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FEDERAL HOUSING COMMISSIONER'S DECISION TO EXPAND POPULAR HUD 223(f) FUNDING PROGRAM TO HOSPITAL INDUSTRY IS APPLAUDED

A decision by The Federal Housing Administration (FHA) to extend HUD's popular 223(f) refinance program to borrowers who qualify under HUD's Section 242 hospital funding program is welcome news for hospital owners everywhere, finance expert Jeffrey A. Davis believes.

"The decision means hospital owners can refinance an existing mortgage loan without some restrictive conditions that had applied in the past. Gone is the need to include new construction or renovation as a precondition for refinancing under the HUD 242 program," he noted.

Davis is Chairman of 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 company is one of the nation's leading FHA-approved HUD 232 nursing home and assisted living lenders and has a strategic affiliation with Healthcare Advisory, LLC of Boynton Beach, Fla., to collaborate on HUD Section 242 hospital loans.

"The 223(f) refinance program proved to be enormously beneficial and popular with nursing home and other senior housing borrowers when it was initiated in 1974. There's every reason to believe the program will prove to be equally popular with hospital owners as well," he added.

Davis said announcement of the program change was made by Assistant Secretary for Housing - Federal Housing Commissioner Brian D. Montgomery in a memo to Office of Insured Health Care Facilities (OIHCF) staff members. Among his responsibilities, Montgomery is responsible for overseeing the \$400 billion FHA insurance portfolio, and was the primary architect of changes that centralized administrative responsibilities for both the HUD 232 and 242 programs under OIHCF in the nation's capital last year.

To substantially reduce the time it takes HUD to review an application, issue a commitment and move to closing, a new process based on the highly touted Lean management concept pioneered by Toyota Motor Corp. also was introduced. Loans are now filed electronically; feature fewer exhibits and require "conventional" market-based appraisals instead of HUD-specific reports.

In announcing expansion of the Section 223(f) program, Montgomery noted that the downturn in the economy is increasingly affecting the financing needs of hospitals and other health care facilities. At a time when the demand for health care services is on the rise, the lack of access to capital has made it difficult for hospitals to obtain financing for facility, equipment and technology needs, and to meet obligations on existing debt.

“By expanding FHA’s Hospital Mortgage Insurance program to allow for refinancing of existing debt without conditioning such refinancing on new construction or renovation, FHA believes it contributes to alleviating financial stress on hospitals, and maintaining the availability of hospitals in many communities,” he said.

Davis points out that Healthcare Advisory President Joseph R. Marion is one of the premier HUD 242 bankers and processors in the country. Before founding Healthcare Advisory last June, Marion was Managing Director and President of Merrill Lynch Mortgage Lending, Inc. He also served as President of Merrill Lynch Health Care Servicing, Inc., overseeing a \$1.2 billion FHA healthcare portfolio.

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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