



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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RULES CHANGE HELPS LEVEL PLAYING FIELD FOR HEALTHCARE LENDERS ARRANGING TEMPORARY BRIDGE LOAN FINANCING FOR HUD CLIENTS

Subtle changes in the rules for HUD's new Lean program have effectively leveled the playing field for approved HUD healthcare lenders working with clients to obtain interim financing solutions.

"Bridge loan financing has become increasingly popular as a temporary solution for borrowers who expect to qualify for more attractive FHA-insured funding products at some point in the future. Effectively, the result of the change is to give borrowers who wish to obtain a bridge loan with cash out more options when it's time to obtain permanent financing through HUD's Lean program," said Cambridge Realty Capital Companies Chairman Jeffrey A. Davis.

"Addressed in the change are subtleties that were not clear or obvious under the old HUD MAP program," he noted.

An FHA-approved lender, Cambridge has consistently ranked among the nation's leading HUD 232 healthcare lenders in recent years. The highly specialized, privately-owned company works exclusively with senior housing/healthcare clients.

Apparently, the intention of the new rule is to discourage larger, more diversified HUD lenders from using their own balance sheets when making bridge loans with cash out provisions, Davis noted.

"In the past, some larger balance sheet lenders have aggressively marketed bridge financing with the stipulation that subsequent HUD financing must be arranged through them as well. The new rules do not prohibit this practice but create a disincentive for lenders who make loans with such provisions," he said.

Specifically, under the new HUD Lean protocol, when a HUD lender makes a direct bridge loan with cash out, the borrower cannot execute a HUD loan for five years. On the other hand, under similar circumstances, if the bridge lender is a non-related or allied business, a HUD loan can be executed after 24 months.

"The change helps level the playing field for smaller, entrepreneurial HUD lenders who typically arrange this type of financing through independent capital sources," he said. "Additionally, the new rules so much further in creating an incentive for much more transparency via utilization of third party, independent lender," adds Mr. Davis.

Davis reports that more attractive bridge loan packages are beginning to emerge in the marketplace, including programs offering non-recourse financing and a more streamlined approval process. Also, it may be possible to combine a first mortgage with mezzanine financing to create a single loan package offering loan-to-value ratios as high as 90 percent.

Bridge loans are being used to fund properties across the long-term care spectrum, including congregate care, independent living, assisted living and nursing home facilities. And they are being used to facilitate acquisitions, as part of buyer buyouts and for equity cash outs.

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