to kind of kind of mitigate the deficit in the annual remaining balance amounts in the R4R.

Now, if you have an affordable deal or let's say you're doing a 10 year update let's say 10 years down the line, the assumption of being able to refinance is not necessarily there. So we put in additional information down here as risk analysis, kind of look at the current deposit amounts in three different ways. So the first set is -- okay. Let's try to meet the entire -- so year one through 20, let's try to meet the required minimum balance amounts for all 20 years; okay?

So how much more than in any of the deposit year increase by starting year one. So this number will tell you that. So in our case right now, in order to meet the required minimum balance for all year one through 20, what this number is telling us anything increase the current proposed deposit amount by about 17-- I'm sorry, about close to \$1,800 starting year one. Another way that you can try to meet year one through 20 required minimum balance is that in year 11 you can kind of up the deposit amount by \$4,000 close to \$4,000 in this case.

Another way to try to meet the all 20 years' worth of required minimum balance would be in the year 11 if you inject some lump sum amount of money. So let's say if you're refinancing at that point or you do a 10-year update and you're seeing the need for initial deposit amount to meet the next 10 years of required minimum balance.

In this case here what this is telling you that is in year 11 you have to inject into R4R account close to \$10,000,000 to pass. So the deposit amounts as currently proposed for this transaction is pretty low. And so these numbers showing you has a high risk value with that. So that's kind of how I use the finance factor tool.

Now, last thing I want to mention here or show you is there are some older submission or submit a CNA. So CNAs are submitted prior to the release 2.3. Now if you look up that, those CNA submissions, what you'll notice is that the extra row of information, the un-inflated needs, that's not fair because these were submitted before the release 2.3 happened; okay?

So let me just show you real quick maybe. So I'm going to pull up an earlier version of Bay View apartments that was submitted back in January. So that's going to pull this guy out. And if you expand the financial schedule, you'll notice here -- yeah. The un-inflated needs is not there. So what happens if you export that and want to check this application with the financial factor tools version 3.0, what do you have to do to use the latest financial factor tool?

So you'll kind of basically go through the same steps of converting this stored as text and numbers back into real numbers. All you have to do is actually just create an extra row here in the Excel file. So above -- so insert a row above inflated needs and you can just go ahead and leave that as blank. And then select your field of info or data and then you go over to the financial factor tool and you can go ahead and paste here.

So as long as these fields lineup okay, so this blank row of data, this is not actually used in the calculation of financial factor tool version 3.0 so this could just be left blank. So while we care about the rest of the fields lining up correctly. So once you do that, you'll still be able to see the

results here. In the older version, we noticed that the minimum balance requirement for year one through 10 is met, but it does not pass the test. So that's what we failed. Okay. So I think that's about it. So back to you David.

David Wilderman: All right. Thank you Kevin. We haven't stopped for questions yet in this session, so I think we should do that now. Shawn, have we gotten any questions on any of the items that we've discussed so far?

Shawn Gaspar: Yes. At this point, no. David, we have not.

David Wilderman: Okay. Quiet group. So moving on. Another thing that's been changed in release 2.3 is what we call the header. So when you locate a CNA in the application in one of the portals, and you open it, you'll see at the top a certain arrangement of summary Information, the assessment ID number, it's status, who the reviewer assigned, the date it was submitted, the date a decision was made, if any, and so forth.

And so what I've put in the red boxes here are pieces of information that did not previously appear in that header but which now do. So up to two property ID numbers and if it's two and not just one -- well, actually what happens is that the name on the ID is shown and then the number and the ID itself. So if this was a USDA property, there would be a single row of information here and it would say AMS and then the number. And if it was an asset management CNA, and no FHA number was needed.

There would be a single row here and it would just simply say HUD and the eight digit number, nine digit number beginning with eight. So also we provide the number of units plus the number of buildings, 241 units, 22 buildings, the year built and we described the -- who the -- what the agency CNA type and program is. So here we've got HUD and asset development and it's a 213 cooperative, Section 213 of the Housing Act.

So this is helpful, especially I think for lenders and HUD staff to see at the top some of the basic parameters for the CNA. The next and probably the most important change that we made is something that we call save as draft. And this is a solution to a problem that we had experienced where it was difficult for -- well, actually it wasn't difficult, it was impossible for submitters to save a work in progress.

