

HUD Multifamily Risk Rating Summary

Active Multifamily assets (29,000+) are rated according to the scale below, with the Project Manager providing regular updates. We conduct a monthly call with each Hub to ensure consistency in application, follow up on Troubled assets, and foster communication on the rating process.

	Risk Rating	Insured	Non-Insured
Troubled	1	High likelihood of claim within 6 months	HAP termination or foreclosure pending
	2	PPC or OAHP restructure in process	8(bb) or 214 subsidy transfer in process
	3	Property requires a change in ownership, is in Bankruptcy or Receivership, scored below 30 on REAC, or has other problems that may lead to claim within 12 months	Property requires a change in ownership, is in Bankruptcy or Receivership, or scored below 30 on REAC
	4	Property has a history of delinquency, or other ownership/management problems as measured by the Qualitative Assessment Score (QAS)	Property has a history of delinquency, other ownership/management problems as measured by the QAS, is functionally obsolete, or is eligible for an upcoming voucher conversion that has not begun
	5	Vacancy greater than projected, DSCR below 1, or REAC score 30-60, open DEC referral or audit issues, excessive commercial vacancy, or TPA in process to resolve problems	Unexplained or excessive vacancy, REAC score 30-60, open DEC referral or audit issues, no MOR in 5 years, or change of ownership in process to resolve problems
Potentially Troubled	6	REAC score 30-70 but ownership is resolving problems, MOR less than satisfactory, or OAHP watchlist contract	REAC score 30-70 but ownership is resolving problems, MOR less than satisfactory, ownership eligible to opt-out, or PD HAP contract in initial 12 months
	7	New construction with underwriting assumptions met, newly financed existing property, DSCR greater than 1 but declining, or DSCR is under 1 but owner is taking action	Non-insured property with little information available, owner/management capacity problems, new RAD contract, or standalone Use Agreement not in compliance
Not Troubled	8	DSCR between 1.15 and 1.24 and loan is over \$25 Million with no other problems	MDDR shows delinquent due to technical issue, or IRA score high with no other concerns
	9	DSCR between 1.15 and 1.24 and loan is under \$25 Million with no other problems	IRA score medium with no other concerns
	10	DSCR is 1.25 or greater and there are no other problems	No issues or concerns, or standalone Use Agreement in compliance