

**EXHIBIT A****LOAN MODIFICATIONS DUE DILIGENCE AND  
APPROVAL PROCESS**

Portland Housing Bureau policy is to review post-construction loan modification requests with long-term sustainability in mind. Projects that require additional funding must submit their request through PHB's competitive NOFA process. Projects requesting a loan modification which does not require additional capital investment can submit their request as needed. The loan modification review process may be lengthy and requires a proposal from the owner or sponsor, PHB staff due diligence, Housing Investment Committee analysis, and City Attorney review to ensure project sustainability. The process is as follows:

<b>Step</b>	<b>Action</b>
<b>Application</b>	<ul style="list-style-type: none"> <li>• To PHB, the owner/sponsor submits: an application; a Corrective Action Plan (CAP); and supporting documentation, including a five-year Pro Forma Operating Statement showing financial projections for the project and a description of the public benefit achieved as a result of the CAP.</li> </ul>
<b>Staff Due Diligence and Legal Review</b>	<ul style="list-style-type: none"> <li>• Evaluate historical project performance.</li> <li>• Verify that owner/sponsor has submitted "current year" compliance reports and all items/concerns have been addressed.</li> <li>• Work with the owner/sponsor, other lenders and investor (if any) to evaluate request, CAP, and Pro Forma.</li> <li>• Identify restructure impact on PHB's budget.</li> <li>• City Attorney staff provide legal advice and analysis as necessary.</li> <li>• PHB staff make recommendation to PHB's Housing Investment Committee (HIC), which includes staff from PHB, the Portland Development Commission, and the City's Office of Management and Finance. City Attorney staff provide legal guidance to the HIC.</li> </ul>

<p><b>Housing Investment Committee (HIC) Review</b></p>	<ul style="list-style-type: none"> <li>• Review the request and PHB staff recommendation; request clarifications; make additional suggestions; and provide a final recommendation to PHB Director.</li> <li>• Request is approved or denied pursuant to the approval authorities outlined below.</li> </ul>
<p><b>Legal Approval of Documentation and Closing</b></p>	<ul style="list-style-type: none"> <li>• PHB staff work with City Attorney staff to document approval by amending loan documents and regulatory agreements, then close the transaction and distribute new documentation and requirements to all parties.</li> </ul>
<p><b>Post-Closing Monitoring and Compliance</b></p>	<ul style="list-style-type: none"> <li>• Increase monitoring of the project financial operations and/or on-site inspections. If borrower doesn't comply with monitoring and reporting requirements, they become ineligible to apply for additional PHB funding until back in compliance. In addition, legal remedies, up to and including foreclosure, are available to the City.</li> </ul>
<p><b>Approval Authority</b></p>	<ul style="list-style-type: none"> <li>• Up to \$250,000: PHB Director.</li> <li>• \$250,000 up to \$1M: PHB Director and OMF Chief Administrative Officer (CAO) or designee.</li> <li>• \$1M up to \$2M: PHB Director, OMF CAO or designee, and Commissioner-in-Charge.</li> <li>• \$2M or more: City Council.</li> </ul>
<p><b>Reporting</b></p>	<ul style="list-style-type: none"> <li>• PHB will provide annual written reports to the City Council.</li> </ul>