So for example, if they had validated a CNA in the lender portal, and were in the process of responding to flags and uploading attachments but had not yet finished that work and then needed to do something else or leave the office or answer a phone call or whatever. If they were timed out or if they closed the application without finishing that work and submitting it, then that work was lost. There was no interim save feature between entering the information and submitting. And that was a problem.

So now that problem's been fixed and it's called save as draft. And so here's kind of how it works. So you can see here in a CNA, the CNA submission tab of the lender portal, we've got our validation report and we can open flags and enter flag notes, we can open the attachment file and upload -- designate files to be attached or uploaded and we can put our name, we put our

email address, and we can submit. But the scenario here is one where we're not ready to submit, but we've done a bunch of work and we want it saved.

So instead of putting our name and email address and so forth, and clicking submit, we simply push this button that says save as draft and when you do save as draft, it creates -- it changes the status of the CNA. It does not change the assessment ID number, but it does change its status and it's no longer received for validation. It's saved as draft. And so if you were to go to locate CNA the day after you had saved this original item as saved as draft CNA, you would go to locate CNA and you could search for all the drafts that you have.

And when you clicked search you would see them all. If you entered the project name plus the save as draft, then you would search that and only one should show up. And only one will show up because just like you can only have one submitted CNA under review at one time for one single project. You can also only have one working draft of a CNA for one project at one time.

We did that to avoid having three or four versions, drafts of the same CNA and not being able to distinguish them. If they're simply validated and received for validation and each one of those is -- can be a separate version and you can have five or six of them, but when you go to save as draft, you're going to pick one and use it.

And that's why it's singular in nature by project. And we'll use that same project ID scheme that we already described in order to manage versions and avoid duplicates. So in the past, a returned CNA was read only and because you can use this -- we've set this save as draft feature up also as a means of revising a returned CNA. Now it's not a 100 percent solution for revisions that are sometimes required, but it helps a lot.

So if you have a CNA that's been returned to you by the agency, by HUD because it's -- well, for whatever reasons HUD decided that they were unhappy with some element in the CNA and they returned it to you. If your response to the returned CNA does not require that you amend the assessment tool entries merely to address flags differently or address flags that you've missed or didn't address or to delete an attachment, revise it and then reattach the revised attachment or add some attachments that HUD wanted, but you didn't have, anything like that.

If it doesn't involve amending the assessment tool, then you can make the change, save it as draft, and not have to resubmit. You'll be able to, without having to redo all the notes and redo all the attachments. So how does that work exactly? So here before July 31st or whatever it was, any return CNA was a read only file. And the lender could not change it. You could see it and read what all the notes that HUD had entered and so forth and decide what you needed to do about those notes, but you couldn't actually change anything and there was no way to convert that return CNA to a read/write file.

Well, now you can convert the return CNA to a read/write file by locating that return file, opening the return CNA, and then clicking save as draft. Now, unlike save as draft for validations, when you save as draft for a return CNA, it creates a new version and the reason for that -- and gives you a new assessment ID number. And the reason for that is that we always want the -- any return CNA to be a static document. We always want to know what HUD returned and why they returned it; right? So if you're going to respond and change that return

CNA, you first have to save it as draft and then you're able to make changes in the saved as draft version. You won't be able to change anything in the return CNA.

I hope that's making sense and if it doesn't, please ask your question. So after saving the return CNA as a draft, then you can go and edit the flag notes and detach an attachment that needs to be changed and reattach it or attach new attachments. And all this in response to agency or reviewer comments, all those comments will also still remain in the saved as draft version. So when you get through responding to the HUD comments or the agency comments, you can then click submit and this new version or revised version will be resubmitted.

And when HUD looks at it, they will see the complete play by play that has -- they'll see what you've entered as new flags or corrected flag notes. They'll see the response that or the reviewer note that was originally entered by the reviewer and they'll be able to compare their responses and see that -- see how the lender has addressed each comment that HUD had made that led to the return of the CNA in the first place.

Any questions about that? Anybody asking questions about that, Shawn?

Shawn Gaspar: Yes. We have two questions so far. The first question is, "Are there other trainings for the e-Tool that are introductory?"

