

## REAC Physical Inspection Overview

I. The Public and Indian Housing-Real Estate Assessment Center (PIH-REAC) - is a national management center located in Washington, DC. It is a part of HUD, but separate from the Multifamily Housing program office. REAC operates under the Office of Public and Indian Housing. PIH-REAC receives the funding to carry out inspections from the Office of Housing.

- A. The mission of PIH-REAC is to centralize and standardize the way HUD evaluates the condition of Public and Multifamily housing properties. This provides HUD and Multifamily Housing with a complete and uniform picture of the financial and physical condition of the Multifamily housing portfolio.
- B. There are approximately 30,000 FHA Multifamily properties that are eligible for REAC inspection. These properties either have insured loans, subsidies or both. PIH-REAC is responsible for contracting and scheduling inspections for each of these properties following the 3-2-1 schedule as provided for in the regulation. The 3-2-1 schedule is discussed in depth later in this document. REAC also oversees the scheduling of inspections by servicing mortgagees as well as all quality assurance activities to monitor contract inspectors. Over the past nine years approximately 10% of the properties inspected received scores below 60. Of that number approximately 300 did not receive a passing inspection score on the second and were subject to enforcement action.
  - REAC is responsible for data on HUD Multifamily properties to assess the overall condition of a property. For FHA Multifamily Housing properties REAC only collects data in three areas:
    - Physical condition of properties
    - Financial condition of the properties
    - Resident Satisfaction Level

MFH has collected Residential satisfaction data in prior years; however, this data was used primarily to assist in developing program guidelines. As a result no score is associated with residential satisfaction in the MFH program area.

- II. Notification – Inspector must notify the Owner/agent not less than 15 days in advance to arrange a date and time to conduct a REAC Physical Inspection. The inspection is to be scheduled for a date and time that is mutually acceptable to both the Owner and the inspector. The inspector may not demand that the inspection be conducted on a date unacceptable to the Owner.

During that preliminary telephone conversation with the owner or agent, the Inspector will:

- A. Advise Owner that a representative from their company must accompany the inspector at all times throughout the inspection;
- B. Briefly explain the inspection process so the Owner knows what to expect on inspection day;
- C. Advise the Owner that the Owner must provide written notice to residents at least 15 days in advance that the inspection will take place and that their units may be inspected. The notice should cover a three (3) to five (5) day period surrounding the scheduled date in order to avoid having to provide additional notice for unexpected delays. It is not necessary for the resident to be present during the inspection. Because the Owner knows the property better than the inspector does, he/she should advise the inspector if the length of time allowed to perform the inspection seems unreasonable. An inspection that carries over beyond the scheduled date and/or time is an inconvenience to both the Owner and residents.

### III. REAC Protocol

- A. REAC has established a comprehensive and standard set of rules and procedures with respect to the physical inspections, referred to as the Uniform Physical Condition Standard (UPCS) inspection protocol, to gather the physical data on HUD programs. Inspectors must strictly adhere to the UPCS protocol
- B. Inspectors assess the condition of the following five (5) areas of a property during an inspection:
  - **Site** - fencing and gates, grounds, mail boxes/project signs, market appeal, parking lots/driveways/roads, play areas and equipment, refuse disposal, retaining walls, storm drainage, and walkways/stairs;
  - **Building Exterior** – doors, fire escapes, foundations, lighting, roofs, walls, and windows;
  - **Building Systems** – domestic water, electrical system, elevators, emergency power, exhaust system, fire protection, heating/ventilation/air conditioning and sanitary system;
  - **Common Areas** – basement/garage/carport, closet/utility/mechanical, community room, day care, halls/corridors/stairs, kitchen, laundry room, lobby, office, other community spaces, patio/porch/balcony, pools and related structures, rest rooms/pool structures, storage, and trash collection areas;
  - **Units** – bathroom, call-for-aid, ceiling, doors, electrical system, floors, heating/ventilation/air conditioning, hot water heater, kitchen, laundry area (room), lighting, outlets/switches, patio/porch/balcony, smoke detectors, stairs, walls, and windows.

The Inspector assesses the condition of the property and records each of his/her findings in a hand-held data-collection device (DCD). The physical inspection report must reflect the condition of the property, and each item inspected, at the time of inspection. The inspection report is a “snap-shot in time”. Inspectors may not change their findings to reflect repairs made during the inspection. The buildings and units inspected are selected randomly by the inspection software at the beginning of the inspection. The inspector cannot provide advance information on what buildings and/or units will be inspected and must meet with the owner and/or agent prior to beginning the inspection to ensure that the profile of the building is correct. If the inspector fails to do this the owner and/or agent should stop the inspection and contact the REAC Technical Assistance Center at 1-888-245-4860 to reschedule the inspection.

