

Alignment Initiative	Summary of Changes	Relation to Comments
Physical Inspections	<ol style="list-style-type: none"> <li>1. Expanded the Lead Agency designation for performing inspections to allow multiple agencies to do inspections in a single state.</li> <li>2. Made a determination on HOME-Rural Development protocol in favor of HOME requirements.</li> <li>3. Clarified that HFAs are not designated as the Lead Inspection Agency.</li> <li>4. Outlined the MOU strategy that certain programmatic waivers or stipulations are necessary in order for the pilot to work within program requirements, and owners not be out of program compliance as a result of having their property selected for inspection under the pilot. While the body of the MOU would be the same for each state, the attachments will list special conditions, waivers, and stipulations, and the list of properties affected by the pilot.</li> <li>5. Removed a discussion on specific protocol employed by REAC for unit selection.</li> <li>6. Under Procedural Challenges, replaced a discussion with a recommendation on use of a valid statistical sample as the basis for unit inspection selection.</li> <li>7. The pilot timeframe was extended to a twelve-month pilot period suggested, with reports out at 3-, 6-, and 9-month intervals. The longer pilot period was deemed necessary because of weather-impacted inspection schedules.</li> </ol>	<ul style="list-style-type: none"> <li>- The extension of the pilot timeframe was a direct result of stakeholder feedback and was echoed throughout the public comments received.</li> <li>- The acknowledgement of dependency on waivers from certain programs in the report is a response to stakeholder comments and feedback from pilot partners.</li> <li>- The elimination of a designated lead agency for performing inspections addresses the concern of several stakeholders regarding the discretion of HFAs to delegate the burden of inspections.</li> <li>- In response to comments, we have also modified the report to allow for HOME-PJ participation in the pilot, contingent on the HOME-PJ applying for and receiving a waiver from CPD.</li> <li>- Further, in response to comments from HFAs, the report now clarifies the HFAs are not necessarily designated as the Lead Inspection Agency for every property in the pilot.</li> <li>- Some feedback requests voluntary pilot participation for property owners. While the existing pilot is targeted at the HFAs, owner response to the pilot protocol will be taken into consideration in a national rollout.</li> <li>- Comments support the use of UPCS as the common physical inspections standard, an inspection frequency of once every three years, and an agreed-upon sample size.</li> <li>- Stakeholders requested that pilot participants be free to conduct more frequent inspections as needed for troubled assets. The signed MOUs grant this flexibility.</li> </ul>
Income Reporting and Definitions	<p>The evaluation of program differences section was updated to more closely correspond with the proposed steps to alignment. The proposed steps to alignment were simplified to the following:</p> <ul style="list-style-type: none"> <li>• Recertification requirements will be modified to ensure that properties are not subject to multiple recertification events in a given year as a consequence of multiple funding sources</li> <li>• Differences in Member Relation Codes across funding programs will be reduced and the team will support the development of common TIC forms (such as NCSHA's) to align varying definitions of income.</li> <li>• IRS will determine whether State-to-State variability can be reduced consistent with a statute that promotes flexibility for the States in areas such as rounding to the penny vs. the dollar and treatment of individuals within a household who reach the age of majority.</li> </ul>	<ul style="list-style-type: none"> <li>- The recommendations in the report begin to address calls from stakeholders to reduce state-to-state variability and to better align definitions of income.</li> <li>- Many of the comments from stakeholders called for tenant grandfathering, which would require a legislative change. The Rental Policy Working Group chose to focus recommendations in the report on actions that are achievable in the near term.</li> <li>- Many stakeholders called for a common tenant income certification form. While statutory limitations prevent us from adopting one now, we propose a nterim improvements that we hope will build momentum to implement the larger-scale fixes called for by our stakeholders.</li> <li>-</li> </ul>