David Wilderman: Actually, yes. There are a good number. And let me show you how to find some of those. If you go to the CNA e-Tool homepage, you will find under -- I don't know. Oh, recorded webinars. So if you click here you'll see lengthy list of all the webinars and training sessions that we've done over time and we try to organize these a little bit so that you can find things based on what they were or what their topic was and each of these and we also give you the time for each.

We did a full set of tutorials, as we call them, based on either the form of the assessment tool. We did a training for each form and we've done trainings for certain topics. So this is the list and so if you're looking for our standard instruction, you'll find a lot of it right here.

Another place you can go is resources. You go to AAQ where there's a library of questions and responses to questions. So if a particular question or issue is something that you think somebody might have asked a question about, you can search ask a question by certain topics or a form -- the form name and find what questions have been asked and answered about that particular topic. Shawn, where are our Web-based training resources here?

Shawn Gaspar: Okay. Go under -- you're talking about the module.

David Wilderman: Yes.

Shawn Gaspar: So that would be under training and then HUD exchange training module.

David Wilderman: There we go. So we also -- at the very outset of implementation of the CNA e-Tool, we prepared about a half dozen training modules. These are Web-based training modules. They're fairly elementary and so if you're looking for a place to begin, you would go to

HUD exchange, you can click to it right from this screen and look at the training modules which are listed effectively in the order that a beginner would follow.

So first there'll be an introductory description of the assessment tool and how it works and how the system works and so forth. So that would be -- I think many of our listeners are well past that stage, but of course there are new people coming on board all the time and new employees coming to firms that are -- that use the e-Tool constantly.

So this is a good way to learn if you haven't done this before. Another thing to do would be to look at our sample documents. So we have a set of sample documents where we've completed an assessment tool and you can look at this and see what a completed CNA would look like in the assessment tool and some of the other documents that you might use to attach.

So I hope that answers that question. Any other questions?

Shawn Gaspar: Yes. One more at the moment. "Is there any location where we can download this PowerPoint slide?" The one that you're going over now?

David Wilderman: I believe, and Chantel can correct me, but I believe that we're posting this slide deck. And also, I think that Chantel will be emailing it to all participants as soon as this webinar concludes.

Chantel Key: Yes. David, that's correct.

David Wilderman: So yeah. You'll be able to see the slide deck within a matter of minutes after this session concludes. Well, maybe hours. I'm not sure how long it'll take Chantel to do it, but it'll get done shortly. Any other questions Shawn?

Shawn Gaspar: Not at this time.

David Wilderman: All right. Okay. So we were talking about how to edit flag notes and so forth, this is when you're -- this would be the flags panel and this is where you enter flag notes and if you had returned CNA you would probably already have flag notes entered here, but they -- it might be a reviewer comment here from HUD saying they disagreed with this comment; they didn't understand it. It wasn't fully -- it didn't fully cover the issue or something. And they might be asking you to explain more, in which case you would use the save as draft feature to make that change. Leave all your other flags that would be here alone.

And this might be the only issue that HUD was unhappy with, or it might be one of two or three or four or half dozen items that needed attention and you could make those half dozen changes without having to do anything else and then be able to resubmit and that is much faster than what people had to do before where they had to start from scratch. That was not a -- that was a mistake on our part on our original design and it caused a lot of angst and we're happy that we've been able to get it fixed.

And, of course, you can add or detach any item that you've uploaded as attachment. You'll notice though, when you open the save as draft version after you've created it, when you look at the --

there'll be two attachments panels, not just one. One will show you the attachments that already exist and allow you to delete any of them, the other will allow you to add revised attachments or new attachments. And that's why there are two.

One shows you here that you have these present already in the tool and do you want to get rid of some of them? And perhaps one of these is one that HUD has said they thought was incomplete or insufficient. So you're going to delete it and then you're going to work on it for a day or two or three days or send it back to its original author and have them work on it. And when you're finished correcting it, then you're going to attach it again here in the second attachment box. And you can also save as draft as many times as you like.

So you might have finished some work on the flags, and then save that as -- by pushing this button, update draft. And then three or four days later you might get the corrected attachment from your other third party. And you might upload that and then click update draft again because maybe there's a second one and then a day later you get the next one. Then now you are finally finished and you're ready to submit so then you would click submit.

Then there's this delete button, delete draft. Why would you have that? Well, here's why we put it there. As we told you, there was only -- you can only have one saved as draft version for any particular project at one time. So let's say that you started to make revisions, so you saved a return CNA as a draft and you were visibly making changes and revisions when some other fact came to your attention or something changed and you're in the scenario that you were working with.

