



# CAMBRIDGE

Realty Capital Companies

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## INTRODUCTION OF HUD'S NEW LEAN FUNDING PROGRAM COULD NOT HAVE COME AT A MORE AUSPICIOUS TIME, CAMBRIDGE CHAIRMAN JEFFREY A. DAVIS BELIEVES

Timing for the introduction of HUD's new Lean funding programs immediately following Labor Day in September 2008 could not have been more auspicious, finance expert Jeffrey A. Davis suggests.

"Although no one planned it that way, the timing was essentially simultaneous with the global financial meltdown and changes in worldwide capital markets. Fortuitously, HUD Lean came into existence at an extremely critical and vital time when the industry needed it most," he observes.

Davis is Chairman of Cambridge Realty Capital Companies, one of the nation's leading FHA-approved HUD 232 healthcare lenders. Counting both conventional and FHA-insured transactions, the company has closed senior housing/healthcare loans totaling more \$3 billion since the early 1990s.

In developing its new program, Davis says that HUD's goals in adopting the Lean concept and strategies have focused on the development of a standardized product and a more effective, fair and reliable way of delivering it.

In a significant shift, responsibility for processing HUD loans moved from HUD field offices to FHA's Office of Insured Health Care Facilities (OIHCF) in Washington, D.C. Effectively, the agency now provides a single source for program and policy development and a more consistent and user-friendly platform for borrowers and lenders.

"It's a much more efficient system than in the past when HUD lenders had proprietary relationships with different HUD field offices in different areas of the country. Such arrangements made it extremely difficult for national lenders to operate either competitively or effectively in all markets.

"With the changes made, HUD has effectively leveled the playing field by creating a single set of rules for all players," Davis said.

In the new centralized setup, efficiencies are improved because HUD Lean underwriters are able to specialize and no longer are being asked to work on a HUD 232 healthcare transaction one day and a single-family home loan the next. Also, a number of new automated procedures are speeding the loan application and approval processes, he noted.

Davis points out that 2009 was a transition year, with the agency actually closing more HUD 232 healthcare loans using the MAP and TAP funding programs that were in the process of being phased out. During HUD's 2009 fiscal year, which ended on September 30 of last year, 121 MAP, 88 Lean and 48 TAP transactions were closed, for a combined total of 257 HUD 232 healthcare loans.

"As HUD was going through a challenging period of transition, the economy was tanking, credit sources were drying up, and the agency was scrambling to keep up with rising demand. Even so, the number of healthcare loans closed during the agency's 2009 fiscal year was up 35 percent over the previous year and the dollar volume for these loans was up even more dramatically, rising from \$1.28 billion in 2008 to \$2.05 billion a year later.

"That HUD has responded admirably in the current credit crisis is even more apparent in the numbers reported for the period between Oct. 1, 2009 and January 1, 2010 when the economy began to improve. During this three-month time span HUD closed 95 healthcare loans totaling \$875 million, or almost double the 50 loans totaling \$419 million closed during the same period a year earlier," he noted.

Davis says the agency's goal of significantly improving the delivery time for HUD 232 loans is being met.

"Underwriting standards for all types of senior housing/healthcare loans, including the HUD product, have become increasingly more conservative. The perception is that everything seems to be taking longer than usual.

"However, once a loan has been assigned to a HUD Lean underwriter, the pace substantially quickens. The timing and speed of delivery has actually met or exceeded expectations in the original HUD Lean discussions.

"This is good news for healthcare borrowers as HUD becomes totally committed to the Lean product in the months ahead," he said.

Davis says Cambridge has been privately owned since its founding in 1983 as a real estate investment banker specializing in commercial real estate properties. The company 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 \$3.0 billion since the early 1990's, when the firm began its specialization in providing senior housing capital.

Cambridge is the creator of *The Signature Experience*<sup>™</sup>, a four-step process designed to transform the traditional lender/borrower relationship and identify "ideal" capital solutions for worthy projects. The company has a national origination office in Los Angeles, and numerous correspondent and brokerage relationships nationwide.

Cambridge publishes the bi-monthly e-PULSE!(R) electronic newsletter, which delivers company news and feature stories via e-mail to corporate friends and clients. Additional information is available on the Cambridge website, [www.cambridgecap.com](http://www.cambridgecap.com), and Cambridge can be reached at (312) 357-1601 or via e-mail to [info@cambridgecap.com](mailto:info@cambridgecap.com).

The firm also has embraced social media and networking via Twitter at <http://twitter.com/cambridgecap> , via Facebook at <http://www.facebook.com/pages/Chicago-IL/Cambridge-Realty-Capital-Companies/19132944489>, and via LinkedIn at <http://www.linkedin.com/companies/454232> , where information on the firm and its employees can be found.

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