

**DEPARTMENT OF HOUSING AND  
URBAN DEVELOPMENT****[Docket No. FR-4710-N-05]****Public Housing Assessment Systems  
(PHAS); Notice Adopting Interim  
Scoring Methodologies for PHAS  
Physical Condition and Financial  
Condition Indicators****AGENCY:** Office of the Assistant  
Secretary for Public and Indian  
Housing, HUD.**ACTION:** Notice.

**SUMMARY:** This notice announces to Public Housing Agencies (PHAs) and the public that PHAs with fiscal years ending September 30, 2001, through and including September 30, 2002, will be assessed under the PHAS in accordance with interim scoring procedures described in notices published in the **Federal Register** on November 26, 2001. This notice also addresses public comments received in response to a request for comments in the November 26, 2001, notices. The Department considered all comments but has decided to make no changes to the interim scoring procedures in response to the public comments. This notice also advises that if the Department determines that the effective period of the interim scoring processes should be extended beyond September 30, 2002, the Department will notify PHAs and the public by notice published in **Federal Register**.

**DATES:** *Effective Date:* March 15, 2002.

**FOR FURTHER INFORMATION CONTACT:** For further information contact the Real Estate Assessment Center of the Office of Public and Indian Housing, Attention: Wanda Funk, U.S.

Department of Housing and Urban Development, 1280 Maryland Avenue, SW., Suite 800, Washington, DC 20024, Telephone Technical Assistance Center as (888) 245-4860 (this is a toll free number) or Judy Wojciechowski, Director of PHAS Operations, U.S. Department of Housing and Urban Development, 1280 Maryland Avenue, SW., Suite 800, Washington, DC 20024, telephone (202) 708-4932 extension 3464. Persons with hearing or speech impairments may access these telephone numbers via TTY by calling the Federal Information Relay Service at (800) 877-8339. Additional information is available from the Real Estate Assessment Center Office of Public and Indian Housing Web site at <http://www.hud.gov/reac>.

**SUPPLEMENTARY INFORMATION:****I. Background**

On November 26, 2001, HUD published for public comment notices that proposed an interim PHAS scoring methodology that would be applicable to PHAs with fiscal years ending September 30, 2001, and continuing for up to one year to include PHAs with fiscal years ending September 30, 2002. For this interim assessment period, the Department advised that it proposed to make scoring changes to two of the four PHAS assessment indicators: the Financial Condition Indicator and the Physical Condition Indicator. Detailed information about these scoring changes was provided in the notices published on November 26, 2001. Essentially, the Department proposed that for physical condition scoring purposes during the interim assessment period, the inspectable areas will be reduced from five or two. The weights assigned to the three unscored inspectable areas will be redistributed over the two remaining inspectable areas. For financial condition scoring purposes, the Departmental proposed to remove the use of peer groupings from two of the financial components. The Physical Condition Indicator Scoring Process notice was published in the **Federal Register** at 66 FR 59084, and the Financial Condition Indicator Scoring Process notice was published in the **Federal Register** at 66 FR 59126.

The Department solicited public comment on the interim scoring procedures. Eight comments were received in response to the public comment solicitation. The Department carefully considered all comments and has decided to make no changes to the scoring methodologies as a result of the comments.

Accordingly, with the publication of this notice, the Department advises that the PHAS is effective beginning with PHAs having a fiscal year end of September 30, 2001, and PHAs will receive an overall PHAS score based on the four PHAS indicator scores. PHAs with fiscal years ending September 30, 2001, through and including September 30, 2002, will be scored for the Physical Condition Indicator and the Financial Condition Indicator in accordance with the scoring procedures described in the notices published on November 26, 2001. If the Department determines that the effective period of the interim scoring processes should be extended beyond September 30, 2002, the Department will notify PHAs and the public by notice published in the **Federal Register**.

**II. Discussion of the Public Comments**

Of the eight commenters on the November 26, 2001, notices, five of the commenters were PHAs and the three other commenters were representatives of PHAs. One PHA commenter supported the interim scoring methodologies and the changes to the Physical Condition and Financial Condition Indicators. The other commenters had comments that are discussed below.

*Comment. PHAS should not be implemented at this time, except on an advisory basis.*

One commenter stated that it is not understandable or acceptable to subject PHAs to scores and potential penalties using an assessment tool that is still under development. For the system to be credible, the system must not continuously redefine itself as public resources are being expended in PHAs' efforts to comply. HUD should continue to implement the PHAS on an advisory basis while HUD continues to work with PHAs, resident organizations and other interested parties to refine the system or find another one that will work. The commenter stated that even in advisory form, the PHAS is a valuable tool for identifying areas that may need improvement. This commenter also stated that the system was overly dependent on the subjectivity of the inspectors.