The owner decided, well, that whole set of repairs that we were going to make that HUD was dissatisfied with is actually not going to be effective. So we're going to take another approach. And so here's a different set of repairs. Well, oops, that requires a revision of the assessment tool and then you would validate that and then you would want to save it as a draft and you wouldn't want this particular draft that you were previously working on anymore and you wouldn't want two of them.

So you would have to delete the draft you were working with in order to create a fresh draft, so because you can only have one at one time and it would be -- it would be a mistake to have a -- your CNA results and your assessment tool unmatched, in fact, it's almost impossible to do that, but you wouldn't want to have two or three drafts and then manage to submit to HUD the wrong one. So that's why we limit the number of drafts you can have to a single item.

And that's why you have to be able to delete the draft because if you want to actually make major changes, then you would have to be able to delete any draft you previously had for the same project. So that's why the -- you have the three buttons, you update the draft that you've already saved and you can update it as many times as you want before you submit it, where you can submit it. And then it ceases to be a same draft. It disappeared from locate CNA as a saved draft.

Now when you locate that same CNA its status says submitted or under review or you can delete the draft and it simply disappears all together. Okay. So we've also created on that list of tutorials and I just showed and answered that gentleman's question or that listener's question, we have

recorded -- we recorded in July, I think it was, a sequence of tutorials about this -- about release 2.3, and this is the occasion for various tutorials directly from the CNA e-Tool homepage.

So you would go here, that's that list of CNAs that we showed you. Let me show you that again. There it is. These are the five that are really about release 2.3. So if you didn't want to sit through this whole presentation or watch it over again or something because you wanted to refresh your memory about parts of it, then you can just select this one 13-minute item or this five-minute item that addresses a portion of what we talked about in this entire webinar; right?

So that's if you don't want to have to search through the whole hour, hour and a half of this recording, you only want to look at the financial schedule portion, you can look at the six minute item. We thought that would be helpful.

Shawn Gaspar: David, we do have some additional questions.

David Wilderman: What are they?

Shawn Gaspar: Okay. "Do assessors or perspective assessors need to have some sort of certification on the e-Tool system?"

David Wilderman: No.

Shawn Gaspar: Okay. I mean --

David Wilderman: We do not discourage and would not discourage any industry group from creating a training and certification program. We think that would be a constructive step and indeed we've had some conversations with some of the leaders in the industry on that topic and we would support any efforts to do that merely as a means of improving the training and really in essence lifting the burden of training and preparation of all the training from us to the users, people who actually use the system and who may be able to do a better job of training and recognizing training needs and preparing training materials.

So we would be delighted if that happened, presumably if there were a training program of that type, there would be some type of recognition that would be given to those who took the time to take the training and presumably people who hire needs assessors might find value in that certification or in that certificate of completion. But there's nothing that HUD requires. No.

Shawn Gaspar: Okay. Next question for Section 202 and 811 properties. "It had been communicated that the CNA e-Tool usage was suspended. Is that still ongoing?"

David Wilderman: That's true. Yes. In time that is likely to change, it's likely to change, I don't know exactly when it might change, but the change is likely to hinge on this, on several possible factors. One is an appropriate user ID that would enable needs assessment or property owners to become submitters. That presently doesn't exist and but it will as after release 2.4 but that's one of the requisites before the requirement for CNA e-Tool use by owners would be revived. And the second thing that might be a requisite is the changes that we intend to make in release 3.0.

Now, most people don't know anything about 3.0 yet, but it is a major release, it'll be a major change that will take the assessment tool and reconfigure it as a Web-based tool instead of an Excel based tool. And this will make -- we think will make life a lot easier for most of us and we'll probably be able to support a graphic user interface that's friendlier for smaller properties. And so that would be one of the other possible things that would happen before we would go back to asking Prac owners to use the automated tool.

Shawn Gaspar: David, the same person who asked the question, wanted to know about HAP, is that also suspended?

David Wilderman: HAP.

Shawn Gaspar: Yeah. H-A-P.

David Wilderman: Well, all I know the only name I have or the only way I understand that acronym is Housing Assistance Payments Contracts. I'm not sure that that's what the questioner meant, so if that's -- so I'm not sure what the context, so I don't know what the question is -- is what I guess I'm saying.

