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PRESS RELEASE

1/27/16

WHY JUMPING THROUGH HOOPS NECESSARY TO OBTAIN SENIOR HOUSING/HEALTHCARE MORTGAGE LOAN

It's not unusual for senior housing/healthcare borrowers to come away with the impression that the lender underwriting their loan has created a complex and perplexing series of hoops through which they must jump in order to receive the funding they desire.

"Problem is, when it's time to refinance or acquire a new property, borrowers must demonstrate their credit-worthiness time and again," says Cambridge Realty Capital Companies Vice President Katie Trice.

Cambridge is one of the nation's leading senior housing/healthcare lenders, with more than 450 closed transactions. Ms. Trice works in the company's originations and underwriting area.

"Unlike the giant corporations that have their credibility and credit-worthiness established by large rating companies, the typical senior housing/healthcare business is on the outside looking in. It's up to the lender to put healthcare borrowers through a similar credit rating process," she explains.

"The job isn't getting any easier," she observes.

Ms. Trice says underwriting for healthcare properties has always been more complicated than underwriting commercial real estate loans. In addition to brick and mortar, healthcare loans are based on an analysis of the borrower's ability to pay the debt service and support the requested loan amount.

"To analyze the borrower's credit-worthiness, the lender must thoroughly understand the borrower's business. It's the borrower's job to provide accurate information and data, which is where the hoops come in," she said.

When structuring loans for healthcare borrowers, lenders are typically constrained by loan-to-value (LTV) and debt service coverage (DSCR) ratios. Ms. Trice says these ratios are two of the key risk factors lenders mull when qualifying borrowers.

She points out that a glossary of terms posted on the Cambridge website defines the LTV ratio as the amount of money a lender will loan on property divided by the property's appraised value. HUD is willing to finance up to 80 percent on loans for profit businesses and 85 percent on loans for not-for-profit businesses.

To determine the debt service coverage ratio (DSCR), net operating income is divided by the annual principal and interest payment plus any applicable servicing fees.

"In today's market conventional lenders typically require a 1.35 DSCR, which means operators must cover the principal and interest payments for a conventional loan at least 1.35 times. For HUD loans the DSCR is 1.18.

Once the LTV/DSCR parameters have been established, it's possible to establish the borrower's equity or ownership position. But at some point underwriters may want to consider other things as well. For example, various timing requirements or restraints may need to be worked out prior to starting the underwriting process.

With new construction, a feasibility/need analysis study will be needed to determine if a project can be justified economically. For many short-term loans, exit strategies will need to be anticipated in advance. For example, is it possible to exit the project within a given time frame under a desirable set of circumstances?

In the final analysis, for the senior housing/healthcare borrower, the outcome ultimately rides on the lender's ability to determine credit-worthiness based on a careful and thorough analysis of the borrower's track record," Ms. Trice said.

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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