



LeadingAge Analysis: HUD's Proposed NSPIRE Scoring Notice

To help ensure and improve the quality of HUD-assisted housing, HUD conducts oversight of the physical portfolio through housing inspections. HUD is in the process of transitioning physical portfolio oversight from the current inspection protocol (Uniform Physical Condition Standards, or UPCS) to the new protocol (National Standards for the Physical Inspection of Real Estate, or NSPIRE).

NSPIRE applies to Public Housing and Multifamily Housing programs, including Section 8 Project-Based Rental Assistance (PBRA) and Section 202/811 programs. HUD has stated that the agency intends to implement NSPIRE for Multifamily Housing properties by October 1, 2023.

The system-wide overhaul of housing inspections includes a new approach to scoring housing inspections, which HUD unveiled through a Proposed Scoring Notice on March 28, 2023 (open to public comment for 30 days). In addition, HUD is adjusting the standards that determine safety conditions and administrative procedures that govern inspection procedures. LeadingAge continues to weigh in heavily on all aspects of the NSPIRE design and implementation.

Public Comments

HUD is seeking public review and comment on the [proposed NSPIRE physical inspection scoring and ranking methodology](#) to implement HUD's final NSPIRE Proposed Scoring Notice. HUD is accepting public comment to the proposed Scoring Notice until April 27, 2023. Please reach out to jbilowich@leadingage.org to join LeadingAge's work on NSPIRE.

Analysis: Proposed Scoring Notice

On March 28, 2023, HUD published an NSPIRE Proposed Scoring Notice in the Federal Register. HUD intends to use the proposed new approach to scoring housing inspections for Multifamily Housing properties through NSPIRE beginning October 1, 2023.

LeadingAge is in the process of developing public comments to HUD based on member input about the Proposed Scoring Notice. The following analysis summarizes HUD's proposed changes for scoring inspections under NSPIRE.

Major Changes to Housing Inspection Scoring Through NSPIRE

According to HUD, one major issue that many observers have cited over the years is that, in rare cases, a property can pass an inspection while scoring zero points on the Unit Inspectable Area under the UPCS scoring methodology. Properties with substandard unit conditions may appear safe and still have good "curb appeal" but have unsafe conditions in the units that persist because the score was not "failing."

As HUD designs and implements NSPIRE, HUD has heavily emphasized the in-unit living conditions of a property over property appearance. This is elevated in several areas of HUD's new proposed approach

to scoring housing inspections, including in what constitutes a failing score (inclusion of a new maximum point loss threshold for in-unit deficiencies) and in the weighting of the score (heavy point loss for severe, in-unit deficiencies).

In addition to major changes proposed under NSPIRE, HUD has also proposed retaining many current (UPCS) housing inspection protocol elements, such as the 100-point scale, the 60-point threshold for failing and the performance-based frequency of inspections.

Point Scale

For properties previously subject to UPCS, HUD intends to continue setting the maximum score to 100 for a property with no deficiencies, and deducting points from there. Any score under 60 will continue to be considered a failing score.

HUD will also add letter grades to the point score to make clear to residents, property owners/agents (POAs), and other stakeholders how the numerical score relates to the condition of the property.

Failed Inspections

There are two situations in which a property will be considered to have failed inspection:

- **Scores below 60.** Consistent with existing policy and practice, the Property Threshold of Performance for NSPIRE is a score of 60 or above. Failure to achieve a score at or above 60 is considered a failing score, and properties that score under 60 are required to perform additional follow up and may be referred for administrative review under current regulations. Calculated scores will be rounded to the nearest whole number with one exception: For properties that score between 59 and 60, the score will be rounded down to 59.
- **Unit Point Deduction 30 or above.** The primary goal of NSPIRE is to maximize the health and safety conditions of a unit. HUD has determined that scores where deductions are disproportionately from in-unit deficiencies (versus common areas or outside the building) should be considered failures even if, for example, the rest of the property is in pristine condition. In other words, regardless of the overall property score, if 30 points or more were deducted due to unit deficiencies, HUD would consider the property to have failed the inspection and would deem the result of the inspection to be a score of 59.

A high or low score does not change that a participant is required to repair all deficiencies identified in the inspection.