Another commenter stated that the notices do not improve the PHAS enough to warrant issuance of official scores to PHAs, and there should have been an additional year of advisory scores, under which inspections would have continued and, more importantly, exigent health and safety violations would have been identified and remediated.

*Response.* While HUD acknowledges that the assessment system can be enhanced, HUD believes that PHAS, as currently amended, is useable for an interim period. The Office of Inspector General (OIG) and the General Accounting Office (GAO) have both indicated that the Public Housing Management Assessment Program (PHMAP), on which the PHAS Management Operations Indicator is substantially based, is not a reliable means of assessing PHA performance. Further, both the OIG and GAO indicated that HUD, as required by statute, must determine the condition of public housing to ensure that funds provided by Congress are being used to provide decent, safe, and sanitary housing that is in good repair. This interim scoring methodology provides for technical reviews, database

adjustments, and appeals of overall scores and designation.

*Comment. In the Physical Condition Indicator, the reduction of the number of inspectable areas and redistribution of the weights results in unfairness.*

Two commenters stated that the notice shifts an inordinate amount of weight to Dwelling Units. One commenter stated that under the interim physical condition scoring procedure, all five areas will be inspected, scored and the inspection data captured in the system, but for assessment purposes, a property's score, and the PHA's overall Physical Condition Indicator score, will be derived only from the deficiencies observed in Building Systems and Dwelling Units. The redistribution of the area weights from Site, Building Exterior, and Common Areas to Building Systems and Dwelling Units and the continued use of a 100 point scale for property scores means heavier weights will be applied to Dwelling Unit items such as a missing sink stopper and PHA's will be "further penalized."

Another commenter stated because the interim scoring process will base the score of the physical assessment on Dwelling Units (64%) and Building Systems (36%), ignoring the scores received for Site, Building Exterior and Common Areas, the "adjusted" normalized weight will shift most of the weight to Dwelling Units for properties that have limited Building Systems components. This PHA estimated that under the interim scoring assessment, the "adjusted" normalized weight for its family developments will shift to 73% for Dwelling Units and 27% for Building Systems.

The commenter further stated that to inspect an entire property and have the "official scores" be uniformly based on only two components, then regardless of the physical and structural considerations of each property, the official score will not provide an accurate reflection of each property's true condition. Under the new formula, this PHA commenter stated that its 2001 Physical Condition Indicator score could be reduced by 10 points—enough so that the exact physical considerations currently rated "standard" may become "at risk."

The commenter also stated that there appears to be a bias toward properties with building systems indicative of East Coast and Midwest housing. However, on the West Coast, the townhouse style properties are spread across acres of land and lack the expected level of building system components as other public housing properties. As a result, shifting the scoring to only Dwelling

Units and Building Systems does a disservice to public housing in Southern California.

One commenter stated that PHAs should have the option of being scored on all five physical condition criteria. By only scoring two areas, the notice sends the disturbing message to managers that only those two areas are of importance and the other areas need not be accorded the same level of maintenance. By not according the agency the option to be scored on all five areas, human nature dictates that non-scored areas will experience a decline in attention.

*Response.* Both HUD and the public housing stakeholders realized that compromises would be necessary in order to proceed with the assessment of PHAs during the interim period. Most PHAs will fare better with the proposed scoring changes, although some will not fare as well.

During the effective period of the interim scoring process, inspectors will inspect all five inspectable areas and record all deficiencies observed. While PHAs will be provided with a complete inspection report reflecting all observed deficiencies, they will be scored only on Dwelling Units and Building Systems. This will enable PHAs to effectively plan short-term maintenance and long-term modernization needs. Accordingly, the inspection does not ignore or diminish the importance of any inspectable area or any deficiency. Both HUD and significant stakeholders believe that this compromise will best serve the interest of the PHAs, the residents, and HUD.

HUD appreciates the suggestion that PHAs be given the option of being scored on all five areas. However, the time, effort and cost to the government of providing this option would not be warranted given the interim nature of these scoring changes.

*Comment. Certain health and safety violations should not be scored.*

Two commenters asked that the notice specifically state that health and safety violations found in the three areas not scored (Site, Building Exterior, and Common Areas) will not be part of the physical score under the interim assessment process.

