

CAHEC

30 

YEARS

Rewriting the Script:  
HUD's New  
Inspection Model

ZEFFERT & ASSOCIATES

# OPENING CREDITS

## About the Actors

### Jeffrey Promnitz

**Chief Executive Officer**

Zeffert & Associates

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Jeffrey Promnitz is a regular panelist, motivational speaker, and trainer on national and local circuits covering fair and accessible housing, affordable housing best practices, and the advancement of profitable multifamily investments. He also serves as Adjunct Faculty with the University of Missouri - St. Louis. He stands firmly for the growth of multifamily investors because they power the affordable housing of more than just families, but entire communities.

### Fred Donnell

**Manager, Inspection Services**

Zeffert & Associates

[fdonnell@zeffert.com](mailto:fdonnell@zeffert.com)



Fred is responsible for overseeing day-to-day operations of inspections for NSPIRE, UPCS, Capital Needs Assessments, and 504 Transition Plans. Among his chief responsibilities is to ensure the department upholds its strong reputation in the speed and quality of inspections for clients. Fred is a certified UPCS Inspector through the National Association of Housing and Redevelopment Officials.

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Strengthening Communities

# THE SHOW FOR TODAY

## National Standards for the Physical Inspection of Real Estate “NSPIRE”

### ACT I

#### **NSPIRE Prequel**

### ACT II

#### **NSPIRE and Why it Matters**

(for owners/agents, suppliers, and HFAs)

### ACT III

#### **Journey through an NSPIRE Inspection**

*#tbl is that NSPIRE is the biggest change for multifamily housing physical condition compliance in nearly 30 years!*

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# NSPIRE Prequel

## The National Standards for the Physical Inspection of Real Estate

### What is NSPIRE?

- An inspection protocol developed and overseen by REAC (Real Estate Assessment Center), a division of HUD (the US Department of Housing and Urban Development).

### What is meant by a “protocol”?

- Specific requirements to have consistent application and enforcement of quality standards for (applicable) housing programs.

### What are applicable housing programs?

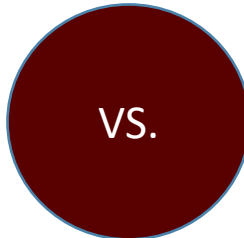
- All housing in HUD’s portfolio, properties with HUD-assisted residents, HUD insured properties; including Sections 202 (low income, elderly) and 811 (low income with disabilities).
- Additionally, there is strong rationale that housing credit properties (e.g. the Low Income Housing Tax Credit – LIHTC) will adopt NSPIRE (since they’ve largely utilized UPCS up to this point).

### When does this take effect?

- October 1, 2023; and for Public and Indian Housing properties on July 1, 2023. It became a final rule on May 11, 2023 when published in the F.R.

# NSPIRE Prequel

UPCS
• 1998
• Preserving assets (properties)
• Five inspectable areas
• Three deficiency levels
• Deficiency explanations







NSPIRE
• 2023
• Preserving health/safety (people)
• Three inspectable areas
• Over a thousand deficiency potentials
• Deficiency impact rationales

# NSPIRE and Why it Matters

**There are now over a thousand inspectable criteria at every property!**

- Health and Safety (H&S) components will comprise the **majority** of all rationales.
- Additional ones include the function and operability of systems or hardware, appearance, and structural integrity.

Life Threatening	Severe	Moderate	Low
 <p>Deficiencies that, if evident in the home or on the property, present a high risk of death or severe illness or injury to a resident.</p>	 <p>Deficiencies that, if evident in the home or on the property, present a high risk of permanent disability, or serious injury or illness, to a resident; or the physical security or safety of a resident or their property would be seriously compromised.</p>	 <p>Deficiencies that, if evident in home or on property, present a moderate risk of an adverse medical event requiring a healthcare visit; cause temporary harm; or if left untreated, cause or worsen a chronic condition that may have long-lasting adverse health effects; or that the physical security or safety of a resident or their property could be compromised.</p>	 <p>Deficiencies critical to habitability but not presenting a substantive health or safety risk to residents.</p>

# NSPIRE and Why it Matters




All H&S components are based on these eight factors, considered critical to habitability.



