

AHIC Risk Rating Guidelines
STABILIZED PHASE

Risk Rating	A	B	C	D	F
DEBT COVERAGE RATIO (DCR)	<ul style="list-style-type: none"> DCR is at or above 1.20x or as underwritten 	<ul style="list-style-type: none"> DCR is between 1.0x and 1.20x 	<ul style="list-style-type: none"> DCR is below 1.0x but greater than .85x Loan is current on Must Pay Debt 	<ul style="list-style-type: none"> DCR is between .5x and .85x OR significant cash deficits Loan is delinquent on Must Pay Debt 	<ul style="list-style-type: none"> Loan is in default on Must Pay Debt Notice of Default issued
EXPENSE COVERAGE RATIO (ECR) TO BE USED FOR SOFT DEBT DEALS ONLY	<ul style="list-style-type: none"> ECR is at or above 1.10x or as underwritten 	<ul style="list-style-type: none"> ECR is between 1.0x and 1.10x 	<ul style="list-style-type: none"> ECR is below 1.0x but greater than .85x 	<ul style="list-style-type: none"> ECR is between .5x and .85x OR significant cash deficits 	<ul style="list-style-type: none"> ECR is Below .5x
ECONOMIC OCCUPANCY	<ul style="list-style-type: none"> Economic Occupancy is 95% or above 	<ul style="list-style-type: none"> Economic Occupancy is 90% or greater 	<ul style="list-style-type: none"> Economic Occupancy is below 90% but greater than 80% 	<ul style="list-style-type: none"> Economic Occupancy is less than 80% 	<ul style="list-style-type: none"> Economic Occupancy is less than 70%
RESERVES	<ul style="list-style-type: none"> Reserves and Escrows are fully funded as originally underwritten 	<ul style="list-style-type: none"> Reserves and Escrows are being funded and are sufficient to meet obligations 	<ul style="list-style-type: none"> Reserves and Escrows are underfunded by 25% from Original Projections, but payments are being made Balances are insufficient to meet long-term property needs 	<ul style="list-style-type: none"> Reserves and Escrows are underfunded by 50% from Original Projections, but payments are being made Balances are insufficient to meet immediate long-term property needs 	<ul style="list-style-type: none"> Reserves and Escrows are depleted and no payments are being made
PHYSICAL	<ul style="list-style-type: none"> No physical issues 	<ul style="list-style-type: none"> Correctable deferred maintenance 	<ul style="list-style-type: none"> Deferred maintenance causing structural and/or environmental issues with funding sources not fully identified Building Code violations 	<ul style="list-style-type: none"> Significant deferred maintenance causing life/safety issues, structural and/or environmental issues with no identified source to remedy 	<ul style="list-style-type: none"> Off-line units with no funding source to remedy Major issues or building(s) condemned
GP/SPONSOR/DEVELOPER/ MANAGEMENT	<ul style="list-style-type: none"> GP/Sponsor/Developer is financially secure and able to meet all obligations as identified in the Partnership Agreement 	<ul style="list-style-type: none"> GP/Sponsor/Developer is financially secure and able to meet all obligations Minor Property Management issues 	<ul style="list-style-type: none"> GP/Sponsor/Developer has modest financial capacity and liquidity has been identified as an issue Weak Property Management/Potential replacement needed Partnership or Investor named in Lawsuit 	<ul style="list-style-type: none"> GP/Sponsor/Developer lacks ability or willingness to cover guarantee obligations GP/Guarantor Bankruptcy is a potential risk Default has been issued Management Company is ineffective and replacement is required 	<ul style="list-style-type: none"> GP/Sponsor/Developer/ Bankruptcy Material Litigation/Damages and Costs Incurred Foreclosure



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PROGRAM COMPLIANCE	<ul style="list-style-type: none"> No material Compliance issues Part III is on-track 	<ul style="list-style-type: none"> Correctable Compliance issues with no financial impact Part III is on-track 	<ul style="list-style-type: none"> Correctable Compliance issues with financial impact 8609 delayed which will have an impact on Credit delivery Failing REAC and/or MOR Score with no corrective plan 8823s issued and not corrected within 90 days Part III delay is greater than 90 days 	<ul style="list-style-type: none"> 8609s are delayed more than 2 years Uncorrectable Compliance issues 8823s issued and left uncorrected at year-end Part III is in jeopardy with no remedy 	<ul style="list-style-type: none"> 8609s delayed more than 3 years Part III denied Recapture
INSURANCE/TAXES	<ul style="list-style-type: none"> No Insurance/Tax issues Adequate coverage is in place 	<ul style="list-style-type: none"> No Insurance/Tax issues Adequate coverage is in place 	<ul style="list-style-type: none"> Unpaid Real Estate Taxes but funds are available Insurance requirements are not being met Expired Coverage 	<ul style="list-style-type: none"> Unpaid Real Estate Taxes for two or more years Tax Certificates sold and ownership rights can be asserted Insurance requirements are not being met and no funds are available 	<ul style="list-style-type: none"> Unpaid Real Estate Taxes/Unpaid Insurance and no funds are available
REPORTING	<ul style="list-style-type: none"> No Reporting issues 	<ul style="list-style-type: none"> Minor Reporting deficiencies 	<ul style="list-style-type: none"> Audit issued with Going Concern Reporting is consistently delayed 	<ul style="list-style-type: none"> Tax Return and/or Audit not received prior to April 15 Inadequate or incomplete Reporting Reporting accuracy in question 	<ul style="list-style-type: none"> Tax Returns are delinquent leading to incurable default
RECAPTURE/ FORECLOSURE	<ul style="list-style-type: none"> No Recapture 	<ul style="list-style-type: none"> No Recapture 	<ul style="list-style-type: none"> Nominal Actual or Expected Loss or Recapture of Tax Credits Notice of Default 	<ul style="list-style-type: none"> Material Actual or Expected Loss or Recapture of Tax Credits 	<ul style="list-style-type: none"> Total Investment Loss Expected Foreclosure Imminent with Loss of Affordability Requirements