*Response.* In the November 26, 2001, Physical Condition Scoring Process notice (66 FR 59084), the Department stated, "[t]he inspector also will record and report all health and safety deficiencies in each of the five inspectable areas. However, the inspection score for each property will be based only on the information reported by the inspector for the two inspectable areas, Building Systems and

Dwelling Units, after the redistribution of the areas' weights for the three non-included areas." Consequently, HUD believes that this issue was addressed in the November 26, 2001, Physical Condition Scoring Process notice.

*Comment. Revisions should be made to the overall physical inspection process through confirmatory reviews of inspections, more use of proportionality, and rights to appeal.*

Three commenters asked for revisions in the physical inspection process. One commenter argued that, aside from the requirement that PHAs inspect their units annually, there should be a confirmatory inspection by an outside agency chosen by the PHA from a list of firms "recognized" by HUD. Physical inspections should be limited to a set percentage of PHA units to validate the sample, and, when more than one unit is involved, should consider "proportionality with regard to issues such as fencing" (i.e., measuring the overall impact of a deficiency as a percentage, such as percentage of total surface area affected by a deficiency).

The commenters stated that scoring systems must be flexible so they meet the needs of large and small PHAs. Physical inspections should result in numeric scores with a right of appeal, and not a pass-fail grade. Two other commenters agreed with the idea of a confirmatory inspection, stating, "there is a definite need for a third party confirmation audit." These two commenters also stated that the frequency of inspections is not addressed and also not addressed are possible solutions for PHAs that fail inspections.

*Response.* HUD declines to accept the suggestion that there should be an outside agency to conduct a confirmatory inspection. The Department has several processes in place for inspection review. HUD has its own Quality Assurance inspectors that review the performance of contract inspectors. HUD also has engineers who review the inspection information when it is uploaded to HUD. The PHAS regulation provides for technical reviews, database adjustments and appeals of the overall PHAS scores and designation. As a result, HUD believes that there are adequate procedures available to PHAs to ensure the accuracy of their scores. Further, due to financial constraints, confirmatory reviews are not feasible.

At this time, HUD also declines to adopt the suggestion that units sampled should be limited to a set percentage of PHA units, and, when more than one unit is involved, should consider

proportionality with regard to issues such as fencing.

HUD chose instead to use a statistically valid random sample method rather than such set percentages at the inception of the PHAS. Educational, scientific and private communities use this methodology when attempting to draw conclusions about a given subject matter. However, in future consultations with public housing stakeholders, HUD intends to consider alternative inspection methodology, which may include the further use of proportionality. With regard to the frequency of the inspections, the PHAS regulation provides for an annual assessment of a PHA, including the physical condition of the PHA's housing stock. The November 26, 2001, physical condition scoring notice provides that where a PHA's score is equal to or greater than 24 points out of the total of 30 points for the Physical Condition Indicator, the PHA will be inspected every other year. If the PHA's Physical Condition Indicator score is less than 24 points, the inspection frequency will be annually. The PHAS regulation does not provide for a failing score for individual inspections. Instead, the regulation assesses the overall condition of all of a PHA's properties. The regulation establishes a threshold of less than 18 points out of a total of 30 points before a PHA is designated as being in substandard physical condition.

It is not the intent of the Department either through its scoring notices or the PHAS regulation to offer possible solutions for PHAs that are designated to be in "substandard physical condition." Rather, it is the purpose of PHAS to provide a measuring tool so that HUD and PHAs can monitor the condition of housing stock and take appropriate action where necessary to ensure that residents are living in housing that is decent, safe, sanitary, and in good repair. The reasons for a PHA to receive a substandard designation vary from PHA to PHA. Once designated to be in "substandard physical condition," the PHA and HUD analyze the root causes for the designation and determine what corrective actions need to be taken which will then be embodied in a Memorandum of Agreement in accordance with the PHAS regulation.

*Comment. Clarify the applicable physical inspection standard.*

Three commenters stated that the notice does not adequately address physical inspection standards. One commenter stated that Housing Quality Standards (HQS) should be the minimum standard, unless there is a

local code that has higher standards, in which case the local code should prevail. Two commenters stated "[i]n spite of the proposed rule change, we are still in a quandary on the inspection standards—HQS, UPCS, local codes, the 'higher' of HQS than local codes."

