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May 19, 2004

Regulations Division
Office of General Counsel
Room 10276
U.S. Department of Housing
And Urban Development
451 Seventh Street S.W.
Washington, D.C. 20410-0500

**RE: Revised Guidelines for Previous Participation Certification; Proposed Rule
Docket No. FR-4870-P-01
RIN 2502 AI10**

Dear Sir or Madam:

Thank you for the opportunity to comment on the Department's proposed revisions to the guidelines for previous participation certification.

This proposed rule is extremely important to the National Affordable Housing Management Association (NAHMA). NAHMA represents individuals involved with the management of privately-owned affordable multifamily housing regulated by the U.S. Department of Housing and Urban Development, the U.S. Rural Housing Service, the U.S. Internal Revenue Service, and state housing finance agencies. Our members provide quality affordable housing to more than two million Americans with very low and moderate incomes. Executives of property management companies, owners of affordable rental housing, public agencies and vendors that serve the affordable housing industry constitute NAHMA's membership.

Our specific comments on the proposed rule follow.

- **NAHMA strongly supports the 2530 automation concept.**

In the long term, electronic submission of Previous Participation Certifications through the Active Partner Performance System (APPS) will streamline the process for agents, owners, and HUD staff. We generally agree with the Department's justification for the automation, "... risk assessment of a party's new or revised participation will occur faster, as paper is not required to be sent back and forth across the country." Many of our members have experienced delays in 2530 approval directly related to the "paper chase." Likewise, we agree automation will empower management agents and owners with the ability to monitor their certification information.

- **The proposed rule does not specify the date upon which the automated submission of Previous Participation Certifications are required. For reasons explained below, we strongly urge the Department to allow an effective date of at least six months from the date the final rule is published in the *Federal Register*.**

First, the industry must have sufficient time for compliance.

The effective date of this rule should recognize that experience with APPS varies across the affordable housing industry.

Before management agents and owners unfamiliar with APPS can make automated submissions, they will have to “build their baseline.” In other words, affordable housing operators will have to enter all information previously submitted on the paper 2530 form into APPS. Building the baseline is a multilayered, time-consuming process. Simply gaining access to HUD’s secure systems can take weeks. Once access is granted, management agents and owners must be properly trained to use APPS. In many instances, loading the 2530 information previously submitted on paper forms will require several months of effort to complete. Some NAHMA members report that their companies have had to hire additional staff and/or reassign existing staff to build the baseline. Based on the experiences of these members, the agents and owners who are new to APPS will have to make the same personnel decisions.

Again, drawing on the experience of members who are currently building their baselines, the most cumbersome part of the automation process is loading information on principals. The depth of ownership information required by APPS demands considerable time, effort, and research to assemble; in many instances, the information is not readily available to management agents. This challenge is particularly daunting for large management companies involved with properties having complex, multi-tiered levels of ownership. According to NAHMA members familiar with APPS, identifying and submitting information on principals has been the most frustrating part of their automation efforts.

With a presumably short time frame to comply with the proposed rule, we recommend limiting the number of partnership tiers required for APPS. The guidelines for the paper 2530 form called for reporting principals to the second and third tier of ownership. We believe industry-wide compliance with the automation rule would be more readily achieved if the information required on principals required by APPS were made consistent with the guidelines for the paper 2530 form.

From an industry perspective, a minimum six month window of opportunity will be necessary to achieve the automation goal. In that timeframe, management agents and owners will have to determine whether staff resources are adequate to enter the information into the system, provide APPS training, and compile the required data on principals.

Likewise, HUD must allow itself sufficient time to make this requirement practical.

Because the Previous Participation Certification must be approved in order for the owner /agent to take on new business, the process is taken very seriously.

Considering the automation requirement will be new to many owners and agents, the Department should prepare for a high volume of calls and requests for assistance on the new process. It will be absolutely imperative for the Department to have sufficient staff resources in place to respond to the increased requests for assistance. Because the information submitted in the certification is proprietary, it is also essential for the Department to have strong enforceable safeguards in place to protect the confidentiality of this information at every stage in the process.

- **APPS training should be widely available and offered to the industry prior to the effective date of this requirement.**

We believe offering training in advance of the effective date is critical to ensuring a smooth transition in the process. Likewise, instructional materials for APPS must be clear, user friendly and widely available.

- **Conclusion**

HUD and the affordable housing industry must work together in partnership to ensure this automation initiative is a success. Electronic submission of the Previous Participation Certification is absolutely a step in the right direction. In the long term, automation will benefit the industry. However, the experience of our members indicates preparing for industry-wide automation is exacting. It is imperative that the Department set a realistic timeframe for compliance. We believe at least six months from the date of the final rule's publication will be necessary to facilitate a smooth transition from paper to electronic submissions.

Thank you for your consideration of these comments. If you require additional information, please feel free to contact NAHMA's Director of Government Affairs, Michelle Kitchen, at 703-683-8630.

Sincerely,

A handwritten signature in cursive script, appearing to read "Wayne Fox".

Wayne Fox, HCCP, NAHP-e
President