- C. Among the steps outlined in the UPCS inspection protocol, the inspector must
- Identify himself/herself as a contractor providing inspection services to HUD. PIH-REAC Quality Assurance inspectors/reviewers who monitor inspector performance are HUD employees and will identify themselves as such;
  - All inspectors must display his/her HUD-issued photo identification badge at all times during the inspection;
  - Always be accompanied by the property Owner or his/her representative while on the property.
- D. The Owner or representative must open all closed doors within a unit for the inspector.
- E. If, at any time during the inspection, the Owner or his/her representative believes that the inspector is not following UPCS inspection protocol or that his/her conduct is unprofessional, rather than arguing with the inspector, the Owner may call PIH-REAC’s Technical Assistance Center (TAC) at (888) 245-4860 to request that the inspection be rescheduled with another inspector.

#### IV. Health and Safety Hazards during the Inspection

- A. The Owner or representative will be provided with a written notification of all Health and Safety hazards identified by the inspector. Those deficiencies must be corrected immediately and the Owner/representative must advise HUD or the Performance-Based Contract Administrator within three (3) business days of the date of the inspection that these items have been mitigated. A letter certifying that the violation(s) have been corrected must be drafted on the Owner’s letterhead and mailed to HUD or the PBCA within three (3) business days of the date of the inspection. This letter will be associated with the properties file.
- B. Eight (8) Exigent Health and Safety hazards may be identified in accordance with the UPCS inspection protocol:

- a) Propane, natural gas detected
- b) Exposed wires or open electrical panel
- c) Water leaks on or near electrical equipment
- d) Blocked or unusable emergency of fire exits
- e) Window security bars preventing exit
- f) Blocked fire escapes or ladders
- g) Missing gas-fired hot water heater/hvac
- h) Inoperative/missing smoke detectors

## V. REAC Inspection Scores

- A. The physical condition of the property will be scored based on the results of the inspection. The scores range from 0 to 100. Based on that score, the property will received one of the following 3 designations:

**Standard 1 Performing Properties** – the highest performing score is 90 points or higher. These properties are inspected once every three (3) years.

**Standard 2 Performing Properties** – the performing score is 80 to 89 points. These properties are inspected once every two (2) years.

**Standard 3 Performing Properties** – the performing score is 79 or less. These properties are inspected annually.

**Scores Below-60** – Properties that receive inspection scores below 60 will be referred to the HUD Departmental Enforcement Center (DEC).

- B. Physical inspection reports include the level of severity of each deficiency identified during the inspection. The levels range from 1 to 3, with 3 being the most severe. Level 3 also includes non-Exigent Health and Safety deficiencies. Exigent Health and Safety deficiencies are not scored.

## VI. Owner Response

- A. **Property Scoring 60 or Above** - For properties receiving a REAC score of 60 or above, the Owner is instructed to make the required repairs as indicated by their inspection results as part of their ongoing maintenance program.
- B. **Property Scoring 59 to 31**- Effective November 1, 2002 all Multifamily properties receiving a new REAC physical inspection score below 60, will be referred to Department of Enforcement Center (DEC) and may receive a 2530 flag in the APPs system. At that point the Owner will be contacted by the DEC staff and receive a Notice of Violation (NOV). This notice will address the reason for violation under the specific contractual document you may hold with HUD, the Owner will then have 60 days to make all necessary plans for repairs outlined in the REAC inspection.

Within the 60 day timeframe REAC will notify the Owner of a new inspection date. *However, the Multifamily HUB Director may exercise discretion to withhold based upon good cause. For example: If the project is currently under an approved HUD work plan, the HUB has received an approval application for transfer of physical assets to a new Owner with sufficient funds to immediately repair the property beginning within 90 days, or the Owner is in the process of refinancing the mortgage with HUD insurance within the next 90 days, and adequate funds will be escrowed, and repairs will be required as part of the transaction. The Owner will be required to submit a certification to Multifamily on a monthly basis stating that all E H& S item have been mitigated and the property is being maintained to standard.*

- C. **Property Scoring 30 or below** - When the score is 30 or below, REAC will make an automatic physical referral to the Department Enforcement Center (DEC). While DEC is evaluating the property, the Owner must resolve any EH&S hazards that may exist. DEC action would depend on the Owner's response and/or mitigation of the deficiencies.

## VII. REAC Review Process

There are two processes available to challenge a physical inspection score - technical reviews and database adjustments. The criteria for technical reviews and database adjustments are different. Requests for technical reviews must be submitted separately from requests for database adjustments.

