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Affordable Housing Alert

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HUD enters new era of physical inspections with NSPIRE Program

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As of October 1, NSPIRE replaced UPCS and HQS as the physical inspection system used by HUD for most programs. Implementation for some programs was delayed until 2024, but for most Multifamily properties, owners should expect NSPIRE at all HUD inspections.



What's the Impact

- / NSPIRE inspections began for multifamily properties as of October 1, 2023.
- / Owners should be aware of changes to inspections that will affect scores.
- / Implementation delays apply to CPD and voucher programs only.

The [National Standards for the Physical Inspection of Real Estate \(NSPIRE\)](#) is a new physical inspection protocol that has become the primary method for HUD physical inspections. HUD began the process of creating and implementing NSPIRE several years ago and since that time, has performed more than 2,300 demonstration inspections at multifamily properties and more than 9,200 demonstration inspections at voucher units. Over the last three years, HUD held listening sessions, workshops, [get ready sessions](#), and other webinars to gather information,

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receive feedback, and ultimately create a physical inspection system and protocol that will be applied to all HUD programs. NSPIRE was implemented on July 1, 2023, for public housing programs and on October 1, 2023, for Multifamily and CPD programs.

This alert outlines the overall approach that HUD is taking with NSPIRE, some of the major changes to the inspections that owners should be aware of as NSPIRE rolls out to all HUD programs, and extensions to implementation that have been granted to certain Community Planning and Development (CPD) and voucher programs.

NSPIRE Approach

HUD's stated purpose in developing and implementing a new inspection protocol is to move its inspections to a system that prioritizes health, safety, and functional defects over appearance to produce inspection results that better reflect the true physical condition of a property. In practice, this approach means a move away from Housing Quality Standards (HQS) and Uniform Physical Condition Standards (UPCS) systems that often resulted in uneven application of standards across the country and could encourage quick fixes that did not always meet industry standards. The inspection standards for NSPIRE are outlined in a notice published by HUD on June 22, 2023.

The major inspectable areas under NSPIRE are (1) units, (2) inside, and (3) outside. The inside component includes common areas, building systems, and anything within the building that is not in a unit. Outside includes the site, exterior components, and any building systems located outside, such as a playground, sidewalk, or air-conditioning unit.

During an NSPIRE inspection, a rating system will be used that includes four categories, each with a designated response time: (1) life-threatening (24 hours), (2) severe (24 hours or 30 days), (3) moderate (30 days), and (4) low (60 days). A score will be calculated based on the number of deficiencies in each of the four categories found in each of the three inspectable areas. The score will be on a scale of 0–100 and a fail will be a score of 59 or less, as it was with the previous REAC system. If a property loses more than 30 points in the units alone, it will be an automatic fail. The scoring system is outlined in a [notice published by HUD on July 7, 2023](#).

NSPIRE will use a similar sampling method that the previous REAC system used to determine how many units are inspected at the property when an inspection is conducted by HUD. Inspections conducted by public housing authorities (PHAs) or others will follow the protocols of those agencies when determining which units to inspect. NSPIRE inspections will continue to be scheduled based on the previous score of the property, consistent with the previous system used by REAC. Owners will also continue to receive 28 calendar days' notice of an inspection.

Pitfalls During NSPIRE Inspections

While lessons can be learned from the NSPIRE demonstration inspections, those lessons are limited because HUD made significant substantive changes to many aspects of the NSPIRE standards following completion of most of the demonstration inspections. We expect issues to come up as owners and HUD adjust to the new inspection protocol.

While some concerns about duplicated deficiencies have already been addressed by HUD in the notice published on July 7, 2023, there was concern that the new scoring system could cause properties to fail with one extremely bad unit. The July 7 notice clarified that multiple deficiencies in the same category found in the same location will only be scored once.

HUD has also announced some areas that will be considered non-scored items. Some of these will be non-scored for just one year to allow owners time to bring properties up to standard; others are items that will not be scored indefinitely. Smoke detectors and carbon monoxide alarms will be non-scored indefinitely, while fire-labeled doors, ground fault circuit interrupters (GFCI), guardrails, HVAC systems, and certain lighting requirements will not be scored in the first year but will have to be corrected if noted in an inspection.

Certain items that were previously scored by HUD are no longer included in the inspection protocol. This includes overgrown vegetation, non-security/safety fence damage, common area paint deterioration (post-1978 properties), exterior caulking damage, scratched countertops, and damaged trim. However, other areas will be scored more stringently, including the standards for heating, GFCI, electrical outlets, mold, infestation, and structural systems.

Another new requirement under NSPIRE is for property owners to complete an inspection of the property after an inspection by HUD. For properties scoring above 60, the owner-inspection is limited to units not included in the NSPIRE inspection and for deficiencies based on the inspection findings. For properties scoring below 60, the owner-inspection must be 100% of units for any deficiency. The owner-inspection results must be reported to HUD in both cases.

We highly recommend that owners and management agents review the new inspection protocols and available resources on [HUD's website before an NSPIRE inspection](#).

Compliance Extensions for CPD and HCV Programs

HUD recently announced that it is extending the NSPIRE compliance date for certain programs to October 1, 2024. The affected programs are primarily ones where HUD partners will be required to implement NSPIRE standards in their own programs. Compliance for all CPD programs, including HOME Investment Partnership Programs (HOME) and Housing Trust Fund (HTF) programs, is extended to October 1, 2024. Also, HUD extended the compliance deadline for Housing Choice Voucher (HCV), Project-Based Voucher (PBV), and the Mod Rehab programs to October 1, 2024, to allow public housing authorities additional time to implement the standards in their inspections. The notices announcing the compliance extensions are here: [CPD Compliance Extension](#) and [HCV Compliance Extension](#).

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