*Response.* The scoring notice change does not alter the required inspections standard for PHAs. The UPCS regulation (codified at 24 CFR part 5), and the PHAS regulation (codified at 24 CFR part 902) clearly establish the UPCS as the HUD physical condition standard for public housing. HUD has long required PHAs to comply with federal standards as well as applicable local code in the development and modernization of public housing. The standard in the industry, when there are two codes at variance, is to use the more stringent standard. This was the case under the annual unit and system inspection component of PHMAP (24 CFR 901.30(d)), the predecessor to PHAS. HUD expects PHAs during this interim period to continue with this practice.

*Comment. Allow PHAs time to remediate problems.*

Two commenters "strongly recommended" that there should be a period of time for low scoring PHAs to remediate problems before HUD imposes consequences.

*Response.* The PHAS regulation requires that overall troubled PHAs (and troubled-substandard in a single indicator) be referred to the Troubled Agency Recovery Center (TARC). The TARC will enter into a Memorandum of Agreement with the troubled agencies outlining corrective actions to be taken within specified time frames. Further, the PHAS regulation permits the PHA to petition for removal of the troubled designation. A petition for removal can occur if the conditions that gave rise to the troubled designation have been cured. While HUD believes that these procedures provide adequate opportunities for remediation, this issue may be further considered as HUD continues to work with stakeholders in determining what long-term evaluation methodology will be adopted.

*Comment. In the Physical Condition Indicator, certain items should not be scored.*

A commenter stated that only significant items that rise to the level of code violations should be scored. This commenter also stated that there should be no deductions for missing tub stoppers or non-functional defects. Tenant-caused defects should not result in point loss, but should be noted for correction or treated like smoke

detectors when the batteries have been removed.

Three commenters stated that there should be no deductions for units undergoing modernization. Along similar lines, two other commenters stated that "mitigating circumstances (e.g., tenant damages) should be taken into account." Yet another commenter found the number of deficiencies, the severity of them and the weights and criticalities in the units and building systems to be problematic. This commenter stated, "[t]here are still too many tenant-caused damages and too many minor 'problems' in units that are scored." As a result, the commenter questions whether the score is a fair and accurate representation of the housing stock.

*Response.* The U.S. Housing Act of 1937 requires that public housing be decent, safe and sanitary. The Act further requires that HUD determine the extent to which the PHA is providing basic acceptable housing conditions. HUD does not believe that the Act intended for HUD's determination to be limited to local housing code or functionality. Local codes vary throughout the nation. In some cases, local code is nonexistent or at an extremely low level. Functionality is a question of whether a particular inspectable item works or not. HUD does not believe that functionality alone is sufficient to meet either the statutory requirement or to assist PHAs and HUD in managing the inventory of approximately 14,000 public housing developments around the country. Accordingly, HUD established the federal standard, the UPCS, to determine compliance with this statutory requirement. HUD acknowledges that improvements can be made and will seek to make them in a permanent methodology. HUD appreciates the concern regarding resident-caused damage. However, the statutory requirements obligate HUD to determine the condition of the properties and do not exempt various causes of the deficiencies from decent, safe and sanitary housing that is in good repair. Reasons for the condition of a property and the attendant remedial actions should be the subject of further review and analysis by the PHA and HUD Field Offices. The PHAS regulation already exempts vacant units undergoing modernization from the inspection. However, where units are occupied, HUD has the obligation to determine if the resident is living in decent, safe and sanitary housing that is in good repair. The PHAS regulation does provide for a database adjustment

for those elements when modernization is in progress.

*Comment. The Notices fail to address problems with the PHAS appeals process.*

Two commenters asked that HUD "codify \* \* \* in writing" that, since HUD can no longer commit to confirmatory reviews as had been "agreed" because of lack of manpower, instead appeals would be reviewed broadly and a PHA can make its case to the Assistant Secretary for Public and Indian Housing. One commenter stated that it was "disappointed" that there would be no "common-sense" review, and suggested that was another reason the PHAS scores should remain advisory.

*Response.* Although confirmatory reviews and "common sense" appeals were discussed during the recent meetings with stakeholders, HUD subsequently found it to be impractical to implement these items during the interim assessment period. As a result, the Department will continue to accept and review requests for technical reviews, database adjustments and score and designation appeals per the PHAS regulation. Prior to responding to the PHA, the Assistant Secretary for the Office of Public and Indian Housing will ensure that all appeals will continue to be given due consideration. While the interim scoring procedures are in effect, the Department is willing to consider improvements to the evaluation methodology, including the appeal process.