Scoring Methodology

In evaluating its prior inspection standards and scoring, HUD identified an emphasis on the appearance of items that are otherwise safe and functional; on the flip side, the standards paid inadequate attention to the health and safety conditions within the built environment. HUD concluded that revised housing standards would need to focus on *habitability* and the *residential use of the structures*, and most importantly, the health and safety of residents, rather than the appearance of the property and property attributes.

HUD therefore intends to score deficiencies based on two factors: severity (how severe of an impact a deficiency has on health and safety) and location (where the deficiency occurred).

Emphasis on Defect Severity and Location

HUD has shifted REAC's inspection scoring to prioritize conditions that are most likely to impact residents in the places where they spend the most time: the units. Severe standards deficiencies have a greater impact on a property's score when they exist in the unit (versus the common areas). Similarly, a property with observed health and safety defects in its units is more likely to fail an inspection than a similar property, where the in-unit defects are less severe.

- **Defect severity: Life-Threatening (LT), Severe, Moderate, and Low.**

- **Life-Threatening (LT).** The Life-Threatening category includes deficiencies that, if evident in the home or on the property, present a high risk of death, severe illness, or injury to a resident.
- **Severe.** The Severe 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. It also includes deficiencies that would seriously compromise the physical security or safety of a resident or their property.
- **Moderate.** The Moderate 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; could cause temporary harm; or if left untreated, could cause or worsen a chronic condition that may have long-lasting adverse health effects. It also includes deficiencies that would compromise the physical security or safety of a resident or their property.
- **Low.** The Low category includes deficiencies critical to habitability but not presenting a substantive health or safety risk to a resident.

- **Location: the unit, inside, and outside**

- **Outside** of HUD housing (or "outside areas") refers to the building site, building exterior components, and any building systems located outside of the building or unit. Examples of "outside" components may include fencing, retaining walls, grounds, lighting, mailboxes, project signs, parking lots, detached garage or carport, driveways, play areas and equipment, refuse disposal, roads, storm drainage, non-dwelling buildings, and walkways.
- **Inside** means the common areas and building systems that can be generally found within the building interior and are not inside a unit. Examples of "inside" common areas may include, basements, interior or attached garages, enclosed carports, restrooms, closets, utility rooms, mechanical rooms, community rooms, day care rooms, halls, corridors, stairs, shared kitchens, laundry rooms, offices, enclosed porches, enclosed patios, enclosed balconies, and trash collection areas.
- **Unit** (or "dwelling unit") of HUD housing refers to the interior components of an individual unit. Examples of components included in the interior of a unit may include the balcony, bathroom, call-for-aid (if applicable), carbon monoxide devices, ceiling, doors, electrical systems, enclosed patio, floors, HVAC (where individual units are provided), kitchen, lighting, outlets, smoke detectors, stairs, switches, walls, water heater, and windows.

Defect Impact Weight

HUD will weigh the two factors – severity and location – using a "Defect Impact Weight." Under the Defect Impact Weight methodology, the weight of the deduction for a given deficiency changes

depending on both the location and the severity, meaning that a Life-Threatening (LT) deficiency inside a unit will lead to the largest deduction and a Low deficiency observed outside the property will lead to the smallest deduction.

Defect severity category	Inspectable area *		
	Outside	Inside	Unit
Life-Threatening (most severe)	49.6	54.5	60.0
Severe	12.2	13.4	14.8
Moderate	4.5	5.0	5.5
Low (least severe)	2.0	2.2	2.4

Unit Sampling

Under the NSPIRE scoring and sampling methodology, HUD intends to increase the maximum number of units to 32 units (compared to a 27-unit cap under UPCS).

Number of Units Sampled under NSPIRE Scoring

Units in property	UPCS sample	NSPIRE sample			
			25-27	14	15
			28-30	14	16
1	1	1	31-35	15	17
2	2	2	36-39	16	18
3	3	3	40-45	17	19
4	4	4	46-51	18	20
5	5	5	52-59	18	21
6	5	6	60-67	19	22
7	6	6	68-78	20	23
8	7	7	79-92	21	24
9	7	8	93-110	21-22	25
10	8	8	111-120	22-23	26
11-12	8	9	121-166	23-24	27
13-14	9	10	167-214	24-25	28
15-16	10	11	215-295	25	29
17-18	11	12	296-455	25-26	30
19-21	12	13	456-920	26	31
22-24	13	14	921+	27	32

Impact of Unit Count on Inspection Score

Because the number of defects observed will be greater in properties where HUD inspects a larger number of units, the NSPIRE scoring methodology “normalizes” the total defect deduction value across properties of different unit counts. This is achieved by dividing it by the total number of units inspected.

