

Healthcare Borrowers To Receive Speedier HUD 232 Loans As Dramatic Restructuring Program Energizes HUD Senior Housing Financing



Against a backdrop of steadily deteriorating conditions in the financial markets, senior housing/healthcare borrowers caught a sizable break with the recent announcement by FHA Commissioner Brian Montgomery that HUD's healthcare funding programs, frequently faulted in the past for being administratively tedious and slow, will run more "lean" and efficient from this point forward.

"Sweeping changes in the way loans are approved and processed means operators of skilled nursing, assisted living and specialized use facilities who qualify for desirable FHA-insured HUD financing under the Section 232 program will have their applications processed and approved on a timetable that more closely resembles the timing for conventional loans," says Cambridge Realty Capital Companies Chairman Jeffrey A. Davis.

Cambridge is one of the nation's leading senior housing/healthcare lenders with more than 300 closed industry loans totaling \$2.75 billion since the mid-1990s. The company has consistently ranked among the nation's leading FHA/MAP-approved HUD lenders and has been underwriting HUD Section 232 healthcare loans since the late 1980s.

"Over the years, our underwriters have observed a number of structural changes at the agency from a front row seat. But nothing compares with the dramatic restructuring recently announced by Commissioner Montgomery," he noted.

In the first of two significant changes, responsibility for processing HUD Section 232 loans shifts to the FHA's Office of Insured Healthcare Facilities (OIHF), which is based in Washington, D.C., and also has jurisdiction over the Section 242 hospital mortgage insurance program. In its other major decision, FHA has adopted the Toyota Motor Corp.'s highly touted "Lean" management process to simplify and trim the time it takes to review and process HUD applications.

Mr. Davis points out that by moving Section 232 programs to the OIHF and expanding that office's professional staff, FHA believes it has created a unified single-source for program and policy development and a more consistent and user-friendly platform for borrowers, lenders and operators. This change reflects the agency's conviction that, in the past, Section 232 policies and procedures have been unevenly implemented in the field by local HUD offices.

Under the Lean management process, loan applications will be filed electronically, feature fewer exhibits and require "conventional" market-based appraisals instead of HUD-specific reports. The goal is to review an application, issue a commitment and get to closing within 40 days, Mr. Davis said. Cambridge's tremendous knowledge and expertise in all of senior housing and healthcare financing and

investment should even be more magnified with the improvements in HUD's new underwriting and lending initiatives, Davis continues.

"But one shouldn't read into the latest changes the notion that HUD is compromising its underwriting standards in any way. Successful applications will still be processed by lenders who are thoroughly familiar with the rules and the agency's expectations," he stressed.

Mr. Davis says FHA has been gradually implementing the changes and expects to be fully on stream with the Lean processing method by March 2009. However, those who are ready to get started with a HUD application now will not be penalized in any way because the Cambridge staff already has received comprehensive training in how to work with the new process, he said.

Please call any officer at Cambridge to learn more about HUD 232 Lean and how the program may work for your project. A complete list of Cambridge staff can be found by clicking [here](#).

DISCLAIMER: This Cambridge financing or investment profile is designed to provide information regarding available real estate capital structures. The information provided herein is for preliminary review purposes only, and is subject to errors, omissions, and changes, all without notice, or to be held accountable for any changes of this information. In particular, neither Cambridge Realty Capital Companies, nor Cambridge Realty Capital, LLC, nor Cambridge Investment and Finance, LLC, nor Cambridge Realty Capital Ltd. of Illinois or any other affiliate makes any warranty or representation whether or not the information presented will be applicable for the readers' specific situation and the accuracy or completeness of the information provided. "Cambridge Realty Capital Companies®", "e-Pulse!®" and its logos are registered trademarks of Cambridge Realty Capital, LLC.

Cambridge Realty Capital Companies
125 South Wacker Drive, Suite 1800, Chicago, IL 60606
t: 312-357-1601 | f: 312-357-1611
e: info@cambridgecap.com | w: <http://www.cambridgecap.com/>