

Underwriting Approach: Land-Secured Transactions

Introduction Radian uses general underwriting criteria for assessment districts and special districts. Radian reviews many factors during its evaluation and no single factor is examined in isolation. Though a district may fall short in certain criteria, strengths in other areas may mitigate a concern. The following criteria should be used as general guidelines.

Target Market Radian provides credit enhancement for a wide range of districts. Many of the districts Radian qualifies are small or mid-sized (300–750 parcels) located in demographically favorable locales. Radian also underwrites districts with moderate commercial/industrial concentration with appropriate mitigating factors.

Deal Size \$5–50 million depending on rating/credit quality. Non-rated transactions will be considered, including below investment grade districts which have the potential to reach investment grade status over time.

Key Credit Factors

- **Financial Strength**
 - **Debt Service Coverage.** 1.05x–1.10x MADS. Radian looks favorably upon a senior/subordinate structure for assessment districts to provide additional coverage and the ability of special districts to raise rates.
 - **Taxpayer Diversity.** Radian reviews the top ten taxpayers and prefers to be able to assume away the top taxpayer and still have 1.0x coverage.
 - **Value to Lien of at least 7:1.** Radian favors districts that are complete or in the later phases of development, with the majority of revenues derived from developed parcels.
- **Demographic Analysis.** Focuses on factors that may affect growth in the district. Key data points include population, employment, and wealth and income indicators. Participation in the Teeter Plan is also viewed positively.
 - **Assessed Value Trends.** Stable or improving growth trends. Delinquency history is reviewed and assessed regarding frequency and magnitude. Assessed valuations are preferred but independent appraisal reports are evaluated if deemed reasonable.
 - **Debt Levels.** Total debt burden less than or equal to 2% of Assessed Value.

Security Structure and Financial Covenants

- Special taxes and assessments taxes on parity with ad valorem taxes. Preferably collected on the same bill.
- Security interest in special tax and assessment revenues.
- Accelerated foreclosure provisions in event of delinquencies.
- Fully funded debt service reserve account.

Documentation Requirements

- Draft POS including Appendix A
- Most recent Official Statement
- List and description of top ten taxpayers
- Market study
- Five years of historical assessed valuation and collections/delinquencies

Key Contacts

James George, VP • 212 984.9279 • james.george@radian.biz
 John DeLuca, SVP, Director of Marketing • 212 984.9222 • john.deluca@radian.biz