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EXPLANATION OF MIPS FLAGS AND RATIONS

The following are explanations of the Summary Report computations. Refer to MIPS Application 5.3b, Data Entry and Performance/Risk Analysis, for further guidance.

1. MM&O   MM & O refers to Maintenance, Management & Operating Expense. Total Maintenance Expense (FXXMNTEXP) + Total Utility Expense ((FXXTLEXP) + Total Tax Expense (FXXTAXEXP) less Real Estate Tax (OXX6710). This calculation computes the property's variable expenses on a per unit per annum (PUPA) basis. MM & O, based on staff's comparison to other properties, may indicate unusually high or low expenditure patterns.

2. Net Cash Flow   Net Operating Income (FXXNETOPR) less Required Annual Payments to Principal (FXXREQPRN) less Reserve Replacement Annual Deposits Required (FXXREQRFR). Net Cash Flow is used to determine whether a project is financially stable.

3. Surplus Cash   CURRENT ASSETS

                      Petty Cash   (OXX1110)
                    + Cash   (OXX1120)
                    + Subsidy Vouchers Receivable   (OXX1143)
                    + Accts Receivable
                          Management Agent   (OXX1141)
                          Other Governmental
                           Entities   (OXXAROTH)
                          HUD   (OXXARHUD)
                    + Tenant Securities Deposits   (OXX1191)
                    + Investments - Short Term   (OXX1170)
                    + Other Current Assets   (OXXASSOTH)
                    + Loans or Notes Receivable   (OXXRECNOTE)

                        CURRENT LIABILITIES

                      Accounts Payable   (OXX2110)
                    + Accrued Mortgage Interest
                      Payments   (OXX2130)
                    + Current Notes Payable   (OXX2160)
                    + Tenant Security Deposits
                       (Liabilities)   (OXX2191)
                    + Prepaid Rents   (OXX2210)

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<table>
<tr><td></td><td>+ Delinquent Mortgage Principal
  Payments</td><td>(OXXDELPRN)</td></tr>
<tr><td></td><td>+ Delinquent Deposits to Reserve
  Acct</td><td>(OXXDELRES)</td></tr>
<tr><td></td><td>+ Deferred Taxes, Insurance, and
  and MIP Escrow</td><td>(OXXDEFER)</td></tr>
<tr><td></td><td>+ Loan Payable</td><td>(OXXPYLOAN)</td></tr>
<tr><td></td><td>+ Accrued Expenses Not Escrowed</td><td>(OXXEXPACCR)</td></tr>
<tr><td></td><td>+ Other Current Liabilities</td><td>(OXXLIAOTH)</td></tr>
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Surplus Cash is calculated by subtracting the sum of the current liabilities on the Balance Sheet, from the sum of the current assets on the Balance Sheet.

Surplus Cash is required in the computation of residual receipts.

Surplus Cash is used to determine the distribution allowed during the subsequent fiscal period (amount of the distribution may be dependent on project type, e.g., NP - $0 allowable distribution, LD - distributions limited to either 6% (elderly project) or 10% (family project). Surplus Cash is also used to determine Net Available Funds and Mortgage Payment Coverage.

4. Net Available Funds

Surplus Cash (FXXSURCASH) + Accrued Mortgage Interest Payment Payable (OXX2130).

Net Available Funds is used to determine Mortgage Payment Coverage.

5. Mortgage Payment Coverage

Net Available Funds divided by Monthly Debt Service.

Mortgage Payment Coverage determines the ability to meet the current monthly mortgage payment.

6. Income/Expense Ratio

Profit or Loss (before depreciation) divided by Net Cash Flow. (FXXOPREXR/NETCASFLO)

Income/Expense Ratio determines the ability to pay bills including the mortgage payments.

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7. Reported Profit
    or Loss   Last line item from Part I of Form HUD-92410.
                            Sum of all revenue accounts less the sum of all
                            expense accounts, including depreciation.

8. Management Fee
    (Flag)   If Actual Management Fee per Form HUD-92410,
                            inclusive of office expenses, is greater than
                            approved Management Fee, a flag is raised
                            alerting staff to possible excessive fees.

