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HUD PROGRAM CHANGING DUE TO INCREDIBLE GROWTH SPURT BUT THE NEED TO PRE-QUALIFY QUALITY BORROWERS IS STILL THE NAME OF THE GAME

Like everything else, the HUD 232 Lean funding program for senior housing/healthcare borrowers continues to change with the times.

As credit dried up elsewhere, the program expanded exponentially. Today, the volume for loans closed by HUD lenders is more than three times greater than in 2007, when \$800 million in healthcare mortgage loans for nursing homes and other senior properties were processed and closed in what was believed to be a robust year for the program.

When HUD's fiscal year ended recently, the agency's reported volume for HUD 232 loans topped \$3.2 billion.

"With this sort of growth, some things were bound to change," said Cambridge Realty Capital Companies Chairman Jeffrey A. Davis.

Davis said HUD is doing what it can to streamline the 232 Lean funding process and eliminate inefficiencies. And new national and even international lenders are participating in a more competitive marketplace for the HUD 232 product, including Deutsche Bank, Prudential Insurance, Wells Fargo, Key Bank and others.

"Some new lenders in the program are doing what they can to commoditize the product, but the program doesn't lend itself to a cookie-cutter approach," he said.

Cambridge is one of the nation's leading senior housing/healthcare lenders, with more than \$3 billion in closed transactions dating to the 1990s. The company specializes exclusively in healthcare finance and has consistently ranked among the nation's leading HUD 232 lenders.

"FHA-approved lenders are expected to pre-qualify high-quality borrowers who will not default on their loans. Product knowledge and awareness of comprehensive agency guidelines are a prerequisite for approved lenders processing FHA-insured HUD loans.

"If anything, underwriting standards have become even more demanding in the current cycle," Davis noted.

He points out that HUD is not a lender but a guarantor. The FHA-approved HUD lender obtains a commitment of mortgage insurance from HUD, which effectively guarantees that the U.S. government will make payments on the loan if the borrower defaults, he said.

Effectively, the HUD lender does the heavy lifting, collecting payments, managing reserves and escrow funds, and providing assistance and guidance to help borrowers obtain the best outcome possible in their specific situations. This can include assistance with HUD physical inspection reports, audits, claims on replacement reserves, obtaining payoff letters, processing repair escrow requests, and the like.

"Obtaining HUD financing remains a complex three-part process. Knowledge, experience, awareness and financial acumen are required every step of the way," he said.

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>, via blog at www.cambridgecap.com/blog 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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