



MORTGAGE BANKERS ASSOCIATION

April 4, 2018

Honorable Dana T. Wade
Acting FHA Commissioner and
General Deputy Assistant Secretary for Housing
Federal Housing Administration
U.S. Department of Housing and Urban Development
451 7th Street, SW
Washington, DC 20410

Re: Implementation of the CNA e-Tool

Dear Ms. Wade:

MBA appreciates and supports HUD's desire to streamline the preparation, submission, and analysis of Capital Needs Assessments (CNA) and to improve production and asset management efficiency and consistency.

As you are aware, however, MBA members and their third-party vendors have experienced substantial difficulty and costs submitting required information using the CNA e-Tool. While we understand that HUD has recently made efforts to improve the e-Tool's software and functionality, many outstanding critical technical issues remain – including in particular the issues detailed in the attached document, which need to be addressed immediately.

We are hopeful that HUD can address these issues expeditiously under your leadership, and MBA and our members are ready to assist. For example, MBA's FHA Committee recently formed a Technical Advisory Group to collaborate with HUD on these issues. In addition, we are working to identify a group of executives at FHA lender firms to engage in on-going dialogue to assist HUD in developing expeditious and workable solutions.

MBA also plans to submit formal comments in response to the *60-Day Notice of Proposed Information Collection: Capital Needs Assessments-CNA e-Tool*. However, in light of the urgency of these concerns, we are bringing these initial, time-sensitive issues to your attention here.

MBA appreciates your commitment to improving HUD's Multifamily Programs with FHA Lender input, including improving the functionality and effectiveness of the CNA e-tool. We share HUD's objectives for the e-Tool. I look forward to ongoing collaborative efforts to help achieve our shared goal of enhancing FHA related processes.

Sincerely,

A handwritten signature in black ink, appearing to read "Sharon Walker", written over a light blue horizontal line.

Sharon Walker
Associate Vice President
Commercial/Multifamily Group

Attachment: Urgent CNA e-Tool Issues

cc: Kenneth Buchannan, MBA FHA Committee Chair
Scott Thurman, MBA FHA Committee Vice Chair

Urgent CNA e-Tool Issues (as of April 2018)

Description	Recommended Solutions
<p>Saving work. The e-Tool does not permit users to save work. As a result, if a user is inactive in the system for more than 30 minutes and the e-Tool “times-out,” the user loses all of their progress. In addition, if changes must be made to a previously submitted e-Tool file, all of the information in the submitted file has to be populated and submitted all over again.</p>	<p>Enable users to save work or otherwise pick up where they left off if they go off-line prior to submitting the completed application.</p> <p>Enable users to make subsequent changes to submitted applications by using the full as-submitted file as a starting point.</p>
<p>Amortization schedules. The current e-Tool contains no amortization schedule for reserve analysis of years 11-20. As a result, lenders have to submit additional documentation to demonstrate that the transaction meets the reserve criteria. In addition, we are hearing that the Replacement Reserve R4R requirements may be changing to accommodate the lack of the amortization schedule. This is cause for concern in that this will have a significant negative impact on the HUD programs, if implemented.</p>	<p>Add amortization schedule for years 11-20.</p> <p>Apply the rules as implemented in the 2016 MAP Guide.</p>
<p>Remaining useful life. The e-Tool automatically reduces the Remaining Useful Life by one year at the start of every calendar year, even for transactions that are still in process. As a result, for transactions submitted in a given calendar year and approved in the next calendar year, the Remaining Useful Life generated by e-Tool is short by one year.</p>	<p>Modify e-Tool to use loan closing as the starting point for measuring Remaining Useful Life.</p> <p>Use anniversary of closing date rather than the end of the calendar year for changes to Remaining Useful Life.</p>
<p>Back-end tools. A core purpose of the e-Tool was to give HUD the ability to provide HUD with a database of costs to use to oversee projects. The e-Tool was intended to include a streamlined process to support HUD release of replacement reserves. The current e-Tool does not provide these capabilities, which means that HUD and developers do not receive one of the key benefits of the e-Tool.</p>	<p>Develop these back-end tool capabilities.</p>
<p>Upload size limitations. The e-Tool limits uploads to a maximum of 5MB, which makes submission cumbersome. For example, a photo is typically about 2.5MB or more, and HUD expects lenders to upload 100-200 photos with each e-Tool submission. As a result, each submission requires 50-200 uploads, just for photos. HUD had suggested that lenders compress the photos for submission, but the eTool does not accept compressed or zip files.</p>	<p>Increase the maximum upload size and/or allow the e-Tool to accept compressed or zip files.</p>
<p>Front-end interface. Because the tool was not built with a front-end application to make data input efficient, lenders have to engage third party providers to manually enter every piece of data, making the process of inputting data into the e-Tool unreasonably long and expensive.</p>	<p>Develop a front-end application that enables lenders to readily automate data inputs into the e-Tool.</p>
<p>Compatibility. The e-Tool is not compatible with pre-2013 versions of Microsoft Excel</p>	<p>Make e-Tool compatible with pre-2013 versions of Excel.</p>
<p>CNA e-Tool Limitations. Because of the code used to create the e-Tool, it is unduly unstable and inflexible. For example, USDA has a different reserve schedule than HUD. The e-Tool would not allow for different reserve schedules because of its limitations, and it could not be coded to allow for different scenarios. The same issue arises when comparing a to-be-built property to an existing one. There are flags for insufficient inspection of units for a property that do not yet exist. The lack of flexibility does not allow the e-Tool to be used for lean deals.</p>	<p>Recode e-Tool to provide for additional necessary flexibility and internal logic errors.</p>
<p>Flags. CNA e-Tool submissions are being rejected by the reviewing office for not having sufficient responses for flags. Currently, the Lender’s underwriting staff copies and pastes flag responses provided by the third party into the tool. Upon submission of the tool, the flag responses are not retained, which results in a rejection.</p>	<p>Troubleshoot to find and address the reason that the flag responses are being dropped from the e-Tool. Alternatively, allow an upload of an Excel sheet that has the explanations included.</p>