



- The Asset is evaluated on a quarterly basis
- There are five Risk Ratings:

A – Excellent: The Asset is performing according to original projections

B – Average: The Asset is stable but slightly underperforming based on original projections

C – Weak: The Asset is unlikely to meet original operating or targeted projections. The Asset exhibits two or more of the characteristics outlined in the Risk Rating Guidelines and requires an additional level of oversight. In the case of DSC, Occupancy, Program Compliance, Recapture or Construction/Lease-Up, the one issue alone may be sufficient to warrant at least a “C” Rating

D – Moderate Risk: The Asset has deteriorated to a level where credits are at risk and there is significant risk of recapture. The Asset exhibits three or more of the characteristics outlined in the Risk Rating Guidelines and intense oversight

F – Significant Risk: Recapture is imminent

- An Asset that is rated a “C” or below should be considered Watch List
- An Asset whose operations are (\$3,000) or less in negative cash flow in any given quarter should show a declining trend in the following quarter before meeting the criteria to be added to the Watch List



AHIC Risk Rating Terms

Cash Flow: Net Operating Income (NOI) after debt payments and replacement reserve fundings

Construction Completion: Completion of the Property as evidenced by receipt of Temporary Certificate of Occupancy (TCO) or Certificate of Occupancy (CO); the Architect's Certificate of Substantial Completion or AIA Document G702/G703

Debt Coverage Ratio: Gross Operating Income minus Expenses and Replacement Reserves divided by Debt Service (Principal and Interest). Exclude any Principal and Interest payments on non-mandatory debt

Economic Occupancy: Net Rental Revenue (NRR) divided by Gross Potential Rent (GPR)

Operating Expenses: Includes insurance expense and real estate taxes. Excludes depreciation, debt service and replacement reserves

Gross Operating Income: The amount of income collected from the operation of a property after deductions for vacancy and credit losses, but before deductions for operating expenses

Gross Potential Rent: Market Rent minus Loss to Lease

MOR: HUD Management and Occupancy Review. This is an annual review regardless of the score

Net Rental Revenue: GPR minus any offsets to revenue such as vacancy loss, concessions and bad debt

Part III: Certification property has completed historic rehabilitation as described in Part II Certification issued by the National Park Service. Part III Certification is required to be complete 30 months after Part II has been issued

REAC: Real Estate Assessment Center. Properties that score 90 and above are inspected every 3 years; Properties that score 80-89 are inspected every 2 years; Properties that score 79 and below are inspected annually



AHIC RISK RATING GUIDELINES DEVELOPMENT PHASE

Risk Rating	A	B	C	D	F
CONSTRUCTION/LEASE-UP	<ul style="list-style-type: none"> • Construction/Lease-up is on schedule or ahead of schedule 	<ul style="list-style-type: none"> • Construction/Lease-Up is less than 60 days delayed 	<ul style="list-style-type: none"> • Estimated Construction Completion and Lease-Up Completion is greater than 90 days delayed 	<ul style="list-style-type: none"> • Construction/Lease-Up is greater than 180 days delayed • Mechanics liens exist 	<ul style="list-style-type: none"> • Construction has halted and the General Partner/Guarantor is unable to remediate • Leasing activity has stopped prior to 100% Qualified Occupancy and the General Partner/Guarantor is unable to remediate • Mechanics liens filed but not satisfied within 30 days
FINANCIAL	<ul style="list-style-type: none"> • Sources and Uses are in balance • Cost Overruns/Change Orders are less than 5% of original contract and there are sufficient sources to cover shortfalls 	<ul style="list-style-type: none"> • Sources and Uses are between 5% and 10% but identified sources needed to cover shortfalls are available • Cost Overruns/Change Orders are between 5% and 10% of original contract and there are sufficient sources to cover shortfalls 	<ul style="list-style-type: none"> • Sources and Uses are out of balance between 10% and 15% but there are identified sources to cover shortfalls • Cost Overruns/Change Orders are between 10% and 15% of original contract and sources have been identified to cover shortfalls 	<ul style="list-style-type: none"> • Sources and Uses are out of balance between 15% and 20% with no identified sources to cover shortfalls • Cost Overruns/Change Orders are between 15% and 20% of original contract with no identified source to cover shortfalls 	<ul style="list-style-type: none"> • Sources and Uses are out of balance exceeding 20% and there is no identified source to cover shortfalls • Cost Overruns/Change Orders exceed 20% of original contract with no identified source to cover shortfalls
CONSTRUCTION LOAN	<ul style="list-style-type: none"> • Construction loan is anticipated to be paid down according to original projections 	<ul style="list-style-type: none"> • Construction loan is not anticipated to be paid down by original maturity but an extension has been secured 	<ul style="list-style-type: none"> • Construction loan is not anticipated to be paid down by first extension and second extension is being pursued 	<ul style="list-style-type: none"> • Construction loan is not anticipated to be paid down by any agreed extension • Debt restructure needed or in process 	<ul style="list-style-type: none"> • Risk of Foreclosure • Expired LOC
PERMANENT LOAN	<ul style="list-style-type: none"> • Permanent loan conversion is on track according to original projections 	<ul style="list-style-type: none"> • Permanent loan conversion is delayed no more than 3 months from original projections 	<ul style="list-style-type: none"> • Permanent loan conversion is delayed 6 months or more from original projections and conversion may be in jeopardy • Notice of Default has been issued 	<ul style="list-style-type: none"> • Permanent loan conversion is delayed in excess of one year from original projections • Original loan terms have changed unfavorably 	<ul style="list-style-type: none"> • Permanent source of loan is lost and no other source has been identified • Gap to convert and no identified source of gap filler
PROGRAM COMPLIANCE	<ul style="list-style-type: none"> • Property is anticipated to be complete by PIS deadline or has received a carryover extension from the Allocating Agency • No material compliance issues 	<ul style="list-style-type: none"> • Correctable compliance issues with no financial impact 	<ul style="list-style-type: none"> • Receipt of 8609s is delayed • Achieving minimum set-aside qualification is a concern • Material non-compliance including the issuance of 8823s • Annual Compliance Certification has not been submitted • Potential for 15-year credit for 10% or more of units 	<ul style="list-style-type: none"> • Property is not expected to be complete by PIS deadline and tax credit delivery is in question • Unresolved 8823s 	<ul style="list-style-type: none"> • Loss or Recapture of all tax credits • Property will not reach minimum set-aside qualification date • Expected loss of credits due to uncorrectable 8823s
GENERAL CONTRACTOR	<ul style="list-style-type: none"> • General Contractor is in place and work is on track with original projections 	<ul style="list-style-type: none"> • General Contractor has been removed but a replacement GC is in place and work is on track with original projections 	<ul style="list-style-type: none"> • General Contractor has been removed for 30+ days and a replacement GC has not been identified 	<ul style="list-style-type: none"> • General Contractor has been removed for 60+ days and a replacement GC has not been identified 	<ul style="list-style-type: none"> • Significant misappropriation of funds and/or construction defects due to General Contractor mismanagement