# NSPIRE and Why it Matters

**Fewer “areas” to inspect doesn’t reduce the potential number of deficiencies.**

- There are 62 “Standards” across these “areas” --
- Multiplied by hundreds of deficiency possibilities ---
- Gives us the 1,000+ potential issues any given property may face.

Unit	Inside	Outside
<p>A “Unit” of housing refers to the interior components of an individual dwelling, where the resident lives.</p>	<p>“Inside” refers to the common areas and building systems within the building interior and are not inside a unit. This could include interior laundry facilities, workout rooms, etc.</p>	<p>“Outside” refers to the building site, building exterior components, and any building systems located outside of the building or unit. This includes things like sidewalks, parking lots, and retaining walls.</p>
 <p data-bbox="932 805 1090 868">Unit</p>	 <p data-bbox="1467 805 1625 868">Inside</p>	 <p data-bbox="2002 805 2160 868">Outside</p>

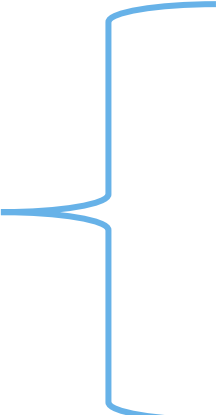


# NSPIRE and Why it Matters

**Scoring a property is significantly different!**

“Weights” are added at three points throughout the inspection, determined by:

- ✓ Defect Severity
- ✓ Defect Location
- ✓ Number of units inspected



Defect Severity	Outside	Inside	Unit
Life Threatening	49.6	54.5	60.0
Severe	12.2	13.4	14.8
Moderate	4.5	5.0	5.5
Low	2.0	2.2	2.4

# NSPIRE and Why it Matters

## The scoring formula

### Three Steps

1. Add together all of the scores from the inspection using the table
2. Divide this total score by the number of units inspected
3. Subtract this number from 100 to determine the property's overall NSPIRE score

$$100 - (\textit{Sum of all scores} \div \textit{Total units inspected}) = \textit{Property Score}$$

# NSPIRE and Why it Matters

## Let's learn how to calculate a score

As an example

A Hypothetical 10-unit inspection revealed:

- ✓ One (1) Life threatening deficiency in a unit  $\longrightarrow 1 \times 60 = 60.0$
- ✓ Three (3) severe deficiencies in a common area  $\longrightarrow 3 \times 13.4 = 40.2$
- ✓ And, ten (10) moderate deficiencies outside  $\longrightarrow 10 \times 4.5 = 45.0$

Defect Severity	Outside	Inside	Unit
Life Threatening	49.6	54.5	60.0
Severe	12.2	13.4	14.8
Moderate	4.5	5.0	5.5
Low	2.0	2.2	2.4

