

Developer Guidance for KHC Underwriting Model Review

Kentucky Housing Corporation developed the criteria below, which is used by the underwriters in reviewing a project's financial strength and adherence to program underwriting guidelines. This document should be used by applicants as a tool for completing the underwriting model and is for guidance purposes only. The underwriting review criteria are provided for your benefit and in no way imply a guarantee your project will be awarded funding. Please upload a completed copy along with any other application attachments.

1. Was the most current utility chart used (from KHC's Web site, local housing authority, or historical data) and do the amounts on the Income Tab match the chart?
Yes N/A
2. Are the correct rents shown for each type of funding source requested? (Rent charts can be found on KHC's Web site. For tax credit rents, use KHC's link to the Novogradac rent calculator.)
Yes
Note: Please send a copy of the Novogradac rent calculation as an application attachment.
3. Do the rents entered on the Income Tab meet the requirements of the income to be served, elected in the application? (The information provided in the market study should be used to determine the reasonable rents and whether the rents are competitive with those of other rental property in the area.)
Yes
4. On the Income Tab, is the required number of HOME, AHTF, and/or SMAL units from the unit distribution section accounted for in the breakdown section for the various unit type and sizes?
Yes N/A
5. Are the low HOME units proportionately distributed, as shown on the Funding Test Limits Tab?
Yes N/A
6. Has information been provided to justify the amount of "Other Income," i.e., laundry fees, vending, late fees, etc., shown on the Income Tab?
Yes N/A
7. Is the management fee shown on the Expenses Tab at or below 8.5 percent?
Yes No N/A

If no, have you provided information showing a higher management fee is justified?
Yes
8. Are the total expenses shown between \$2,500 and \$4,500?
Yes No

If "No," have you provided an explanation for the variance?
Yes

9. Is the Operating Deficit Reserve (ODR) amount equal to or greater than the minimum amount of ODR shown on the Sources and Uses Tab? Has the source of funding for the ODR been identified on the Sources and Uses Tab?
Yes
10. If requesting SMAL, is the interest rate shown at or above 3.5 percent and the amount no more than 90 percent of the lesser of total development cost or appraised value? (Value is defined as the total of appraised value at restricted rents and the value of preferred financing.)
Yes
11. If requesting SMAL funds, has the 1 percent origination fee been included on the Construction Financing or Permanent Financing line on the Sources and Uses Tab?
Yes N/A
12. If a project is requesting KHC funds and can support an amortizing KHC loan of at least \$50,000 while maintaining a positive cash flow for 15 years, any request for grant or deferred loan on the underwriting model will be changed reflect the amount of amortizing loan the project can support. Have you checked to see if your project can support an amortizing loan of at least \$50,000? If it can, have you shown this loan on the Sources and Uses Tab?
Yes N/A
13. Do the non-KHC funds require a rent restriction? If so, are the rents within the required limits?
Yes N/A
14. Does the rate and term shown for any non-KHC loans match those shown on the commitment letters?
Yes N/A
15. Does the amount shown for acquisition match what is shown in the site control documentation provided?
Yes N/A
16. If requesting tax credits, are the total KHC funds requested and the amount of equity funds paid in during construction equal to the total project costs? (Refer to the pay-in schedule from the syndicator.)
Yes No N/A
If no, you have a construction gap. Have you provided a copy of your bridge loan commitment?
Yes N/A
17. Has the appropriate amount of Match (5 percent) been provided for all KHC funds you are requesting?
Yes
18. Is the HOME match from an eligible source? (Refer to rental guidelines.)
Yes N/A

19. If using AHTF funds as a source of match for the HOME funds, is there also a minimum of 5 percent of non-KHC funds in the project?
Yes N/A
20. Is the project located in a QCT and providing a Community Service Facility (CSF)?
Yes N/A
Note: *If yes, one additional unit may be given on the per-unit test on the Housing Credit Tab for the CSF or the ratio of the square footage of the CSF to the total residential square footage is used to calculate the percentage of additional credit allowed, but it may not exceed 25 percent.*
21. If the project is requesting the 30 percent boost in Housing Credits, have you provided proof the boost is needed?
Yes N/A
22. On the Housing Credit Tab have you shown the correct per-unit limit in the Housing Credit Per Unit Test section? (\$15,000 for urban counties, \$16,500 for rural counties, or if requesting the 30 percent boost, \$19,500 for urban counties or \$21,450 for rural counties)
Yes N/A
23. Does the total amount of housing credits requested exceed the maximum eligible amount allowed per the calculation on the Housing Credits Tab?
Yes N/A
24. If the project is deferring developer fee, can the project pay it back within 10 years?
Yes No N/A
If no, have you shown the remaining unpaid developer fee on the Sources and Uses Tab as “excluded from basis”?
Yes N/A
25. Have all the soft costs been budgeted for, i.e., construction interest, appraisal, architect fees, legal fees, market study fees, property taxes, survey, title, and recording?
Yes
26. If requesting Housing Credits, has the reservation fee and application fee been included on the Tax Credit line on the Sources and Uses Tab?
Yes N/A
27. Is the Reserve for Replacement calculation correct?
Yes N/A
Note: *If a different reserve amount is required by the syndicator or RD, KHC can make the change on the underwriting model for you.*
28. Does the amount of Housing Credit equity shown on the Sources and Uses Tab match the amount shown in the syndicator letter?
Yes N/A
29. Is the combined HOME and AHTF amount equal to or less than \$850,000?
Yes N/A

30. Is the amount of AHTF requested \$300,000 or less?
Yes N/A
31. Is the amount of HOME requested equal to or less than the 221(d)(3) limits (see HOME 221(d)(3) chart on KHC's Web site) multiplied by four?
Yes N/A
32. Is the total project cost within the appropriated cost containment limits?
Yes N/A
33. Is the Year 1 DCR at least 1.25?
Yes
34. If requesting Housing Credits does the DCR remain positive through year 15?
Yes No N/A
If no, or if the DCR is declining and approaching the breakeven point (1.0 DCR), have you provided an explanation and documentation that sufficient funds will be available to support the project through year15?
Yes
Note: Housing Credits only must adhere to the requirements established by the investor.
35. For projects with Grant or deferred loans only, does the cash flow remain positive through Year 12?
Yes No N/A