

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT
BUDGET ACTIVITY 13: REAL ESTATE ASSESSMENT CENTER

SCOPE OF ACTIVITY

The Real Estate Assessment Center (REAC) was designed to restore the public trust in HUD's important housing programs and is a key component of HUD's 2020 Management Reform Plan. REAC's mission is to improve the quality of the Department's housing stock by providing timely and accurate assessment of HUD's real estate portfolio and the nearly one million single-family appraisals performed for new homebuyers annually. REAC also helps verify the income of public housing residents to ensure that housing subsidies are properly paid. REAC's activities renew public confidence in Government because they genuinely help make decent, safe and sanitary housing a reality for millions of American families.

WORKLOAD

1. Physical Condition Assessment. The REAC prescribes a standard building physical condition inspection protocol to assess the physical condition of properties. Trained and certified contractors, using hand-held computers, objectively record the conditions of more than 500 data elements at each property. In fiscal year 2002, REAC will add two new business lines to the inspection process; Lead Base Paint and Real Estate Owned inspections. All inspection results are transmitted electronically to REAC for review and scoring. Scores and report results are made available to PHAs, owners, and HUD staff via the Internet. Owners are required to completed needed repairs. To ensure that all contractors are performing accurate and timely inspections, REAC staffs perform quality assurance inspections periodically on every contract inspector.

REAC expects to complete inspections on approximately 26,500 properties in fiscal year 2002.

(Dollars In Thousands)

	Direct Charge Contracts	Quality Assurance Contracts	WCF Contracts
PIH	\$5,110	\$1,200	\$1,742
Housing (Not to Exceed)	6,092	5,836	8,613

2. Financial Soundness Assessment. REAC has developed an Internet-based financial assessment system that enables HUD to obtain real time access to program participant financial data in a secure systems environment. Using standard financial performance ratios and statistical scoring models, REAC provides HUD program officers with financial assessment scores that are used to identify risk, focus program resources and support enforcement actions. To ensure that the financial statements are accurate and are based on GAAP, on-site quality assurance reviews are perform by REAC staff. Additionally, financial data is used for trend analysis and comparative analysis of overall program management.

REAC expects to complete the assessments of financial statements from 3,169 PHAs, 7,000 lenders and over 21,000 multifamily properties in fiscal year 2002.

(Dollars In Thousands)

Funding Source	Direct Charge Contracts	Quality Assurance Contracts	WCF Contracts
PIH	-	\$1,549	\$3,832
Housing (Not to Exceed)	\$1,000	2,132	6,360

3. Customer Satisfaction Assessment. Through REAC, HUD is completely revamping the way it works with its primary customers--residents of public- and FHA assisted multifamily housing. Now they can directly communicate their level of satisfaction with their living conditions through HUD's Customer Service and Satisfaction Survey. To ensure objectivity, REAC uses a computerized program to randomly select tenants to be surveyed. A contractor mails survey questionnaires and enters resident responses into a database. Raw survey results are electronically transmitted to REAC for scoring and analysis. Scores and survey reports are provided to PHAs, which are required to develop action plans to address resident concerns. Multifamily owners use survey results as a management tool. The customer satisfaction survey helps make HUD and its housing partners more accountable to the people we serve.

REAC expects to survey all 3,169 PHAs and 130,000 multifamily properties in fiscal year 2002.

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(Dollars In Thousands)

Funding Source	Direct Charge Contracts	Quality Assurance Contracts	WCF Contracts
PIH	\$4,540	\$260	\$819
Housing (Not to Exceed)	740	420	1,061

4. Management Operations Assessment. To obtain an annual assessment of the management operations, REAC has developed a Management Operations Assessment System. This is a secure web-based system, that authorized users access via the HUD-REAC website. Users enter detailed information to describe their management operations in each of six areas; vacancy and unit turnaround, capital fund, rents uncollected, work orders, annual inspection of units and systems, and security and economic self-sufficiency. Unlike other REAC assessments, the management operations submission is a self-certifying and makes adjustments for physical conditions and neighborhood environment. As with REAC's other assessment systems, management data submitted is reviewed and scored electronically and results are posted to the secure REAC website.

REAC expects to receive, review and score management data from all 3,169 PHAs in fiscal year 2002.

(Dollars In Thousands)

Funding Source	Direct Charge Contracts	Quality Assurance Contracts	WCF Contracts
PIH	\$1,578

5. Integrated Assessment System. REAC is the data source for annual assessment and scoring of PHA performance under the Public Housing Assessment System (PHAS) Rule published September 1, 1998 (24 CFR 901 + 902). Consistent with the rule, scores from physical, financial, management and resident satisfaction assessments are combined to form a single PHAS score. PHAS scores are used by PIH to identify troubled PHAs and refer them to Troubled Agency Recovery Centers for technical assistance.