Shawn Gaspar: Okay.

David Wilderman: If maybe the questioner could rephrase it or try another phrasing so that we could get -- understand what it is he's looking for in the way of an answer.

Shawn Gaspar: Okay. I asked that. For rephrasing?

Another question. "Could you show us where to get the latest version of the CNA e-Tool?"

David Wilderman: Sure. That's pretty easy. Now, once again, you go to the CNA e-Tool homepage and I believe we have the actual URL for the homepage as embedded in one of the slides. So you'll be able to capture that from the slide deck when it's distributed to you. But -- so here's the CNA e-Tool homepage. Now you'll notice that this page is actually, has a number of redundancies.

So you see the assessment tool here. You see the assessment tool here, you see it here and the reason you see in these multiple places because this webpage is organized by user. So if you're a needs assessor, you can go here and seeing the things you need to see. If you're a HUD reviewer, you can go here. If you're working with RAD transactions, you can go here. If you're an FHA lender, you go here and so forth.

But the assessment tool here and the assessment tool there and the assessment tool there are all the same tool, they're just different place, different locations or clicking points where you can find it based on who you are, what your interest is. So the most recent CNA assessment tool version is right there. And click there then you click here. It should open momentarily. Not sure we're going to want to wait that long given the fact that my computer is slower because I have the Webinex application up, but here it is.

All right. There it is. You enable content and you can just click through the worksheets. And then each worksheet has a form and you answer the questions in the form. You can also move up and down in this navigation panel to any form that you need to enter data for and you can do that without moving from the underlying worksheet. Okay. So this -- I didn't intend this to be a webinar on how to use the assessment tool, but that's sort of what gets you started.

Shawn Gaspar: Great. Great. So the questioner clarified on the HAP. They said, "For the 202 Section 8, is it suspended currently?"

David Wilderman: That is my understanding. Yes. They are not -- now, if you were doing -- so what I think what they're talking about is a new Housing Assistance Payments Contract or a rent increase where the rent increase is in excess of certain percentages based on increased annual deposit for the R4R.

So I would encourage them to -- I wouldn't trust my answer per se exactly on that, I would check with your account executive or send an email to Jennifer Larson here at headquarters. Jennifer, is our CNA e-Tool -- she's my counterpart in the office of asset management and portfolio oversight.

Shawn Gaspar: I'll provide that to everyone so they have it if they have any asset management questions.

David Wilderman: Excellent. Okay. So yeah. The HAP is Housing Assistance Payments Contract and their various renewals of HAPs require CNA as I understand it. And rent increases often require a CNA.

Okay. So let me stop sharing and go back to our slide deck if there are no more questions.

Shawn Gaspar: One more, one more. It should be a quick one. "The assessment tool page list 1.2v7, but the webinars discussing 2.3. Can you explain the difference?"

David Wilderman: Oh, yes. The assessment tool is an Excel spreadsheet. It's one of the four parts of -- in the tool box of things that we generally label CNA e-Tool. So the other parts are a validation engine, which is a Web-based portal which is open to the public. It's not secure.

Then there's something called the lender portal or the submission portal, which is where submitters do their work and most of the submitters currently active or FHA insured, mortgages, mortgagees and/or lenders.

And then there's the reviewer tool, which is a Web-based location that HUD staff use to review the CNA and read all the results after the CNA's been submitted. And then I guess the fourth item in the four parts, well, let's see the assessment tool, validation engine, vendor portal, reviewer tool. The first of those is an Excel file.

The next three are what we call the application, meaning the three different Web-based portals and then instructions. So the instructions are multiple, but the primary instructions that cover all these, how you use the assessment tool, what each individual cell, represents, what, whether it's a

number or a dollar figure or what is it or name or something that's covered in what we call the instructions for users and the assessment tool, which is a document that you can download from the CNA e-Tool homepage.

Shawn Gaspar: David, we have two more questions. "Have HUD account executives been trained on 10-year PCNAs yet?"

David Wilderman: Well, that's a good question. And I would say somewhat, but I would also confess that more work is needed more training. And for the benefit of the listeners, you should understand that while I'm sort of responsible for the principal spokesman for the CNA e-Tool, I work in multifamily production, which means that I'm in branch of multifamily that originates new loans. I am not in asset management and not able to make them do things on my timeline.