9. Actual Gross
    Potential
    Residential Rent   Actual rent collected per Form HUD-92410. Sum
                            of Accounts 5120 and 5121.

    Approved Gross   Maximum allowable rents as per currently
    Potential   approved rent schedule (Form HUD-92458).
    Residential Rent
    (Flag)   If the actual rents exceed the approved rents,
                            a flag is raised alerting the staff to possible
                            excessive rents collected.

10. Approved Parking
    Income   Maximum allowable parking income as per
                            currently approved rent schedule
                            (Form HUD-92458).

    Actual Parking
    Income   Actual parking income per Form HUD-92410,
                            Account 5170.

11. Approved
    Commercial Income   Maximum allowable commercial income as per
                            currently approved rent schedule
                            (Form HUD-92458).

    Actual Commercial
    Income   Actual commercial income per Form HUD-92410,
                            Account 5140.

                            If the actual rents exceed the approved rents,
                            a flag is raised alerting staff to possible
                            excessive rents collected.

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12. Vacancy Loss (Flag)	Total vacancy per Form HUD-92410, the sum of 5200 Accounts. If the Vacancy Loss is greater than the locally set parameter, a flag is raised alerting staff to excessive vacancies.
13-15. Interest Paid	If Interest on Bonds Payable Exp., or Interest on Notes Payable (Long-Term), or Interest on Notes Payable (Short-Term) is valued, a flag is raised indicating interest expenses other than the mortgage. Applicable MIPS field names are OXX6810, OXX6830, and OXX6840, respectively.
16. Default Risk Ratio	Net Profit or Loss (before depreciation) divided by Net Cash Flow. The absolute amount of the ratio determines the probability of the mortgage default. If Net Operating Expense divided by Net Cash Flow is greater or less than the locally set parameter, a flag is raised.
17. Bad Debts (Flags)	If Bad Debts Expense (OXX6370) is greater than the locally set parameter of Apartment Rent (OXX5120), a flag is raised, indicating a possible need to contact the owner. A Vacancy Loss flag together with the Bad Debts flag may determine the effectiveness of the rental collection practices of the management.
18-20. Miscellaneous Expenses (Flag)	If Miscellaneous Administrative Expense (OXX6390) is greater than the locally set parameter of Total Administrative Expense (FXX6263).

<div align="center">OR</div>

If Miscellaneous Operating & Maintenance (OXX6590) is greater than the locally set parameter of Total Operating and Maintenance Expense (FXX6500).

<div align="center">OR</div>

If Other Financial Expense (OXX6890) is greater than the locally set parameter of Financial Expense Total (OXX6800), a flag is raised indicating that unusually large unclassified project expenses may be present.

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21. Mortgagor Expense   If Total Corporate Expenses (FXX7100) is valued,
    (Flag)   a flag is raised, alerting staff to possible
                           entity disbursements which may not be deemed
                           proper project expenses.

22. Net Cash Flow   If Current Year Cash Flow divided by Prior Year's
    (Flag)   Cash Flow is not within the local parameters, a
                           flag is raised, alerting staff to possible
                           unusual increases in income and expenses over
                           income and expenses for prior years.

23. Tenants Accounts   If Tenant Accounts Receivable (OXX1130) divided
    Receivable (Flag)   by Apartment Rent is greater than the locally set
                           parameter, a flag is raised, alerting staff to
                           the effectiveness of the rental collection
                           practices of the management agent.

24. Tenants Accounts   If the current calculations are greater than the
    Receivable   locally set parameter of the monthly calculations
                           for prior years, a flag is raised.

                           If (OXX1130)/(OXX5120/12) is greater than the
                           locally set parameter, a flag is raised. May
                           determine effectiveness of rental collection
                           practices of management agent. May be used in
                           conjunction with Bad Debts calculation.

25. Tenant Security   If Tenant Security Deposits Liability (OXX2192)
    Deposit   is greater than Tenant Security Deposits Assets
                           (OXX1191), a flag is raised, indicating possible
                           noncompliance with regulatory agreement
                           regulations and local statute.

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