**Step 1**  
Add up the scores

145.2

$\div 10$

**Step 2**  
Divide by units inspected

14.52

**Step 3**  
Subtract from 100

$100 - 14.52 = 85.48$



# Journey through an NSPIRE Inspection

Where it all begins...or continues

## 1. Self-reported inspections

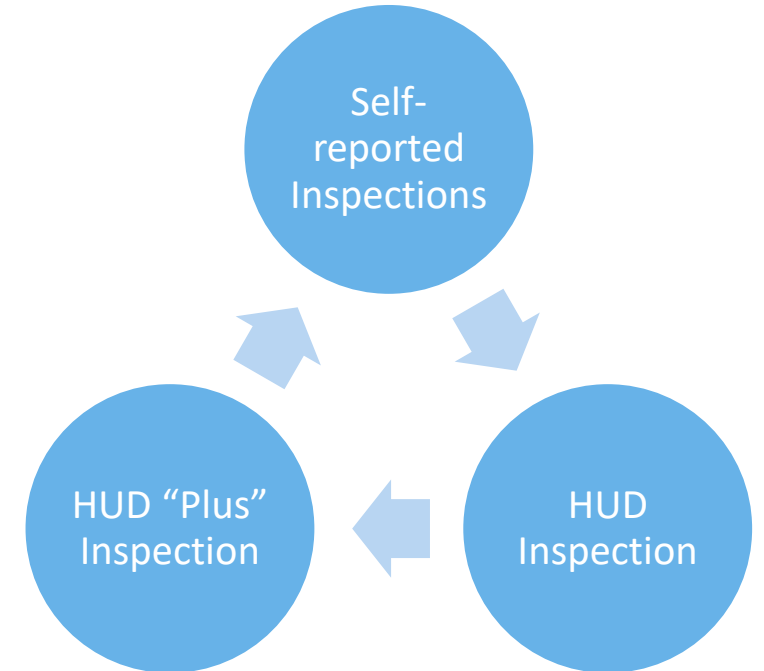
- Annually
- 100% of units

## 2. HUD Inspection

- Based on most recent inspection results
- At least every three years

## 3. HUD “Plus” inspections

- When triggered by complaint
- For known troubled properties



# Journey through an NSPIRE Inspection



**Let's "inspect" a property together!**

We'll use NSPIRE to rate:

✓ The five Deficiency categories

1. H&S Life threatening
2. H&S Non-life threatening
3. H&S Moderate
4. Function & Operability
5. Condition & Appearance

✓ In each of the three Areas

1. Unit
2. Inside
3. Outside

# H&S Life Threatening | Unit



**DEFICIENCY I – UNIT:** OBSTRUCTED EGRESS ON A BUILDING 4 STORIES OR MORE.

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**DEFICIENCY CRITERIA:** Egress door or window does not fully open.  
OR  
There is not a minimum of 2 unobstructed means of egress from a building to the public way and 1 unobstructed primary means of egress from the unit to the exit access.

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**HEALTH AND SAFETY DETERMINATION:** Life-Threatening      The Life-Threatening category includes deficiencies that, if evident in the home or on the property, present a high risk of death to resident.

**CORRECTION TIMEFRAME:** 24 hours

**HCV PASS / FAIL:** Fail

**HCV CORRECTION TIMEFRAME:** 24 hours

# H&S Life Threatening | Inside



DEFICIENCY I — UNIT: EXPOSED ELECTRICAL CONDUCTOR.

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DEFICIENCY CRITERIA: Electrical conductor is not enclosed or properly insulated (e.g., damaged sheathing, open port, missing knockout, missing outlet or switch cover, missing breaker or fuse, or missing lightbulb).  
OR  
An opening or gap is present and measures greater than ¼ inch.

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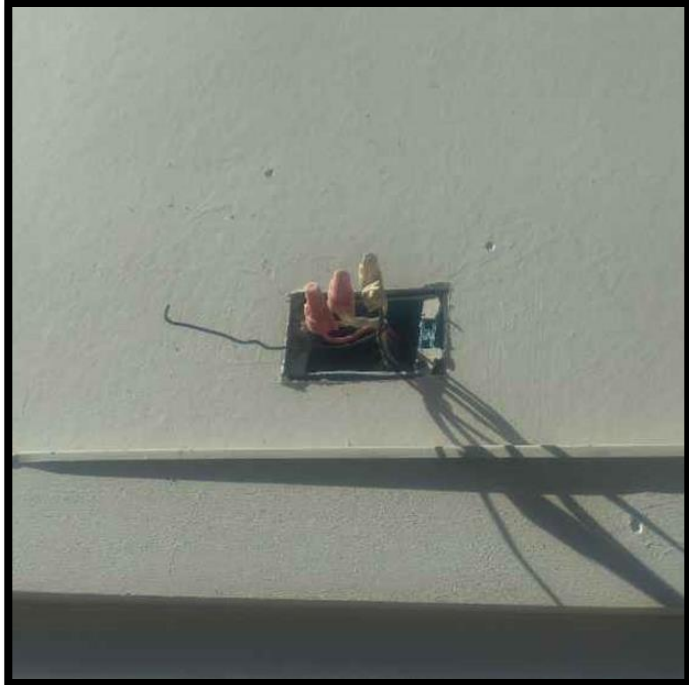
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CORRECTION TIMEFRAME: 24 hours

HCV PASS / FAIL: Fail

HCV CORRECTION TIMEFRAME: 24 hours

# H&S Life Threatening | Outside



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An opening or gap is present and measures greater than ¼ inch.