So CNAs are quite important in the production field because we use them for every transaction and it's a crucial part of our underwriting process, CNAs are in terms of the overall workload and the total overall responsibilities of asset management are not that -- are a lesser a portion of their work. So they have a lot of other training needs and so forth that they have to address and so it's a slower process to get everybody up to speed on e-Tool.

Shawn Gaspar: No additional questions at this time.

David Wilderman: Okay. So now this is I guess where we were supposed to do Kevin's demo of the R4R financial factors tool, but that's okay. We already did it. Also published on July 30th of 20 -- of this year was an administrator memorandum that covered several points that had become problematic for us, and which either changed instructions that we were originally issued when the CNA e-Tool was first put in place last fall or addressed unforeseen problems that we recognized after we had a whole lot of submissions and then could see patterns that we thought were not helpful or that needed to be addressed.

And so that's what the purpose of this administrative memorandum was. And so you might say, well, where can I see this memorandum? It's not very long, but you would see it, again from a CNA e-Tool homepage. So, under guidance here, you have administrative memo, CNA narrative, photos R4R dated July 20th, 2018. So you click here and there's the memo. So everything I'm about to say is already said here in this memo.

So I encourage you to -- if you need detail about this to open it and read it. In the meantime, we will go back to the slide and we'll just talk about it briefly. So the guidance addressed how to do narratives and also how to do photography. And last -- explain the arithmetic for the minimum balance and the amortization test for deficits.

Now, let's go through each of these in turn. I've already shown you where to find the memo. And I guess I don't have slides that go into this in detail. So what I'll do is go back to the memo -- and hang on a second. Okay. Here's the memo. So excuse me a second. Well, actually, it's 2:00 o'clock. We're scheduled to end shortly so let's move through this quickly.

At the outset we told people that they could write all their narrative in a separate document and just attach it. And then what started to happen was that we began to get pdfs of the entire paper

traditional CNA submitted as an attachment and then some of those were too big for the attachment size.

And so we cut them up into pieces and then submit those and they would have labels like CNA part one, part two, part three, part four, and so forth, which was really maybe the easiest way for them to do it, but for submitters to do it, but it made it very difficult for HUD staff to follow what was being presented. In part because, where did part one, I mean, what subject matter was in part one? What other subject matter was in part two and where would you find the photos? Who would know?

And so that was a procedure that we quickly recognized was not workable for our HUD -- for our staff and needed to be changed. So we're now saying that you should use the appropriate Section of the assessment tool to enter narrative and when you don't have enough space or need more space then you should create an attachment in as a Word file or a pdf that would be directly associated with the Section of the ASTM outline on from the narratives form and attach it.

And then you should actually refer to the attachment in the narrative that you've entered in the assessment tool. So this is a picture of the narrative form and the assessment tool, these are the outline topics. Now, you don't have to write something about every one of these, but if you're writing something that is irrelevant in one of these, and this is where you should write it and it would go in this box down here, you could easily prepare this commentary as a Word file, and then cut and paste for each topic into this box.

A reason you might do that in just because this box is limited to 2000 characters and of course, Excel it's not the best tool for writing text or narrative, but Word is, and when you write it in Word, you can use the various tools in Word to count characters and so forth, and format your text and otherwise make it look pretty, and then simply cut and paste it into this box. This is what results; I'm going to show you another reason why we want it to be done this way. Let's open a assessment summary report.

Here's an assessment summary report and so this is a report that's available to all users when they validate or submit. And it creates a paper or printable version of the whole CNA, so it gives you basic information and then it gives you narrative and you'll see the outline headings. These are straight out of that assessment tool I just showed you and this is the text that's been entered. And what's important here is notice what I've highlighted here.

So the CNA is really a kind of specialized communication. It's a communication about property conditions that have built in some buildings and but it's still communication. So what you want is you want to create a communication that your reviewer, your HUD reader will readily understand and quickly come to a conclusion about so that he can do -- he or she can do a better job and do it more quickly.

That's what good communication does. Bad communication means that your reviewer's unhappy. They can't find things. It's taken them a long time, they're agitated and unhappy with you and more inclined to return your CNA with lots of complaints. You don't want that to happen.

