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HUD CREATES 'GREEN LANE' TO SPEED PROCESSING OF LOW RISK LOANS FOR QUALIFIED SENIOR HOUSING/HEALTHCARE BORROWERS

An administrative decision by managers of the new HUD Lean funding program in Washington, D.C., has "low risk" senior housing/healthcare borrowers traveling on a fast track in a "Green Lane" that substantially speeds the time it takes to assign HUD Section 232 loans to an underwriter for processing.

Cambridge Realty Capital Companies Chairman Jeffrey A. Davis says the "Green Lane" is the agency's creative solution for a logjam that was created when the FHA's Office of Insured Health Care Facilities (OIHCF) began processing all HUD 232 loan applications in January. Loan applications that meet specific criteria established by agency underwriters now find themselves in a special queue for applications that can be processed more quickly with a high chance for success.

Cambridge is one of the nation's leading senior housing/healthcare lenders, with more than \$3 billion in closed transactions. The company has ranked among the top FHA-approved HUD lenders for more than a decade.

Davis says borrowers seeking to refinance an existing HUD loan using the agency's Section 223(a)7 program now glide through the process in the "Green Lane" queue. But HUD has also come up with a new risk assessment point system to determine other "low risk" applications which deserve to be fast-tracked in this way.

The risk assessment system considers such things as cash flow, appraised value, loan-to-value, debt service coverage ratio, occupancy and various competitive factors. Positive or negative scores are given for each area, with points awarded accordingly.

Davis says HUD remains committed to offering funding programs that are competitive, fair and fast. When major administrative and production changes were announced in September 2008, the agency's stated goal was to deliver HUD 232 loans on a timetable that more closely resembles the delivery schedule for conventional loans.

To achieve this end, the plan called for phasing out funding activities in HUD field offices and creating a centralized source for program and policy development. Lean automated management concepts from the automotive industry were adopted to streamline production.

What has evolved is a more consistent and user-friendly platform for borrowers and lenders. However, the 2008 timing for the program introduction coincided with the global financial meltdown and perturbations in worldwide capital markets that remain problematical.

"Demand for HUD 232 loans soared through the roof as conventional lenders retreated to the funding sidelines in the current crisis," he noted.

Davis says that a special processing queue for "low risk" borrowers was solely created to move qualified loans through the process as quickly as possible. Initially, all loan applications were placed in the same queue, but this resulted in undesirable processing delays for all borrowers.

"Approved HUD lenders are challenged to thoroughly understand the process and what borrowers must do to qualify for desirable HUD financing and avoid unwanted delays," he added.

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 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, and Cambridge can be reached at (312) 357-1601 or via e-mail to 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/cambridgecap>, 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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