



CAMBRIDGE

Senior Housing & Healthcare Capital

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PRESS RELEASE

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GETTING THE TIMING RIGHT ON YOUR NEXT HUD LOAN

The Federal Open Market Committee (FOMC), the group that decides on interest rate levels, now expects only two rate hikes in 2017, according to its most recent Summary of Economic Projections.

Fed Chair Janet Yellen says that proceeding cautiously allows the Fed to verify that the labor market is continuing to strengthen, given economic risks from abroad. In December, officials had expected the upper level of the interest rate target to climb to 1.4 percent by the end of 2016. However, new projections point to a .9 percent funds rate this year and a 1.9 percent level by the end of 2017.

"For senior housing/healthcare borrowers, these guesstimates may help assuage some of the urgency experienced by those contemplating refinancing a property with one of the popular HUD funding programs. However, like everything else in our global economy, events can conspire to dramatically revise the best laid plans, as we've seen so often before," said Cambridge Realty Capital Companies Chairman Jeffrey A. Davis.

Cambridge is one of the nation's leading senior housing/healthcare lenders, with more than 450 closed transactions over the past 20 years. The company consistently ranks among the leading FHA-approved HUD lenders in the country.

While it may not be possible to correctly time rate hikes, borrowers do have some knowledge of and control over the amount of time it takes to move a HUD loan through the application and approval process. Assuming the borrower responds to the lender's requests in a timely fashion, it should take between six and nine months to close the loan, Mr. Davis said.

There's a notable exception. The HUD 232/223 (a)(7) program, which refinances an existing HUD loan, will move through the process more quickly, he noted.

Cambridge describes a seven-step process and provides an accompanying timetable. Time is estimated in business days.

Step one involves submission of completed application material. The clock starts with step two, which involves issuance of a term sheet and loan summary and takes one to three business days.

The issuance of Cambridge's formal engagement agreement occurs in step three and can also take between one and three business days. In step four, Cambridge completes preliminary underwriting in five to 10 business days.

Step five is the most time consuming, requiring between 60 and 90 business days to complete. The step involves the engagement of third-party vendors, due diligence by the Cambridge staff and submission of the HUD application.

In step five, borrowers pay a good faith application fee. Covered are such things as due diligence underwriting, appraisal fees, a credit report, borrower investigation, environmental and engineering studies, a market and feasibility study if required by HUD, and Cambridge travel expenses. The application fee is 30 basis points (0.3 percent) of the mortgage amount.

At the end of step six, which can take another 30 to 60 business days, HUD issues a Firm Commitment letter. With this document in hand the borrower can move to lock in the interest rate about one month before closing the loan in step seven, which typically takes between 20 and 30 business days.

"Armed with this information, the borrower may have a better chance of getting the timing right," Mr. Davis believes.

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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