



CAMBRIDGE

Senior Housing & Healthcare Capital

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PRESS RELEASE

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HUD LOANS HELP SNF OPERATORS TO BETTER MANAGE LONG-TERM DEBT

One of the first Real Estate 101 financial rules that skilled nursing facility (SNF) operators become familiar with deals with the desirability of financing long-term assets with long-term capital, not short-term debt.

Cambridge Realty Capital Companies Chairman Jeffrey A. Davis says the idea is to eliminate as much vagary as possible, especially the threat of changing interest rates. Owners want to be in position to focus on the business at hand, not on business they can't control, he suggests.

Cambridge is one of the nation's leading senior housing healthcare lenders. The company is an FHA-approved HUD lender and has consistently ranked among the leading HUD lenders in the current century.

"The capital markets have been very efficient for a very long time. Needed capital has been available to fund a variety of commercial real estate products, including student housing, self-storage facilities, hospitality projects, data storage buildings and even assisted living and memory care properties," Mr. Davis points out, adding:

"All of these products have the ability to be financed on a long-term basis by numerous financial entities. But skilled nursing facilities are a different animal."

Mr. Davis says skilled nursing facilities house the indigent and poor elderly. Mostly, the operators of these facilities rely upon Medicaid payments, but over the last several years some operators have expanded their business model to include a post-acute care setting with short-term stays for people transitioning from hospital to their home.

There are many lenders that participate in lending to skilled nursing facilities, but mostly on a medium to short-term basis. On this list are commercial banks, financing credit companies, real estate investment trusts (REITs), private lenders, and Wall Street securitizations.

"HUD is a long-term care lender that treads a different path. The agency's committed mission is to provide capital for single family housing, multifamily housing, and also for the population that lives in skilled nursing facilities," he said.

Mr. Davis notes that HUD has always provided capital to both multifamily and skilled nursing facilities on a long-term, fixed-rate basis. Like other commercial real estate projects, the typical loan term and amortization for HUD loans also ranges between 25 years to 40 years.

“But there are no balloon or call features associated with these loans. HUD’s commitment to housing takes the interest rate volatility away for both multifamily housing and all licensed senior housing facilities, primarily skilled nursing homes,” he said.

Mr. Davis says skilled nursing facility operators face challenges that are unique to the industry. Among the risks are the spectrum of Medicaid or Medicare cuts, survey issues, short-term census issues, competition from new assisted living construction, and challenges posed by regulators and surveyors.

HUD long-term debt provides a fixed capital cost for a lifetime plus an opportunity to budget capital costs for up to 30 years without escalations. Another advantage is that it’s possible to obtain construction and permanent financing at the same time.

“No other lender makes long-term fixed-rate loans available to skilled nursing operators. HUD allows the operators of these facilities to eliminate any vagary regarding capital costs while focusing on the business and all the risks at hand,” he added.

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 400 closed senior housing transactions totaling more than \$4.5 billion since the early 1990’s, when the firm began its specialization in providing senior housing capital.

Cambridge has consistently ranked among the country’s top five FHA-insured HUD lenders (now HUD Lean) over the last 15 years and offers an array of conventional lending options, including permanent construction and interim loans on either a floating or variable rate basis. The company’s principal investment strategy includes direct property acquisitions, joint ventures and sale/leasebacks. The company has acquired 16 facilities totaling approximately \$60 million.

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 Capital Wisdom(R) electronic newsletter, which delivers company news and feature stories via e-mail to corporate friends and clients as well as monthly updates of other relevant news and breaking trends. 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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