



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-8000

OFFICE OF THE ASSISTANT SECRETARY
FOR HOUSING-FEDERAL HOUSING COMMISSIONER

Special Attention of:

All Multifamily Hub Directors
All Multifamily Program Center Directors
All Multifamily Operations Officers
All Multifamily Directors of Project Management
All Contract Administrators

Notice H-2011-11

Issued: June 28, 2011

Expires: June 30, 2012

Cross References:

Subject: Revisions to Handbook 4350.1, Chapter 6: Conducting Management Reviews

A. Purpose

After reviewing staff and housing industry comments on revisions to the Handbook 4350.1 Chapter 6 on conducting management reviews, the Department has determined that revisions are necessary at this time. The revisions here will improve and clarify the processing of these reviews for Contract Administrators, and corrects the methodology for establishing an overall score. "Rounding up" is no longer the protocol; there will now be no rounding until the final step in the calculation, and then the final number will be rounded to the nearest whole number. Included with this Notice is a utility (Attachment 1) for use by reviewing officials to perform all of the necessary calculations.

B. Revisions

The following revisions are being made to HUD Multifamily Asset Management and Project Servicing Handbook 4350.1, Chapter 6: Conducting Management Reviews, effective immediately:

1. Due to Annual Contributions Contract (ACC) requirements, Contract Administrators (CA) have limited flexibility in scheduling Management and Occupancy Reviews (MOR). The Note at the end of Section 6-8. On Site Review, will now read, "For projects that have been designated as 'troubled' based on Real Estate Assessment Center (REAC) physical inspection issues, HUD and mortgagee reviewing officials should attempt to schedule the on-site review within three months of the REAC inspection report release."
2. Section 6-8. On Site Review, at the first bullet following the first Note, will now read: "Reviewing a sampling of Exigent, Health, and Safety (EH&S) problems identified in the REAC physical inspection if the report was released **within twelve months** prior to the on-site review. The reviewing official

should consider these items a priority and the sampling process should assure that all EH&S deficiencies have been corrected (emphasis added).”

- Section 6-11.D. Determining Overall Ratings, is revised and now reads, “Once the reviewing official has determined a Performance Value for each category, an overall rating must be assigned to the review. To determine the overall rating, the reviewing official will multiply their assigned Performance Value by the Percentage of Overall Rating for each category. Once all tested categories have been assigned Performance Values by the reviewing official, the total of Calculated Points is divided by the total Percentage of Overall Rating and rounded to the nearest whole number.” Below are examples of overall rating calculations based on dissimilar types of reviews.

Example A: Rating when all categories are reviewed.

Performance Category	Performance Indicator	Performance Value	Percentage of Overall Rating	Calculated Points
General Appearance and Security	Satisfactory	71	10%	7.1
Follow-up and Monitoring of Project Inspections	Satisfactory	71	10%	7.1
Maintenance and Standard Operating Procedures	Below Average	62	10%	6.2
Financial Management / Procurement	Below Average	62	25%	15.5
Leasing and Occupancy	Below Average	62	25%	15.5
Tenant-Management Relations	Satisfactory	71	10%	7.1
General Management Relations	Satisfactory	71	10%	7.1
Total	Below Average	470	100%	66

Multiply the derived performance value by the assigned percentage of the overall rating for each category. Once all tested categories have been calculated based on the performance indicator and performance indicator values, the total calculated points is divided by the total percentage of overall rating and rounded to the nearest whole number.

Enter 0 for any category that is not being reviewed as part of this MOR.

User enters values for any or all Performance Value categories, and the Total box returns the score.

Example B: Rating with “Superior” categories.

Performance Category	Performance Indicator	Performance Value	Percentage of Overall Rating	Calculated Points
General Appearance and Security	Superior	94	10%	9.4
Follow-up and Monitoring of Project Inspections	Superior	94	10%	9.4
Maintenance and Standard Operating Procedures	Above Average	82	10%	8.2
Financial Management / Procurement	Above Average	82	25%	20.5
Leasing and Occupancy	Above Average	82	25%	20.5
Tenant-Management Relations	Above Average	82	10%	8.2
General Management Relations	Above Average	82	10%	8.2
Total	Above Average	598	100%	84

Multiply the derived performance value by the assigned percentage of the overall rating for each category. Once all tested categories have been calculated based on the performance indicator and performance indicator values, the total calculated points is divided by the total percentage of overall rating and rounded to the nearest whole number.

Enter 0 for any category that is not being reviewed as part of this MOR.

User enters values for any or all Performance Value categories, and the Total box returns the score.

Example C: Rating with “Unsatisfactory” categories.

Performance Category	Performance Indicator	Performance Value	Percentage of Overall Rating	Calculated Points
General Appearance and Security	Below Average	60	10%	6
Follow-up and Monitoring of Project Inspections	Below Average	60	10%	6
Maintenance and Standard Operating Procedures	Unsatisfactory	10	10%	1
Financial Management / Procurement	Satisfactory	71	25%	17.75
Leasing and Occupancy	Satisfactory	71	25%	17.75
Tenant-Management Relations	Unsatisfactory	10	10%	1
General Management Relations	Satisfactory	71	10%	7.1
Total	Unsatisfactory	353	100%	57

Multiply the derived performance value by the assigned percentage of the overall rating for each category. Once all tested categories have been calculated based on the performance indicator and performance indicator values, the total calculated points is divided by the total percentage of overall rating and rounded to the nearest whole number.

Enter 0 for any category that is not being reviewed as part of this MOR.

User enters values for any or all Performance Value categories, and the Total box returns the score.

- Section 6-11.E, Limited Review Ratings, the language beginning at the second paragraph after the Note, and continuing through and including the Note to Example D1, is revised to read as follows: “For limited reviews where only certain categories are rated, the reviewing official would follow the same process illustrated above to derive the category weight. For example, if the reviewing official reviews all categories excluding Financial Management/Procurement, the calculation for the Financial Management/Procurement category will be omitted (set to zero) when dividing by the number of categories.”

Example D1: Rating when categories are not reviewed.

Performance Category	Performance Indicator	Performance Value	Percentage of Overall Rating	Calculated Points
General Appearance and Security	Satisfactory	71	10%	7.1
Follow-up and Monitoring of Project Inspections	Satisfactory	71	10%	7.1
Maintenance and Standard Operating Procedures	Satisfactory	71	10%	7.1
Financial Management / Procurement	Not Rated	0	0%	0
Leasing and Occupancy	Satisfactory	71	25%	17.75
Tenant-Management Relations	Satisfactory	71	10%	7.1

General Management Relations	Satisfactory	71	10%	7.1
Total	Satisfactory	426	75%	71

Multiply the derived performance value by the assigned percentage of the overall rating for each category. Once all tested categories have been calculated based on the performance indicator and performance indicator values, the total calculated points is divided by the total percentage of overall rating and rounded to the nearest whole number.”

Enter 0 for any category that is not being reviewed as part of this MOR.

User enters values for any or all Performance Value categories, and the Total box returns the score.

If you have questions regarding this Housing Notice please contact your local HUD office or contact your desk officer in the Office of Asset Management located in Headquarters.

/s/

Robert C. Ryan
Acting Assistant Secretary for Housing –
Federal Housing Commissioner

Attachments