



CAMBRIDGE

Realty Capital Companies

125 SOUTH WACKER DRIVE | SUITE 1800 | CHICAGO, IL 60606 | M 312-357-1601 | F 312-357-1611
WWW.CAMBRIDGECAP.COM

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AS BANKING CRISIS WORSENS, HUD LOANS MOVE TO THE TOP OF HEALTHCARE BORROWERS' WISH LISTS, FUNDING EXPERT SAYS

As the banking crisis has continued to worsen, the federal government has emerged as the sole reliable lender subsidizing and supporting senior housing/healthcare projects, funding expert Jeffrey A. Davis opines.

"Treasury Secretary Timothy Geithner now says that the nation's largest banks may be able to raise the billions of dollars they need to get healthy again without further taxpayer money. But smaller banks are under growing strain due to the deepening recession, exposure to the faltering real estate markets, and demands from regulators that they shore up capital.

"Faced with an uncertain outlook, many smaller banks are becoming increasingly more risk averse. And this is thwarting efforts by Treasury officials to jump-start the lending needed to help fuel economic recovery," he noted.

Davis is Chairman of Chicago-based Cambridge Realty Capital Companies, one of the nation's leading senior housing/healthcare lenders, with more than \$2.75 billion in closed transactions since the mid-1990s. The firm consistently ranks among the top HUD 232 healthcare lenders in the country.

He points out that a recent analysis by Foresight Analytics LLC, a research firm, reveals there are nearly 8,300 smaller banks with less than \$100 billion in assets. These institutions account for about 28 percent of the industry's total assets but are responsible for underwriting almost 60 percent of the nation's commercial real estate loans and roughly a third of the general business lending that local economies thrive on.

"If the next phase in the real estate crisis is a sharp downturn in commercial real estate values, as some are predicting, these institutions could be especially vulnerable," he noted.

Davis says the problems with banks large and small are making the FHA-insured HUD funding programs appear even more attractive to borrowers in today's cash-strapped marketplace. This reality is being reflected in both the increased number and quality of HUD loan applications the company has been processing for nursing homes, assisted living properties and other healthcare facilities, he said.

"It's not uncommon for FHA-insured HUD loans to move to the top of senior housing/healthcare borrowers' wish lists when capital is in short supply. However, the desirability of these loans is even greater at this time because of the severity of the current credit squeeze, and also because of efforts by HUD to make the loans more accessible and competitive from a product delivery perspective," he said.

Davis points out that sweeping changes have radically altered the way HUD applications and loans are being processed and approved.

The responsibility for processing HUD loans has shifted from HUD field offices to the FHA's Office of Insured Health Care Facilities (OIHCF) in Washington, D.C. Also, the agency has adopted the Lean management concept popularized by Toyota Motor Corp. in an effort to streamline and speed the way loans are processed and approved.

With the Lean management process, loan applications are filed electronically, feature fewer exhibits, and require "conventional" market-basket appraisals instead of HUD-specific reports. Once an application has been submitted, the agency's goal is to review it, issue a funding commitment and get to closing within 40 days, he 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 conventional lending options, including permanent construction and interim loans on either a floating or variable rate basis. The company's growing debt / equity financing strategy includes direct property acquisitions, joint ventures, distressed debt acquisitions and sale/leasebacks.

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 numerous Internet-based strategies.

Cambridge's award-winning Web site, www.cambridgecap.com, provides current 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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Contact:
Evan Washington
Phone: (312) 521-7603
Fax: (312) 357-1611
E-Mail: ew@cambridgecap.com