*Comment. Incentives for PHAs designated as high performers should be provided.*

Four commenters stated that there should be some form of reward for high performers. One commenter stated that the scores must be tied to a system of rewards and there should be regulatory waivers granted to high performers in addition to capital assistance under section 9(j)(3)(C) of the U.S. Housing Act of 1937 (which provides for the reallocation of certain Capital Funds to high performing PHAs). Two commenters stated generally that the notice fails to address the concept of rewards for high performers, which they state was at the heart of changing the old assessment system. One commenter stated that the notice was silent as to whether high performer status would entitle PHAs to all the privileges defined by the Department, including additional Capital Funds, and that this entitlement should be stated in writing. This commenter urged that Capital Funds be distributed based on high performer status as soon as technically possible.

*Response.* The current PHAS regulation provides incentives for high performers and PHAs will be afforded those incentives. Further, the Capital Fund Program rule provides incentives for high performers. The interim scoring notice does not modify or change the implementation of incentives to high performers. Accordingly, PHAs that are designated as high performers during the period when the interim scoring notices are in effect will receive additional capital funds as a result of their performance, as provided by the Capital Fund Program rule. HUD will notify PHAs of the schedule upon which these funds will be provided, which depends in part on administrative considerations. The Department is willing to consider the issue of additional regulatory waivers during the long-term review of changes to the evaluation methodology.

*Comment. The changes to the Financial Condition Indicator may change a PHA's designation.*

One commenter stated that the constant change to the financial components, specifically Current Ratio (CR) and number of Months Expendable Fund Balance (MEFB), "may establish a perception that HUD is setting up housing authorities to fail." The commenter also stated that the changes to CR and MEFB under the interim scoring process may cause a PHA that was a "high performer" in 2001 to be designated as a "standard performer" or "troubled performer" in 2002, regardless of a change in actual performance.

*Response.* The Department disagrees that there have been substantial changes to the Financial Condition Indicator. The changes that have been made were either to improve the method of scoring based on industry discussions or update the thresholds based on current data.

Under the interim financial scoring process, the thresholds for the components are lowered so that a PHA with a CR or MEFB value equal to or greater than 1.0 will receive the full 9.0 points available for each component. As a result of this change, a PHA's performance designation improved in most cases, and in the remaining cases, the PHA's performance designation stayed the same.

*Comment. Financial peer groupings should be eliminated.*

Four commenters stated that peer groupings should be eliminated from the financial indicators and that HUD should use a more constructive measure to assess financial condition. One commenter further stated that all groupings should be abandoned and the focus should be on each PHA's

individual performance given the measures by which the management assessment is based.

*Response.* HUD has conducted extensive research based on the total number of entity-wide units operated to validate the use of peer groups in assessing a PHA's financial condition. The research shows that PHAs of different sizes have statistically different values under the financial indicator components. In addition, financial rating services consider size and market-share as a measure of diversification, i.e., risk management. Based upon this information, HUD believes that it is appropriate to measure certain financial indicator components based on peer groups because it provides for a more accurate overall financial assessment of PHAs. However, this issue will be reconsidered as HUD works with stakeholders in determining what the long-term evaluation methodology will be.

*Comment. Financial assessments should not be "entity-wide."*

Three commenters stated that HUD should not assess a PHA's financial condition on an entity-wide basis. Two commenters stated "entity-wide" assessments for some PHAs with sizeable Section 8 programs result in a lower Occupancy Loss component score. The commenters went on to say "[t]he emphasis should be on a PHA's ability to manage its public housing dwelling units that it has control over, not the housing market in its jurisdiction." One commenter also noted that, "for these sub-indicators, there are (sic) no statutory authority for HUD to impose these conditions."

*Response.* HUD has considered whether a PHA should be financially evaluated on an entity-wide basis and has determined that the overall financial condition of a PHA provides a valid basis to assess its long-term viability and financial performance. The Department is concerned about a PHA's ability to manage non-public housing grant and subsidy programs, as well as other federal and non-federal sources of funding. However, other options may be explored as HUD considers permanent changes to the assessment system.

With reference to the statutory requirements, HUD has the authority to assess any factors it determines appropriate in accordance with section 6(j)(1)(K) of the U.S. Housing Act of 1937, as amended. The Single Audit Act and OMB Circular A-133 require entity-wide audits of the financial statements of PHAs receiving federal funds.

*Comment. The financial review should be limited to the independent audit.*

One commenter stated that the financial review should be "limited to the independent audit and the data that HUD draws from the Financial Data Schedule." There should be no other requirements included in the financial review.

