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

OFFICE OF HOUSING

MEMORANDUM FOR: Multifamily Stakeholders

FROM: Benjamin T. Metcalf, Deputy Assistant Secretary for
                    Multifamily Housing Programs, HT

SUBJECT: Release of Three Key Elements of CNA E-Tool

DATE: August 22, 2014

Today, HUD is releasing three key elements of the capital needs assessment electronic tool (CNA e-Tool) in order to help industry partners prepare for the pending release of an operational CNA e-Tool projected for the fall, 2014. These key elements may be downloaded from HUD's Multifamily home page.

In 2010, the President's Domestic Policy Council initiated efforts to align policies where multiple agencies have overlapping or intersecting activities. HUD, USDA-Rural Development and the Treasury Department, acting through the interagency Rental Policy Working Group, were asked to review policies for rental housing. HUD and USDA-RD both operate programs to support multifamily housing and Treasury establishes guidelines for the Low Income Housing Tax Credit program. One of the work groups focused on capital needs assessments or CNAs, variously called project capital needs assessments (PCNA), physical needs assessments (PNA), and physical condition assessments (PCA), all referring to essentially the same kind of due diligence report. The CNA work group, based on feedback received from a diverse range of multifamily stakeholders, recommended creation of a common electronic template for CNAs working from several existing models. HUD provided funding and USDA and HUD have worked with state and local housing agencies, needs assessors, lenders and subject matter experts since early 2012 to develop a suite of inter-related tools, all of which together we have given the name "CNA e-Tool."

The CNA e-Tool is not only an aligned electronic template incorporating a data standard for assessments. It also creates an automated process for preparation, review, submission, approval and periodic updating of CNAs. We are now approaching completion of these initial CNA e-Tool components. In time, the data standard will evolve and improve while the automated system may grow to execute tasks ranging from due diligence associated with asset acquisition/loan origination to the administration of Reserve for Replacement escrows and periodic review of capital needs by asset managers.

The electronic template of the data standard is available in two forms: an Excel spreadsheet which we call the Excel Assessor/Lender Tool,and a Business to Government (B2G) interface. The Excel worksheet can be used to prepare CNAs. But we recognize that many assessor or lender firms have invested in software templates they use to prepare and review CNAs, and in training employees. Often

these templates are tied directly to other loan underwriting templates and software. The B2G interface enables these firms to map their existing templates to the CNA e-Tool. The two forms of the electronic template enable all multifamily users with computer access to use the CNA e-Tool.

We expect the CNA e-Tool to "go live" in fall, 2014 and to operate as an automated option for submitting CNAs to agencies for selected programs. Each agency will publish guidance regarding the programs that will migrate to the CNA e-Tool as well as the timing for this transition. After a phase-in period, we expect to require that CNAs for a growing number of programs use the automated tool and we will gradually eliminate "paper" CNAs.

Today's release gives stakeholders an opportunity to review and prepare for the final release. Today we are releasing the B2G file and the Excel Assessor/Lender Tool together with a separate, data dictionary for the Excel Assessor/Lender Tool. All of these are still in draft form, but they are sufficiently advanced so that a user can have confidence that the B2G file and the Excel Assessor/Lender Tool are more than 90% complete.

We expect to address many specific issues and questions both in guidance and in training materials now in development, but we welcome your questions and comments which may be directed to CNAeTOOL@Hud.Gov.