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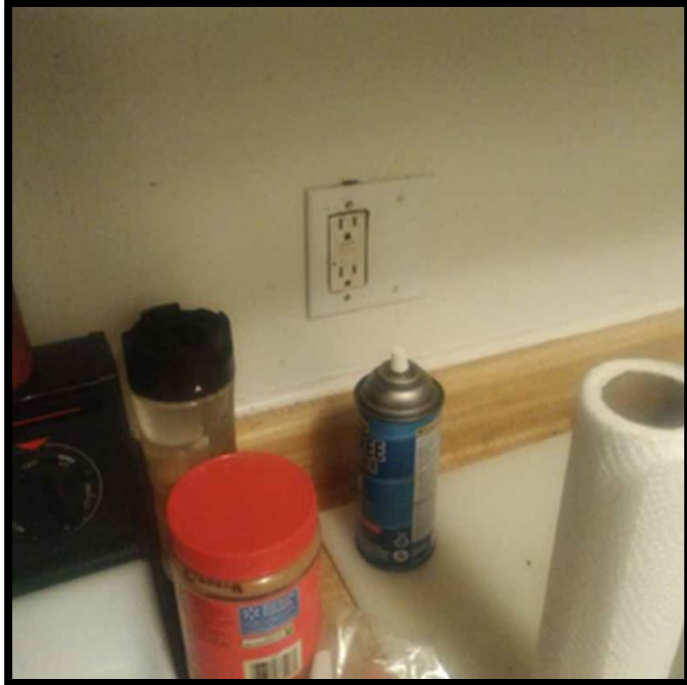
CORRECTION TIMEFRAME: 24 hours

HCV PASS / FAIL: Fail

HCV CORRECTION TIMEFRAME: 24 hours



# H&S Non-life Threatening | Unit



**DEFICIENCY I — UNIT:** GFCI OUTLET OR GFCI BREAKER IS NOT VISIBLY DAMAGED AND THE TEST OR RESET BUTTON IS INOPERABLE.

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**DEFICIENCY CRITERIA:** GFCI outlet or GFCI breaker does not have visible damage and the test or reset button is inoperable (i.e., overall system or component thereof is not meeting function or purpose).

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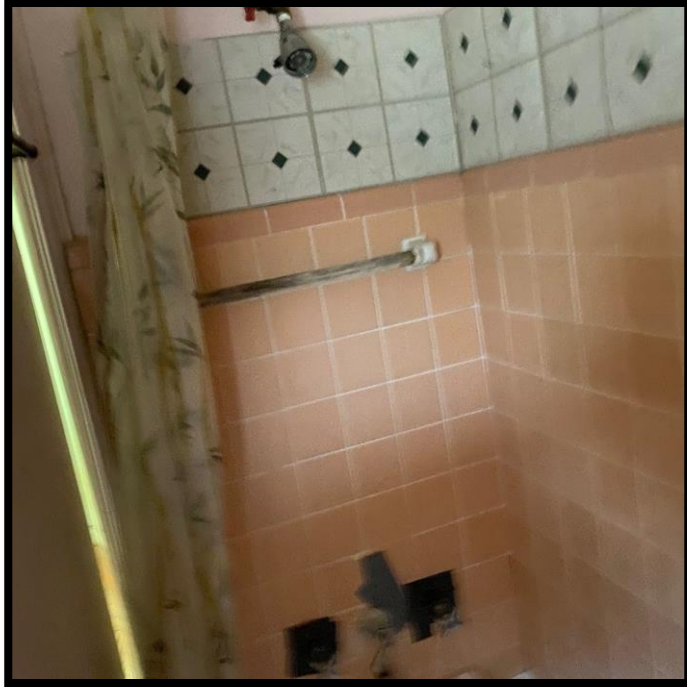
**HEALTH AND SAFETY DETERMINATION:** Severe Non-Life-Threatening      The Severe Non-Life-Threatening category includes deficiencies that, if evident in the home or on the property, present a high risk of permanent disability, or serious injury or illness, to a resident; or the physical security or safety of a resident or their property would be seriously compromised.