*Response.* HUD understands this comment to mean that PHAs should only be required to submit an audited financial statement and not submit both an unaudited and an audited financial statement.

As required by the Single Audit Act and OMB Circular A-133, HUD requires PHAs to submit audited financial statements nine months following the close of the PHA's fiscal year-end. However, there may be information in the unaudited financial statement that would assist HUD in monitoring a PHA's financial health. Therefore, HUD will continue to require both submissions.

*Comment.* Business practice dictates that scores of less than one for CR and MEFB are unacceptable.

One commenter stated that "good business practice dictates that an authority has sufficient current assets to cover current liabilities and adequate reserves to operate independently of HUD, if circumstances should warrant." In addition, the commenter stated that "it might be considered harsh to penalize a housing authority zero points for scoring less than one on either current ratio or number of months expendable fund balance; however, sound business principles indicate a score of less than one is unacceptable."

*Response.* HUD agrees that sound business principles indicate a value of less than one on the CR or MEFB is unacceptable. As a result, under the interim scoring process, a value of less than one on the CR component would result in a CR score of zero. The CR component measures the cash liquidity of a PHA by dividing current assets by current liabilities. This component predicts whether or not the PHA can meet its current obligations, therefore a PHA with a CR value of less than one (i.e., when current liabilities are greater than current assets) would pose a financial risk because it may be unable to cover its current obligations and thus should merit a score of zero for the CR component.

Similarly, the MEFB is a viability measure of a PHA's ability to operate

using primarily its net available, unrestricted resources without reliance on additional funding. This component compares the net available unrestricted resources to the average monthly operating expenses. The result of this calculation shows how many months of operating expenses and the repayment of operating debt principal can be covered with currently available, unrestricted resources. Therefore, a PHA with a MEFB value of less than one would pose a financial risk because it may be unable to cover its operating expenses using its reserves and thus should merit a score of zero for the MEFB component.

*Comment.* Concur with changes to interim scoring for the Financial Condition Indicator.

Four commenters concurred with the interim scoring changes for the Financial Indicator. In particular, they concurred with HUD's decision to use pass/fail when scoring the components CR and MEFB, rather than scoring these two components based on percentiles and peer grouping.

*Response.* The Department appreciates the commenters' agreement with these changes.

*Comment.* Indicate essential elements in the PHA evaluation system.

One commenter stated that the interim assessment processes should indicate which elements are essential in the public housing evaluation system.

*Response.* The Department believes that the four indicators that comprise the PHAS are the essential elements in an overall assessment of public housing. As stated in the November 26, 2001, Introduction Notice (66 FR 59080), these four essential elements are the: (1) Physical condition of properties; (2) financial condition; (3) management operations; and (4) resident's assessment through a survey. Since this information is in the current PHAS regulation, no change to these notices is required.

*Comment.* Reduce the management reporting requirements, in particular the drug elimination program information.

One commenter stated that the management assessment indicator should be retained but the reporting requirements lessened, and in particular, the information on the drug elimination program that Congress no longer funds.

*Response.* The Department is not considering changes to the Management

Operations Indicator for the period when the interim scoring notices are in effect, but has committed to continue to meet with public housing stakeholders during this time to further discuss evaluation methodologies and the scoring processes. In these meetings, the Department is willing to consider the drug elimination reporting requirements under the Management Operations Indicator.

*Comment.* Modify the resident survey questions and include the property address with the responses.

One commenter suggested that the Department retain the current questions in the Customer Service and Satisfaction Survey and allow PHAs to insert five to ten additional questions about local issues. The commenter also stated that the resident responses should indicate the resident's address in order for the PHA to deal with the responses.

*Response.* While the Department is not making changes to the Resident Service and Satisfaction Indicator during the period when the interim scoring notices are in effect, the Department has committed to continue to meet with public housing stakeholders to further discuss the evaluation methodologies. In these meetings, changes to the resident survey will be discussed. In November 2001, the Department began reporting resident survey results to PHAs on the property level. This provides the PHA with the ability to more specifically respond to resident concerns while at the same time maintaining the residents' anonymity, which is important because of privacy concerns.

### III. Adoption of Interim Physical Condition and Financial Condition Scoring Procedures Without Change

The Department appreciates the public comments submitted on the November 26, 2001, notices. For the reasons discussed above in Section II of this notice, the Department adopts the interim physical condition and financial condition scoring procedures without change.

Dated: March 8, 2002.

Michael Liu,

Assistant Secretary, Public and Indian Housing.

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