So learn how to use this tool to communicate effectively. It can be done and we're showing you here exactly how you would do that. You enter comments in the assessment tool narrative form, and you make sure that you highlight or I don't mean you highlight them as I have here, but you include references to other pieces of information that you've attached, like all the photos. If you see something that's true and you want to talk about it and you want to illustrate it, tell us which photo to look at while we're reading the sentence.

If you've written a special detailed explanation about some complicated mechanical system or something, notice here details and attachment 3.4 water upgrades. So now I know that we've done a bunch of repairs that are going to improve our water consumption results and reduce our operating expense. And I'll need more information about it.

And I'm going to find it right here in this attachment called 3.4 water upgrades. Great. So this functions like an executive summary, essentially. It tells me you should focus on including in this text the most important things that you've observed about the property, what are the most important things that we need to know about the property.

You don't have to -- you don't want to enter a bunch of boiler plate or standard language and so forth here. You want to give us the facts, just the facts ma'am. And this facilitates the review. So if you have a relatively straightforward project, maybe a new construction deal five years ago, and now it's being refinanced, things are in pretty good shape. There's not a lot to see here.

Well, you tell us this in this narrative. Give us good reason to move quickly through this one. But if you've got a more complicated situation, 35 or 40 year old property with various problems and we're going to need to upgrade the heating and air conditioning. We're going to need to do this. We're going to need to do that. You tell us that here as well, and then when we need specific details, create it as a separate document and attach it.

Shawn Gaspar: David?

David Wilderman: Yes.

Shawn Gaspar: Yes. We had one more or another question come in. They said hopefully at some point there'll be training specific to 10 year submissions as this is all our office would be submitting. I'm not sure if that was a question or just kind of -- I'm noting --

David Wilderman: I share that hope and I mean, we -- it's a known need and I'll do everything I can any way to help us and LAMPO [ph] get that done.

Shawn Gaspar: Okay. One more question.

David Wilderman: We did bring some key account executives here to Washington. We did a three or four days session with them. They've been talking to each other about how to best tackle some of the issues that are present and how to address and explain to their colleagues how to deal with the electronic CNA.

Shawn Gaspar: Okay. Another question. "Which PHAs or programs require use of the e-Tool?"

David Wilderman: All loan applications, and in asset management, I can show you here, you can actually look at the assessment tool itself and see what that is. The other thing you can do is read the mortgagee letter that implemented the CNA e-Tool, which is among the guidance items on the CNA e-Tool homepage. But if you open -- just a moment while this opens for me.

Okay. And were going to go here and open the form. Asset development, here are all programs that for which a CNA e-Tool must be used. Asset management, here are all events. Now, in this case I think some of these events are required and some of them are possible but not required. I think ultimately all of them will be required, but it's the process of step by step implementation. So what I know for a fact are currently required our 10 year updates and partial payments of claim. I think these others will be coming along later.

And under recapitalization these are the programs, RAD public housing, RAD multifamily, RAD Prac when and if it's implemented, Mark to Market, post Mark to Market and this catch-all for any specialized situations that they have. That's the best I can do for a short answer.

If there's something that you're doing that isn't clear to you from this answer, then I would check with your account executive, your transaction manager for a RAD deal or I think that you check with me for asset development because that's the one Section that's not absolutely confident enough. Basically if you're doing a loan application, you have to do a CNA and it has to be done with the e-Tool. Any other questions?

Shawn Gaspar: Yeah. "Should I use the e-Tool for to request to increase the monthly reserved deposit for my annual funding renewal?"

David Wilderman: Sure.

Shawn Gaspar: I'll repeat that. "Should I use the CNA e-Tool to request an increase in the monthly reserve deposit with my annual funding renewal?"

David Wilderman: I don't know the answer to that, at least not as asked. So it sounds like an asset management question.

Shawn Gaspar: Right. I provided Jennifer Larson's email address for folks to contact about asset management.

David Wilderman: Yeah. I'm not entirely familiar with the annual funding request. That's the terminology that's --

Shawn Gaspar: They said annual funding renewal.

David Wilderman: Well, maybe they mean a half renewal. I'm not sure. But I'm sure Jennifer can -- if they talk to Jennifer or email Jennifer. They could get an answer. Any other questions?

Shawn Gaspar: Yes. With the introduction of the e-Tool will a hard copy full PCNA still be needed for HUD applications i.e., for example, the 221(d)(4)?