**CORRECTION TIMEFRAME:** 24 hours

**HCV PASS / FAIL:** Fail

**HCV CORRECTION TIMEFRAME:** 30 days

# H&S Non-life Threatening | Inside



DEFICIENCY I — UNIT: ONLY 1 BATHTUB OR SHOWER IS PRESENT AND IT IS INOPERABLE OR DOES NOT DRAIN.

DEFICIENCY CRITERIA: Only 1 bathtub or shower is present within the unit and it is inoperable (i.e., overall system is not meeting function or purpose, with or without visible damage) or standing water is present such that the inspector believes water is unable to drain.

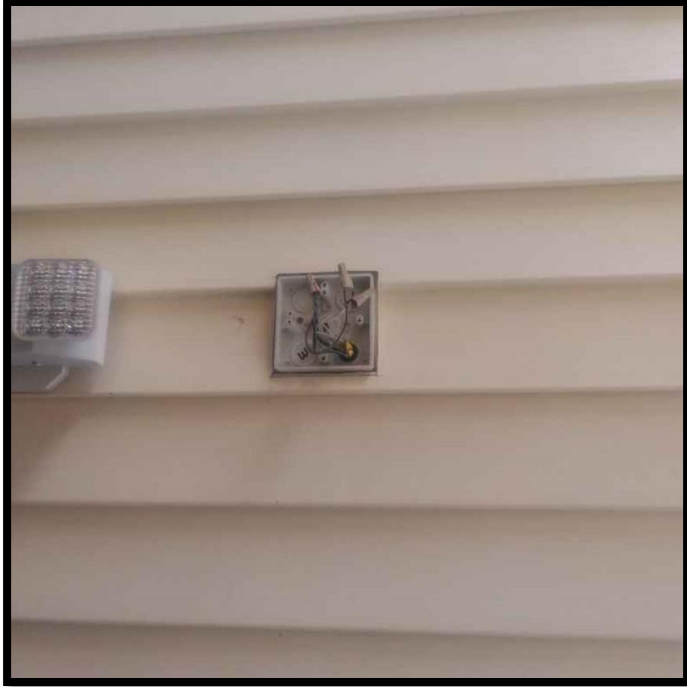
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CORRECTION TIMEFRAME: 24 hours

HCV PASS / FAIL Fail

HCV CORRECTION TIMEFRAME: 30 days

# H&S Non-life Threatening | Outside



DEFICIENCY I — OUTSIDE: AUXILIARY LIGHTING FAILS TO ILLUMINATE WHEN TESTED.

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DEFICIENCY CRITERIA: After pressing the test button, the auxiliary light does not illuminate.

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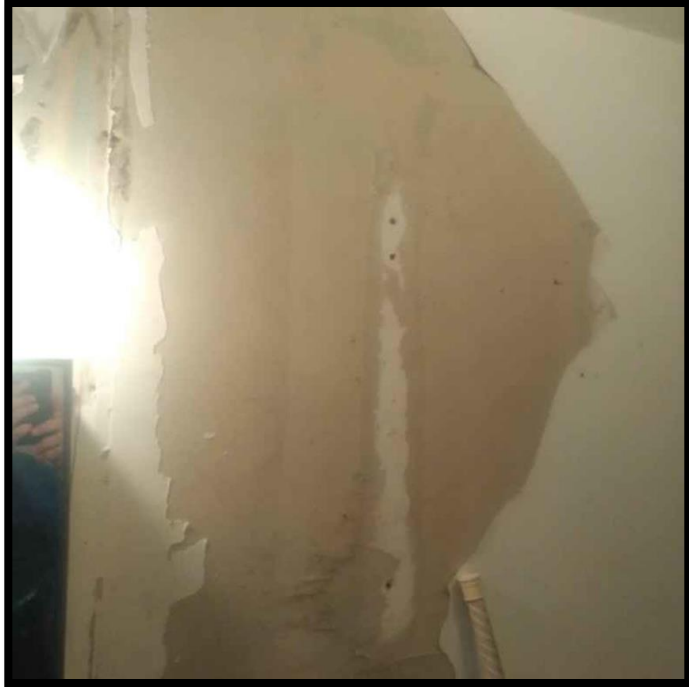
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CORRECTION TIMEFRAME: 24 hours