### A. REAC Technical Review (TR) Process

An Owner has 30 calendar days to a) review the physical inspection results and property score and determine if these indicate that an objectively verifiable and material error(s) occurred in the inspection, which if corrected would result in a significant improvement in the property's overall score; b) request a technical review by the REAC of the property's physical inspection results.

Examples of technical review items include:

- Building Data Errors
- Unit Count Error
- Non-Existent Deficiency Errors

REAC will not consider the following for a Technical Review:

- Disagreements over the severity of a defect, such as deficiencies rated Level 3 that the property Owner thinks should be treated Level 1; or
- Deficiencies that were repaired or corrected during or after the inspection.

All requests for technical reviews must include documentation to sufficiently support the request. Include only information relevant to your request. Examples of appropriate documentation include:

- Written Materials
- Letters from tradesmen or coding officials
- Photographs
- Site maps
- Videos

If the REAC's evaluation determines that an objectively verifiable and material error has been reasonably documented by the Owner, then the REAC will take one or a combination of the following actions: Undertake a new inspection, correct the inspection report; or issue a new score.

A re-inspection is not available for an Owner simply because the Owner believes that the property should receive a higher score or because non-material errors which result in an insignificant improvement can be shown (for example: a property receives a score of 82 and the Owner wants a score of 86). If a re-inspection is required and the new inspection score results in a significant improvement from the original physical inspection score, HUD will pay for the new inspection.

A request for a technical review of the physical inspection results must be submitted in writing to REAC at the address listed below, along with a copy to the Multifamily Hub Director and/or the Performance Based Contract Administrators. This must be received by REAC **within 30 days**<sup>1</sup> following REAC's submission of the physical inspection report.

**U.S. Department of Housing and Urban Development  
Office of Public and Indian Housing  
Real Estate Assessment Center  
Attn: PASS Technical Reviews  
550 12<sup>th</sup> Street, S.W., Suite 100  
Washington, DC 20410  
1-888-245-4860**

#### B. Database Adjustment (DBA)

Property Owners/agents must request database adjustments in writing to REAC, **Attn: PASS Database Adjustment** (with a copy to the Hub and/or the Performance-Based Contract Administrator) **within 45 days** following issuance of the physical inspection report. .

1. Database adjustments include:

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<sup>1</sup> The Code of Federal Regulations allows 15 days for a Technical Review request. However, very early on an administrative decision was made to allow 30 days. The REAC will honor the 30 days for Technical Review.

- Local Conditions and Exceptions – conditions that are allowed by city codes.
  - Ownership Issues - roads and sidewalks owned by the city, or fencing/retaining walls owned by adjoining properties.
  - Adverse Conditions beyond the Owner’s Control – deficiencies caused by natural disaster or a third party.
2. The following do not qualify for a database adjustment:
- Deficiencies noted during the inspection that were corrected during or after the inspection.
  - Deficiencies caused by the residents.
  - Circumstances addressed in the technical review.
3. REAC will not accept any database adjustment request without appropriate documentation. Examples include written materials from the local fire marshal or building code official, photographs with the date that reflect the inspectable item, and videos should include the date and specific location.

#### VIII. Tenant Involvement

- A. Once the inspection report is released to the Owner, and for a reasonable time after the inspection has been closed out by the HUD or the Performance-Based Contract Administrator, the Owner must keep, and make available in the property office, during normal office hours, the following, as the documents are developed and issued:
- EH&S citation, if applicable, and all project/inspection related correspondence
  - The REAC physical report and all project/inspection related correspondence
  - Owner’s physical survey
  - Owner’s plan (or MIO Plan) approved by the MFH HUB/Program Center
  - Owner’s certification(s)
  - Owner’s and MFH HUB/Program Center project/inspection related correspondence

If the tenants have any questions or concerns, they may contact the local Program Center to make their concerns known to the HUD Project Manager.

Owner must post a notice to the residents in the Owner’s management office and on any bulletin boards in common areas that advise residents of the availability of the materials. The notice should include the name, address, and telephone number of the HUD Project Manager or Performance-Based Contract Administrator.

## IX. E-Mail Notifications to Improve communication

As you may already be aware, inspection reports are no longer mailed to the Owners/agents via United States Postal Service. The Owners and agents must retrieve their released inspection reports directly from HUD's Secure Systems. PIH-REAC also uses e-mail to notify its industry partners whenever an inspector records an EH&S deficiency during an inspection. The notification will generally be dispatched within 24 hours after the completion of the physical inspection.