In addition, REAC is the data source for annual assessment of multifamily properties. REAC produces physical, financial and resident satisfaction assessments. The assessments will be used as the basis for property, portfolio and program analysis and overall risk assessment of Multifamily Housing Programs.

REAC expects to produce PHAS scores for all 3,169 PHAs. In addition, REAC will produce integrated assessments for the entire multifamily portfolio of approximately 28,000 properties in fiscal year 2002.

(Dollars In Thousands)

Funding Source	Direct Charge Contracts	Quality Assurance Contracts	WCF Contracts
PIH	...	\$604	\$940
Housing (Not to Exceed)	...	1,208	1,167

6. Tenant Income Assessment. REAC's tenant income verification process is a state-of-the-art fraud prevention system. It uses sophisticated computer matching software to compare tenant-reported information in HUD systems with income data stored in Social Security Administration and Internal Revenue Service databases. When the income information does not match, REAC sends discrepancy reports either to tenants or to PHA administrators and property owners who must resolve the differences. Tenants who under-report their income in order to qualify for larger rental subsidies may have their assistance reduced or terminated or potentially face prosecution. In addition, REAC has customer service centers in Chicago, IL and Seattle, WA to assist tenants with inquiries.

REAC expects to perform computer matching of 4.5 million tenants in fiscal year 2002.

(Dollars In Thousands)

Funding Source	Direct Charge Contracts	Quality Assurance Contracts	WCF Contracts
PIH	...	\$561	\$1,292
Housing (Not to Exceed)	...	561	1,292

7. Single Family Appraisal Quality Assessment. In 1998, HUD announced a Homebuyer Protection Plan that dramatically reformed the FHA appraisal process. Most significantly, appraisers are now required to prepare and give prospective buyers a Consumer Summary Sheet that lists potential physical defects in a concise readable format. Additionally, REAC developed an assessment system to review and score the quality of all FHA single family appraisals. The REAC appraisal quality system includes national testing of all FHA appraisers, statistical appraisal review and risk rating of every new FHA appraisal and targeted field reviews on those appraisals and appraisers that pose the greatest risk to the homebuying public.

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REAC expects to review 41,000 appraisals in fiscal year 2002.

(Dollars In Thousands)

Funding Source	Direct Charge Contracts	Quality Assurance Contracts	WCF Contracts
Housing (Not to Exceed)	\$8,880	\$9,029	\$2,623

8. Customer Support. The need for customer support services is critical to the success of the REAC's mission. These services include information technology support, training, contracting services, and a customer service telephone center.

(Dollars In Thousands)

Funding Source	Direct Charge Contracts	Quality Assurance Contracts	WCF Contracts
PIH	...	\$604	\$1,273
Housing (Not to Exceed)	...	906	1,535

TRAVEL

The table below identifies travel requirements unique to this activity. All travel for this activity is by Headquarters staff.

	ACTUAL	BUDGET	CURRENT	ESTIMATE	INCREASE +
	2000	ESTIMATE	ESTIMATE		DECREASE -
		2001	2001	2002	2002 vs 2001
(Dollars in Thousands)					
Travel	\$1,035	\$4,034	\$1,778	\$1,778
Total.....	\$1,035	\$4,034	\$1,778	\$1,778

Extensive travel is required to ensure that the quality assurance plans for the physical inspection, financial reviews, single family appraisal reviews and tenant verification reviews are performed. To complete the business required by REAC, a travel budget of \$1,778 thousand is required. Without the full funding, these inspections and reviews will not be completed. These inspection/review efforts are a critical part of the Departments efforts to restore the public trust in HUD's important housing programs and are key components of HUD's 2020 Management Reform Plan.

The fiscal year 2002 estimate is level with the 2001 current estimate.

CONTRACTS

The table below identifies contract requirements unique to this activity and is followed by a brief description.

	ACTUAL	BUDGET	CURRENT	ESTIMATE	INCREASE +
	2000	ESTIMATE	ESTIMATE		DECREASE -
		2001	2001	2002	2002 vs 2001
(Dollars in Thousands)					
Contracts	\$541	\$4,000	\$998	\$998
Total.....	\$541	\$4,000	\$998	\$998

The requested funding represents estimates for the on-going REAC operations based on the physical condition, financial, management and customer satisfaction assessments.

The fiscal year 2002 estimate is level with the 2001 current estimate.