David Wilderman: No. We believe -- in fact we dealt with a query earlier today. Now, we recognize that not every person, every staff member that we have is not fully up to speed and may be asking you to do things that we actually don't want them to ask you to do. One of those things is asking you to submit a traditional paper CNA as a separate document or a pdf of that document as an attachment.

We specifically do not want that done because I mean, what's the point of having a CNA e-Tool if we're going to require a traditional paper document? It's just double work. And so, no. We don't want that. And now there are some needs assessors and users who say, well, I want that traditional paper document because my customer wants it. I want to be able to -- that's how I want to share the information with them.

Well, that's fine. You can do that if you want, but we've been pointing out to people that you can produce a pretty adequate paper document, CNA by downloading and printing things from the e-Tool, especially if you do the narrative is as we've just described, because then you can use that assessment summary report and attach the same attachments that you had attached to the CNA, you could attach to that document. And that would be -- I think if I were an owner and at one point I represented owners, it would be perfectly satisfactory to me.

Let me finish this comment about the administrative memorandum so that we can let people hang up if they want to. If anybody wants to ask questions they can do so and we'll stay on the line for that.

Okay. So we already went through the narrative aspect of this. Then there's photography. Many of our lenders and needs assessors had faulted us for the change in the MAP guide where we required that we have photographic evidence provided to us on every fifth unit inspected. So every fifth unit you walked into and to inspect, you would take photographs, you would label those, described them and put those in a photo album that you would pdf and upload. Well, so we've modified the 1 in 5 requirement became onerous in a number of situations and now we've rewritten that.

And you can read how it's been rewritten in this particular -- in this administrative memo. We do want more photography than we were accustomed to receiving before. That's true. And that's related to several things. It's related to the fact that photography is so cheap and easy nowadays, and especially when you do it electronically, but it's also related to the fact that HUDs not doing as much traveling as they used to and we're not able to get out and see as many properties as we used to be able to see.

So we're relying on needs assessors and lenders to be our --to take us with them when they visit the site by means of photography and show us what they're seeing. That's the point. Okay. So the last thing in this administrator memorandum was about the financial factors and a couple of people brought to our attention that we use the phrase minimum -- we used language in the description of the MAP guide that could be misconstrued. We called it the negative balance right here, for example. And the negative balance in the view of some observers was the difference between an account with zero money in it and needs in excess of that. So in short, you had needs that were in excess of the balance in your account or your account had gone essentially below zero.

So when that happened, then you can apply the amortization test to see if it was mitigated and they would apply that test to the amount of money needed to bring the account up to zero. Well, in fact, the actual calculation that we intended and the one that was always built into the R4R financial factors tool was not the difference between the actual -- between zero and the amount needed in the account or but rather the difference between the required minimum balance, which is always a positive number. Usually on an average sized project it'll be 85, 95 or \$100,000 because the minimum balance in FHA speak is equal to one year's average of needs or five percent of the total un-inflated needs for the 20 year estimate period.

So the amount of money that you compare to 50 percent of the amortization of the loan, it's not the negative balance, it's the difference between the minimum balance and your actual calculated balance, assuming it's below zero. And that's a little hard to explain and I don't think I've done that good a job of explaining it, but the administrative memo is pretty clear and if you use the R4R financial factors tool, you don't have to worry about it because it calculates it correctly.

Okay. Any final questions?

Shawn Gaspar: One. It doesn't appear to so much as a question but a statement and they say we submitted a request for a 10 year analysis and one of our account executives asked me to complete the tool. So just a statement they were making.

David Wilderman: Okay. Well, again, I would rely on the account executive and if there and if you're not happy with that and then email Jennifer Larson and follow the answers that you get. That's the point here is that I cannot speak for asset management in a definitive way, it's not that I'm ignorant about everything that they're doing, but some of these questions need to be addressed to them.

Shawn Gaspar: No additional questions, David.

David Wilderman: All right. Well, I want to thank everybody for your attention. Again, Chantel, will be sending you this slide deck of the actual presentation has been recorded and I believe that the best of the three or maybe all three will be posted so that you can listen to any one of them that you want.

And then there were the five tutorials that will allow you to carve out a particular topic or a subset of this information and look at it in a lot less time than it would take to try and find it and listen to a portion of this long presentation.

So thank you very much and we'll see you next time. Bye Bye.

(END)