In addition to the EH&S notice, REAC will also provide electronic notices concerning other important events relating to inspections; e.g., when a physical inspection is accepted, rejected, overdue, uninspectable or placed on hold for Quality Assurance evaluation.

To achieve maximum benefit a property Owner must have established access rights to HUD's Secure Systems. If you do not have access to Secure Systems you can register at the REAC web site at: [www.hud.gov/reac](http://www.hud.gov/reac). You may also visit this web site for general information concerning REAC or contact you local HUD Field Office.

### Most Frequently Cited Deficiencies

Following are examples of maintenance items that, if repaired prior to inspection, could make a significant difference in your physical inspection score.

1. HVAC – the hot water heater Pressure Relief Valve discharge tube must extend to *within* 18 inches of the floor;
2. Misaligned Chimney – the vent stack on gas operated hot water heaters or furnaces must be properly aligned;
3. Missing HVAC Covers – there must be covers on all baseboard heaters;
4. Access to the Electrical Panel – access to electrical panels must not be blocked by furniture or other items;
5. Open Fuse Ports – Open fuse ports must be covered. Replacement covers may be obtained from a local hardware store;
6. Doors Damaged Seals – the factory-installed seals on Exterior Doors, such as building or unit doors, must be in place and undamaged;
7. Doors Damaged Hardware – Exterior door hardware locks or latches and Fire Doors function as designed;
8. Security Doors – security doors *must not* have dual-side key locks;
9. Kitchen – Damaged Stoves/Ovens – all stove burners and oven must be working. Check to ensure that pilot lights are lit;
10. Plumbing – be sure pipes and faucets are not leaking, and that areas around any leaks have been cleaned up and repaired;
11. Damaged Sinks/showers – be sure that any hardware problems are repaired, diverters are working, drains have stoppers, hot or cold water handles are in place and working. Make sure the water valves located under the sinks are turned on prior to the inspection;
12. Clothes Dryers – must be properly vented to the outside from units or laundry rooms;
13. Storm Water Sewers – be sure they are not clogged with trash, leaves or other debris;
14. Sanitary Sewer Damaged Covers – caps located in the grass on the exterior of the building that have been damaged by a lawn mower should be cleaned out. Replace and mark the areas to prevent further damage;
15. Trash Chutes – be sure hardware is in place and the chute door closes and latches properly;
16. Trash Receptacles – must not be overflowing and must be of adequate in size for the property;
17. Auxiliary Lighting – the back up lighting must work even if the test light does not work;
18. Leaking Domestic Water – Check to ensure that there are no leaks in the domestic water supply. This includes the hose bibs located on the building exterior;
19. Switchplate Covers – replace all cracked or broken covers.
20. Call-for-Aid – The system must be operational and cords and switches must serve their intended function.
21. Site – remove all Tripping Hazards on sidewalks or parking lots;

22. Site – maintain fences and gates and ensure that they are in good working condition;
23. Site – correct an erosion and/or ruts found the grounds;
24. Fire Extinguishers – maintain current certificates and check to ensure that tags/stickers are attached to the extinguisher itself; not located on a fixture or box, or on the wall. When fire extinguishers are removed, be sure that all associated hardware is also removed and any damage is repaired. You may be cited if it appears to the inspector that an extinguisher is missing;
25. Windows Damaged – repair broken, cracked or fogged windows ensure that all windows open, close and lock as intended;
26. Roof – be sure that mechanical exhaust vents are working and that all drains are free of debris;
27. Damaged Roof – ensure that there are no missing shingles and that the rubber membrane is not torn or damaged;
28. GFI outlet – make sure that test buttons trip and reset when manually tested;
29. Damaged Walls – both exterior and interior walls must be free of damage and the paint on painted walls must be in good condition (not peeling or cracking);
30. Emergency Egress/Blocked Access – items such as Non Breakaway Security Bars or A/C units in windows must be properly installed or removed. If cited as a deficiency during an inspection and you can subsequently provide a letter from the local authority (Fire Marshall) certifying that the condition meets local code, you *may* have the deducted points returned by submitting a request for a database adjustment if you have a letter from the local Fire Marshall, building code inspector, other local inspector or licensed architect stating that the specific deficiency cited meets all local fire codes.

You may also request a ***Pre Inspection*** Database Adjustment. The inspector will still record the deficiency as an existing condition; however REAC will make an adjustment to the inspection prior to releasing the final inspection results. This process can also take place on projects undergoing modernization work in progress at the time of the inspection. Requests for Pre Inspection Database Adjustments should be submitted well in advance of the inspection to allow sufficient time for processing. The request should be sent with accompanying documentation to the local HUD MFH field office or MFH HUB Center a minimum of eight weeks prior to the scheduled inspection.