Remediation and Follow-Up

All deficiencies identified through the NSPIRE inspection must be corrected within HUD’s established timeframes. These will be finalized in the NSPIRE rule, and more information about requirements on owners to submit remediation documentation will be provided in the NSPIRE Administrative notice.

REAC will issue a draft inspection report with a preliminary score and a record of all defects including those that must be addressed within certain timeframes. HUD will then issue a final inspection report with a final score and a record of all defects following the appeals process (which will be specified in the NSPIRE Administrative Procedures Notice). If intervention from HUD is considered necessary and urgent to protect residents, HUD may take action before the appeals process is concluded.

Consistent with the current risk-based approach, HUD intends to continue using the zero to 100-point scale for the frequency of inspections, as well as for HUD enforcement actions, HUD risk assessments, and more.

Phased-In Scoring for New Affirmative Requirements

HUD recognizes that the NSPIRE Standards include new affirmative requirements defined generally as property attributes or requirements that must be met. HUD understands that it may take properties’ ownership and management some time to comply with these new standards and as a result will not score new affirmative requirements, defined as those standards that were expressly not in the UPCS or in any way covered by those standards, in the first 12 months of NSPIRE inspections for the program.

The first 12 months for a given program will be based on the date inspections commence for each applicable program.

The list of new affirmative requirements will be included in the final NSPIRE rule. HUD currently expects that this list will include GFCI protected outlets within 6 feet of a water source, guardrails for elevated walkways, a permanently installed heating source for certain climate zones, and a permanently mounted light fixture in the kitchen and each bathroom.

During this initial 12-month period, HUD will provide a score of record that will be used for administrative purposes including oversight and enforcement and a projected score if those new affirmative requirements were scored. Both scores will be provided on the inspection report received by property ownership and/or management.

Non-Scored Defects

Even beyond the 12-month window for new requirements, HUD will permanently not score smoke detector defects, but will continue to use an asterisk (*) to denote identified smoke detector defects. The asterisk will be appended to the numerical property score, and it is critical to note that these defects are classified as LT defects and must be corrected within 24-hours even though these defects are

not scored. HUD will also follow this policy for carbon monoxide devices. While not scored, these items are considered LT and must be remedied within the timelines established by HUD.

Scoring Designations

HUD will supplement the property's zero to 100-point score with the following designations that provide property ownership and/or management, residents, and other stakeholders with information important to understanding the overall inspection results. These designations include:

- **Smoke Detectors:** An asterisk next to the property's zero to 100-point score will indicate whether an inspector observed a smoke detector defect during an inspection.
- **Carbon Monoxide Detectors:** An alternate symbol designation, similar to an asterisk, will also be included next to the property's zero to 100-point score to indicate whether an inspector observed a carbon monoxide detector defect during an inspection.
- **Presence of Certain Defect Severity Levels:** HUD previously provided a letter designation (e.g., a, b, c) to indicate the presence of exigent health and safety defects; this will no longer be used under NSPIRE. HUD will instead provide a summary table of the defect observations by Defect Severity Category, e.g., Life-threatening, Severe, Moderate, Low. At the conclusion of the inspection, the PHA or Owner will receive a list of all health and safety items that must be corrected within 24 hours of the inspection.
- **New Affirmative Requirements:** In at least the first 12 months after the effective date of the final NSPIRE Rule, a designation to be determined will also be included as part of the property's inspection results to indicate new affirmative requirements that were not scored. Standards that may need more calibration through field testing, such as a minimum temperature standard, may not be scored for more than a year. In at least the initial year of NSPIRE, HUD will also provide two scores; one that shows the potential score if all new affirmative requirements were scored, and the official score for that inspection.
- **Letter Grades:** HUD will assign a letter grade to each property inspection score. This will assist HUD, property ownership and/or management, residents, and the public to better understand the condition of the property and to guide administrative activities such as oversight, risk management, and enforcement.

Additional Information

More information is available via HUD's [Proposed Scoring Notice](#), and on HUD's [REAC NSPIRE](#) webpage.

LeadingAge is working with our HUD Oversight and Compliance Workgroup to compile feedback for HUD. LeadingAge members can email Juliana Bilowich (jbilowich@leadingage.org) to join the effort.