

How to impress your healthcare lender and get that lower rate

If trying to impress a lender is on your to-do list, consider this: an ability to articulate the details of your business will favorably impress senior housing/healthcare lenders every time.

So says Cambridge Realty Capital Companies Managing Director Sampada D'silva. She says this advice is based on experience the Cambridge staff has gained while closing more than 400 senior care mortgage loans totaling more than \$4.5 billion over the past 20 years.

“The more you know - and the better you're able to describe details of your business - the better your chances of making a favorable impression will be. The challenge is to help lenders understand exactly what it is you do and how you do it,” she said.

Be ready for perplexing questions

When working with a lender, borrowers may find themselves faced with perplexing questions about their operation. There may be questions about occupancy, lease-up projections, expense management or timing issues. Or borrowers may have reservations about sharing certain details for proprietary reasons.



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Ms. D'silva says there are questions lenders must ask in order to assess the borrower's financing needs correctly and make more intelligent funding decisions. Those who worry about divulging certain kinds of financial information need to be assured that reliable lenders will treat their information with the strictest confidence.

“When preparing to answer a lender's questions, borrowers need to be as organized as possible. If the lender provides checklists, it's a good idea to use them because these forms help the borrower provide information in a format the lender is familiar with.

“When armed with information presented in the requested format, the lender is better prepared to offer the best possible financing solution,” she suggested.



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The way to get great financing may be to reveal this trust-builder

Here are some important things senior housing/healthcare borrowers should keep in mind when applying for popular HUD financing programs.

“It’s important that borrowers be prepared to thoroughly explain their business plans and motives. The need lenders have for information can appear to be insatiable at times,” says Cambridge Realty Capital Companies Managing Director Sampada D’silva.

She says the last thing borrowers want to hear is that their lender will need even more descriptive information and data than has already been provided.

Cambridge is one of the nation’s leading senior housing/healthcare lenders, with more than \$4.5 billion in closed transactions over the past 20 years. The company has consistently ranked among the top FHA-approved HUD lenders in the country.

The popularity rise of HUD 232 financing

Ms. D’silva notes that popular HUD 232 financing has emerged as the long-term funding product of choice for many senior housing/healthcare borrowers. With these loans there is effectively a two-tiered underwriting process – by the FHA-



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approved HUD lender initially, and later by HUD during the application approval process.

For the lender, the primary underwriting concerns are the historical cash flow of a facility and the facility's occupancy. Typically, 12 months of trailing financials are needed. And occupancy must be at acceptable standards defined by HUD, she said.

Up until the time the application is submitted, financial and occupancy data must be monitored and updated. The most recent trailing 12 months numbers are needed to support the loan request.

Ms. D'silva says a debt service coverage ratio for the property must be met. There should be an upward trend for these numbers and for occupancy as well.

To guide borrowers, Cambridge provides a checklist of documents needed by underwriters on its corporate website.



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A productive lender-borrower relationship meets three power criteria

If the goal is to bring more predictability into their lives, senior housing/healthcare borrowers may want to consider this: establishing a long-term relationship with a knowledgeable lender is a good place to start.

“Establishing a positive, long-term relationship with a lender is important to the borrower for many reasons, most obviously because relationships built on mutual trust, respect and candor make the outcome of any loan application more predictable,” says Cambridge Realty Capital Companies Managing Director Sampada D’silva.

Reliable and accurate information are the pillars of lasting, productive relationships, she believes.

“When refinancing or applying for an acquisition or new construction loan, healthcare borrowers need to be as thorough as they can possibly be. Ideally, they will approach the task with a pragmatic mind-set, carefully reviewing all statements, census data and legal documentation to make certain that all the information bases are covered,” she advises.



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She points out that borrowers rarely chance submitting to lenders information they know to be inaccurate. But it often happens that borrowers submit data that is incomplete, which can lead to unintended problems.

“Lenders are often asked to deal with projections, and understand that these projections can get very aggressive. But it’s never a good idea for borrowers to fudge, not even a little bit,” she said.



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