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DESPITE ECONOMIC MELTDOWN, SENIOR HOUSING/HEALTHCARE BORROWERS NEED TO KEEP FUNDING OPTIONS OPEN, EXPERT SAYS

Many capital sources that have traditionally been there for industry borrowers get failing or near-failing grades in a new "report card" issued by one of the nation's leading senior housing/healthcare lenders.

Speaking at a seminar jointly sponsored by Chicago-based Cambridge Realty Capital Companies and the Northbrook, Illinois-based accounting firm of Frost, Ruttenberg & Rothblatt, P.C., Cambridge Chairman Jeffrey A. Davis said FHA-insured HUD loans and loans from commercial banks remain the primary funding sources for long-term care and senior housing, to which his firm awards an "A" letter grade in the current credit crisis.

In the company's scoring system, governmental conservators Fannie Mae and Freddie Mac have slipped a full letter grade to a B due to changes in underwriting, and taxable and tax-exempt bond funds earned the same letter grade as well. Venture capitalists earned a C+ grade, but insurance companies, pension funds, investment banks and the equity markets earned near-failing marks (a D), and conduits (REIMICs) are off the grid entirely with a failing grade.

"Despite all the disheartening news on the economic front, funding is still available for qualified projects at rates that are very competitive by historical standards. Borrowers shouldn't automatically assume that it's impossible to improve their financial situation in the current climate," he advised.

The jointly sponsored seminar was entitled *The Changing Landscape ... How Our New President and the Current Economic Slowdown Impact the Economics of Senior Housing and Long-Term Care in Illinois*. Presenters for the accounting firm were Ted Bokios, CPA, a senior manager in Accounting and Auditing; Steven N. Lavenda, CPA, founding director of FR&R Healthcare Consulting; Betsy Anderson, an officer and director of FR&R Healthcare; and Gary H. Barron, director and founding member of the FR&R Tax Department. Also on the program was Cambridge Realty Capital Ltd. of Illinois CEO Andy Erkes.

Davis believes the President's stimulus package will have a long-term positive impact on the senior housing/healthcare industry. For the short-term, he outlined the issues owners will need to consider when pursuing capital in today's tight credit market.

"Now more than ever, it's important for borrowers to be ready with a thoughtful business plan, a thorough market feasibility study and a financial forecast that includes appropriate financials for the business. The plan should detail the qualifications of principals and fully describe how the funds will be used. An up-to-date title report should also be provided," he said, adding:

“Preparation is the key to a successful presentation, and borrowers must be ready to provide requested information and documentation in a timely fashion. It’s important for borrowers to thoroughly understand their product. And it helps to know where the lender’s hot buttons reside.”

Erkes described the organizational and administrative changes that have revolutionized the way HUD processes healthcare loans for its Section 232 funding program. In making long overdue changes, HUD has consistently sought the advice and counsel of experienced FHA-MAP-approved lenders, and continues to work on timing and product delivery issues, he noted.

Responsibility for processing HUD 232 loans has shifted to FHA’s Office of Insured Health Care Facilities (OIHCF) in Washington, D.C. Loan applications are now being filed electronically, feature fewer exhibits and require conventional market-based appraisals instead of HUD-specific reports. The goal is for HUD to be able to review an application, issue a commitment and get to closing within 40 days, Erkes said.

Privately owned since its founding in 1983 as a real estate investment banker specializing in commercial real estate properties, Cambridge today has three distinctive business units: FHA-insured HUD loans, conventional financing, and investments and acquisitions. The company is one of the nation’s leading senior housing and healthcare debt and equity capital providers, with more than 300 closed transactions totaling more than \$2.75 billion since the mid-1990s.

Cambridge has consistently ranked among the country’s top FHA-insured HUD lenders and offers a wide array of conventional lending options, including permanent construction and interim loans on either a floating or variable rate basis. The company’s debt / equity financing strategy includes direct property acquisitions and joint ventures, sale/leasebacks, conventional and mezzanine debt financing, and the acquisition of distressed debt.

Cambridge is the creator of *The Signature Experience*[™], a four-step process designed to transform the traditional lender / borrower relationship and identify “ideal” capital solutions for worthy projects. The company also has created four separate processes for customer groups that are designed to build and enhance long-term relationship potential and speed the way loans are processed and closed. Programs include *The Key To Capital*[™] for senior housing owners, *The Navigator Experience*[™] for senior housing brokers and mortgage bankers, *The Principal Lender Network*[™] for lenders who refer loans to Cambridge, and *The Relationship Building Experience*[™] for various industry-related consultants, including lawyers and accountants.

The company has an affiliate office in Los Angeles and correspondent relationships nationwide. The firm also has established key origination relationships and Internet-based strategies.

Cambridge’s award-winning Web site, www.cambridgecap.com, provides monthly updates for its debt and equity capital programs. The company also publishes the bi-monthly e-Pulse! ® electronic newsletter, which delivers company news and feature stories via e-mail to corporate friends and clients. For additional information, contact Cambridge at (312) 357-1601 or via e-mail to info@cambridgecap.com.

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