HCV PASS / FAIL: Fail

HCV CORRECTION TIMEFRAME: 30 days

# H&S Moderate | Unit



DEFICIENCY 1: Interior wall has a hole of any size that penetrates to the adjoining room or space.

LOCATION:  Unit  Inside

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DEFICIENCY 2: Interior wall is buckling, bulging, bowing, or material is loose or detached.

LOCATION:  Unit  Inside

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DEFICIENCY 3: Interior wall has a hole that is greater than 2 inches in diameter or there is an accumulation of holes that are cumulatively greater than 6 inches by 6 inches.

LOCATION:  Unit  Inside

# H&S Moderate | Inside



DEFICIENCY 4 — INSIDE: FOUNDATION IS INFILTRATED BY WATER.

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DEFICIENCY CRITERIA: Evidence of water infiltration through the foundation.

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HEALTH AND SAFETY DETERMINATION: Moderate

The Moderate Health and Safety category includes deficiencies that, if evident in the home or on the property, present a moderate risk of an adverse medical event requiring a healthcare visit; cause temporary harm; or if left untreated, cause or worsen a chronic condition that may have long-lasting adverse health effects; or that the physical security or safety of a resident or their property could be compromised.

CORRECTION TIMEFRAME: 30 days

HCV PASS / FAIL: Fail

HCV CORRECTION TIMEFRAME: 30 days

# H&S Moderate | Outside



**DEFICIENCY 3 — OUTSIDE:** FENCE DEMONSTRATES SIGNS OF COLLAPSE.

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**DEFICIENCY CRITERIA:** Fence demonstrates signs of collapse.

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**HEALTH AND SAFETY DETERMINATION:** Moderate

The Moderate Health and Safety category includes deficiencies that, if evident in the home or on the property, present a moderate risk of an adverse medical event requiring a healthcare visit; cause temporary harm; or if left untreated, cause or worsen a chronic condition that may have long-lasting adverse health effects; or that the physical security or safety of a resident or their property could be compromised.

**CORRECTION TIMEFRAME:** 30 days

**HCV PASS / FAIL:** Fail

**HCV CORRECTION TIMEFRAME:** 30 days

# Function & Operation | Unit



**DEFICIENCY I — UNIT:** SINK COMPONENT IS MISSING.

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**DEFICIENCY CRITERIA:** Sink component is missing (i.e., evidence of prior installation, but now not present or is incomplete).

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**HEALTH AND SAFETY DETERMINATION:** Moderate

The Moderate Health and Safety category includes deficiencies that, if evident in the home or on the property, present a moderate risk of an adverse medical event requiring a healthcare visit; cause temporary harm; or if left untreated, cause or worsen a chronic condition that may have long-lasting adverse health effects; or that the physical security or safety of a resident or their property could be compromised.

**CORRECTION TIMEFRAME:** 30 days

**HCV PASS / FAIL:** Fail

**HCV CORRECTION TIMEFRAME:** 30 days

# Function & Operation | Inside



DEFICIENCY I — INSIDE: WINDOW WILL NOT OPEN OR STAY OPEN.

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DEFICIENCY CRITERIA: Window will not open.  
OR  
Once opened, window will not stay open without the use of a tool or item.

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HEALTH AND SAFETY DETERMINATION: Advisory Deficiencies critical to habitability but not presenting a substantive health or safety risk to resident.