Financial Reporting	<ol style="list-style-type: none"> <li>1. Language under aligning the exemption threshold for small properties was softened to allow USDA and HUD to explore unit-based vs. risk-based threshold.</li> <li>2. HUD will agree to accept a hard copy of USDA financial statements from exempted small properties.</li> <li>3. For alignment of jointly subsidized properties above the exemption threshold, changes were made to indicate that USDA will accept the HUD audits and relinquish the USDA “Agreed Upon Procedure” (AUP) requirement, and other financial requirements (RD Form 3560-7 and RD Form 3560-10). However, for jointly subsidized properties that are not yet required by HUD to submit audited financial statements, USDA will still require them. Copies of the HUD audits will be submitted in hard copy by the owner for the time being.</li> <li>4. Standardization of the submission format among HUD, RD and the FHAs is designated as a long-term alignment action item.</li> </ol>	<p>Comments received from stakeholders strongly urged the adoption of both a short-term and long-term strategy for alignment. Changes address concerns about the need to quickly achieve alignment for small properties, and to reduce duplicate reporting for all properties. Additionally, the changes reflect stakeholder’s long-term concerns about the processing of reports and standardization of forms. Comments regarding the need to engage all stakeholders in such standardization can and will be addressed in the implementation phase.</p> <p>Stakeholders also called for agencies to consider aligning the processing of reports, which could be explored in a second phase of alignment efforts once the recommendations of the report have been achieved.</p>
Common Energy Efficiency Requirements	<ol style="list-style-type: none"> <li>1. Changes made to indicate that the standards outlined in the report do not preclude programs from adopting a more stringent standard.</li> <li>2. Language added to make explicit that HOME properties are excluded pending a proposed rule that would strengthen energy efficiency requirements.</li> <li>3. WaterSense added to EnergyStar as the baseline standard.</li> <li>4. Categories expanded from 4 to 5 to incorporate energy retrofits rather than present them as an exception.</li> </ol>	<p>Stakeholders asked that the recommendations not impose significant additional administrative burdens and costs to owners and developers. The recommendations articulate a minimum standard which, in many cases, is exceeded by program, state, and local codes, and thus, would not impose an additional burden. Comments also reflected a concern that where a CNA is recommended to achieve energy efficiency, it serves as a tool for decision making rather than mandating certain energy efficiency investments over others. They also ask that the CNA model is based on proven cost and consumption measures. These comments are in line with our own understanding of how the energy efficiency recommendations will complement the development and implementation of a CNA tool.</p>
Appraisal Primer	<ol style="list-style-type: none"> <li>1. Language changed to indicate that Appraisal Institute has committed to the development of a primer and federal agencies will provide technical assistance to support this effort as requested and as appropriate.</li> <li>2. Resource estimates and challenges to effecting proposed solution edited to reflect the commitment of the Appraisal Institute.</li> </ol>	<p>Seeding and supporting the development of an appraisal primer with the Appraisal Institute is supported by feedback received from HFAs who have had positive experiences with the organization and respect their expertise in this area.</p>
Market Study Standards	<p>Edits have been made to reflect the issuance of the HUD MAP guide which includes guidance on market study standards derived from the NCAHMA standards. Action items, resource estimates, and challenges to implementing the proposed solution now primarily involve the issuance of similar guidance by USDA and the provision of technical assistance and training to support the adoption of market study standards by practitioners.</p>	<p>The addition of training and technical assistance to support a greater understanding of the usefulness of market studies and the adoption of the standards by practitioners is the direct result of feedback received from stakeholders during the public comment period.</p>
Subsidy Layering Review	<p>No substantive changes made.</p>	<p>The comments we received from the stakeholders do not affect the alignment report. The few comments received in this area can be incorporated into the implementation of the pilot depending on the needs and unique circumstances of each participating State.</p>

<p>Capital Needs Assessment</p>	<p>No substantive changes made.</p>	<p>Most of the comments suggest further clarification of some of the ideas presented in the report, e.g., what is the difference in scope of work between a Level 1 assessment and a Level 2 assessment? These are exactly the kinds of decisions we will have to make as we develop the statement of work and ultimately the tool, but that we are not prepared to make at this stage. This feedback will be taken into consideration throughout implementation; however, it does not necessitate changes to the report at this time.</p>
<p>Improve Sharing on Owner Defaults</p>	<p>No substantive changes made.</p>	<p>Comments noted the need to ensure alignment of compliance requirements before aligning the noncompliance records and also to consider sharing information with HFAs or at least including them in the process. Both issues can be addressed through implementation efforts and do not necessitate changes to the report at this time.</p>
<p>Fair Housing Compliance Enforcement</p>	<p>Minor edits made to soften language around state and local government responsibility for lapses in enforcement, vesting responsibility more fairly with all parties, including the federal government.</p>	<p>State stakeholders expressed support for the proposal but disagreed with the tone of the report in regards to state cooperation. Edits have addressed this concern.</p>