

- **Trend in DCR**

This category takes into consideration the average change of the DCR over the last three years. When three years of data are not present, it looks at the average of the years that are available.

Average DCR	Rating
<input type="checkbox"/> + Average	(Strong)
<input type="checkbox"/> 0% to -.99% OR -1% to -3% and DCR >1.10	(Satisfactory)
<input type="checkbox"/> -1% to -3% and DCR 1.0 - 1.10 OR -3.01% to -5% and DCR >1.10	(Marginal)
<input type="checkbox"/> ≤-1% and DCR<1.0 OR <-5%	(Critical)

- **Mortgage Payment Coverage Ratio**

This category compares net available funds to the upcoming mortgage payment. According to the U.S. Department of Housing and Urban Development (HUD) Handbook 4370.1, a project is healthy with an adequate cushion if it has a ratio of +1 or greater. A positive rating of less than 0.7 means the project is likely to meet its past and current obligations by using some of the next month's rents. It may appear to be stable on a short-term basis but should be considered marginal. A negative ratio represents a severe liquidity problem.

Note: In determining this ratio, KHC does not consider liabilities to related entities unless special circumstances require that they are truly liabilities which must be paid in the next 30 days.

MPCR	Rating
<input type="checkbox"/> + ≥ 1.0	(Strong)
<input type="checkbox"/> + 0.7-<1	(Satisfactory)
<input type="checkbox"/> + ≥ 0- <0.7	(Marginal)
<input type="checkbox"/> - Any #	(Critical)

- **Actual DCR compared to Underwriting Projection (First 5 Years Only)**

This category is designed to quickly identify potential problems after project implementation. Problems here will show up before they will in the other DCR categories. This scoring category is only used in project years 1 to 5 and looks at the average percentage difference between the actual and projected DCR. A positive percentage means the actual DCR is higher than what was projected. A negative percentage means the actual DCR is lower than projected. This category does not include a "Critical" rating because it is designed to identify potential problems early in the project's life, before they become critical, as well as providing valuable feedback for KHC's underwriting staff. If a project is in a critical situation, it will be identified as such in one of the other three ratings. The rating is as follows:

Difference in DCR Rating

>0% (Positive)

0% to -10%

<-10%

(Strong)

(Satisfactory)

(Marginal)