CORRECTION TIMEFRAME: N/A

HCV PASS / FAIL: Pass

HCV CORRECTION TIMEFRAME: N/A



# Function & Operation | Outside



DEFICIENCY 4 — INSIDE: WINDOW COMPONENT IS DAMAGED OR MISSING AND THE WINDOW IS NOT FUNCTIONALLY ADEQUATE.

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DEFICIENCY CRITERIA:

Window component is damaged (i.e., visibly defective) and the window is not functionally adequate (i.e., cannot protect from the elements, permit illumination within the interior space, or permit visual access between spaces).

OR

Window component is missing (i.e., evidence of prior installation, but is now not present or is incomplete) and the window is not functionally adequate (i.e., cannot protect from the elements, permit illumination within the interior space, or permit visual access between spaces).

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HEALTH AND SAFETY DETERMINATION:

Advisory

Deficiencies critical to habitability but not presenting a substantive health or safety risk to resident.

CORRECTION TIMEFRAME:

N/A

HCV PASS / FAIL:

Pass

HCV CORRECTION TIMEFRAME:

N/A

# Condition & Appearance | Unit



**DEFICIENCY I — UNIT:** PRESENCE OF MOLD-LIKE SUBSTANCE AT VERY LOW LEVELS IS OBSERVED VISUALLY.

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**DEFICIENCY CRITERIA:** Patches or spots are cumulatively less than 4 square inches, i.e., below de minimis. Odor is an indicator, but not a diagnostic; if a musty odor is detected, visual confirmation of “mold-like substance” is required. Odor may be indicated in a “notes” field. This deficiency is not recorded if observed on household items (e.g., clothing, upholstery, food).

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**HEALTH AND SAFETY DETERMINATION:** Advisory Deficiencies critical to habitability but not presenting a substantive health or safety risk to resident.

**CORRECTION TIMEFRAME:** N/A

**HCV PASS / FAIL:** Pass

**HCV CORRECTION TIMEFRAME:** N/A

# Condition & Appearance | Inside



DEFICIENCY I — INSIDE: PRESENCE OF MOLD-LIKE SUBSTANCE AT VERY LOW LEVELS IS OBSERVED VISUALLY.

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---

HEALTH AND SAFETY DETERMINATION: **Advisory** Deficiencies critical to habitability but not presenting a substantive health or safety risk to resident.

CORRECTION TIMEFRAME: N/A

HCV PASS / FAIL: Pass

HCV CORRECTION TIMEFRAME: N/A

# Condition & Appearance | Outside

**DEFICIENCY 4 — OUTSIDE:** EXTERIOR DRYER VENT COVER, CAP, OR A COMPONENT THEREOF IS MISSING.



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**DEFICIENCY CRITERIA:** Exterior dryer vent cover, cap, or a component thereof is missing (i.e., evidence of prior installation, but now not present or is incomplete).

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**HEALTH AND SAFETY DETERMINATION:** **Advisory** Deficiencies critical to habitability but not presenting a substantive health or safety risk to resident.

**CORRECTION TIMEFRAME:** N/A

**HCV PASS / FAIL:** Pass

**HCV CORRECTION TIMEFRAME:** N/A

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**INSPECTION PROCESS:**

**OBSERVATION:**

- Look at the exterior of the building to identify the location where the dryer ventilation system terminates.
- Determine if the exterior dryer vent cover, cap, or any component thereof is missing.

**REQUEST FOR HELP:** - None

**ACTION:** - None

**MORE INFORMATION:** - None

# CLOSING CREDITS: About the Production Company

## Zeffert & Associates, Inc.

**“Nationwide leader of multifamily compliance and training products”**

[info@zeffert.com](mailto:info@zeffert.com)

Zeffert is a privately held nationwide leader of housing compliance services and one of the longest running expert organizations in the field. Services are concentrated in residential property compliance, namely under the regulations promulgated through HUD, USDA, IRS, and state/local bodies. Specifically, this work enables partners to successfully navigate compliance with physical property requirements, the occupancy of eligible households, accurate calculation of utility allowances, and through Zeffert University, provide stakeholder employees with necessary training.

Zeffert & Associates is governed by a Board of Directors comprised of ten housing authorities.



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