DEVELOPMENT PHASE

Risk Rating	A	B	C	D	F
GP/SPONSOR/ MANAGEMENT	<ul style="list-style-type: none"> •GP/Sponsor is financially secure and able to meet all obligations 	<ul style="list-style-type: none"> •GP/Sponsor is financially secure and able to meet all obligations 	<ul style="list-style-type: none"> •GP/Sponsor has modest financial capacity and liquidity has been identified as an issue 	<ul style="list-style-type: none"> •GP/Sponsor lacks ability or willingness to cover guarantee obligations •Bankruptcy is a potential risk 	<ul style="list-style-type: none"> •GP/Sponsor Bankruptcy •Foreclosure
RECAPTURE	<ul style="list-style-type: none"> •No recapture 	<ul style="list-style-type: none"> •No recapture 	<ul style="list-style-type: none"> •Actual or expected loss or recapture of tax credits 	<ul style="list-style-type: none"> •Actual or expected loss or recapture of tax credits 	<ul style="list-style-type: none"> •Recapture event

AHIC RISK RATING GUIDELINES
STABILIZED PHASE

Risk Rating	A	B	C	D	F
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
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% 	
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 but projections, but payments are being made •Balances are insufficient to meet immediate and long term project 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 and long term project 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/ structural or environmental issues with minimum funding sources •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

AHIC RISK RATING GUIDELINES
STABILIZED PHASE

Risk Rating	A	B	C	D	F
GP/SPONSOR/ MANAGEMENT	<ul style="list-style-type: none"> •GP/Sponsor is financially secure and able to meet all obligations as identified in the Partnership Agreement 	<ul style="list-style-type: none"> •GP/Sponsor is financially secure and able to meet all obligations •Minor Property Management issues 	<ul style="list-style-type: none"> •GP/Sponsor has modest financial capacity and liquidity has been identified as an issue •Weak Property Management/ Potential replacement needed 	<ul style="list-style-type: none"> •GP/Sponsor lacks ability or willingness to cover guarantee obligations •Bankruptcy is a potential risk •Management Company is ineffective and replacement is required 	<ul style="list-style-type: none"> •GP/Project or Partnership Bankruptcy •Foreclosure
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 •Failing REAC and/or MOR Score with no corrective plan •8823s issued and not corrected within 90 days •Part III delay is greater than three months 	<ul style="list-style-type: none"> •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

AHIC RISK RATING GUIDELINES
STABILIZED PHASE

Risk Rating	A	B	C	D	F
INSURANCE/ TAXES	<ul style="list-style-type: none"> •No insurance/tax issues 	<ul style="list-style-type: none"> •No insurance/tax issues 	<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 •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"> •Inadequate or incomplete Reporting •Reporting accuracy in question 	<ul style="list-style-type: none"> •Reporting not received
RECAPTURE/ FORECLOSURE	<ul style="list-style-type: none"> •No Recapture 	<ul style="list-style-type: none"> •No Recapture 	<ul style="list-style-type: none"> •Actual or expected loss or recapture of tax credits •Notice of Default 	<ul style="list-style-type: none"> •Actual or expected loss or recapture of tax credits •Receiver has been appointed 	<ul style="list-style-type: none"> •Recapture event •Sheriff's Sale