



## Trends

### **FHA-Insured Loans: Funding Steady, Underwriting Unchanged**

We are currently in the throes of a credit crisis. Lenders are tightening underwriting standards drastically. Fannie and Freddie are exercising extreme caution in some regions of the country. Some banks, and many life companies, have exited the market, at least temporarily. For the transactions that can get done, loan amounts are getting pushed down, even as mortgage rates increase.

But for FHA-insured loans, underwriting has remained unchanged for over 20 years. We are writing new loans on apartments, nursing homes, and assisted living assets in every state and region in the country. And since our funding uses mortgage insurance with a U.S. government guaranty, our funding source remains steady.

We're still doing acquisition and permanent loans using a 1.17 Debt Coverage Ratio (DCR) on 35-year amortization. We still offer 85% Loan-to-Value (LTV) - 80% with cash out). Our appraisals use market-derived cap rates, not those high, lender imposed "minimum cap rates." We still underwrite income using "street rents," not "trailing twelve months."

Our construction loans are still sized with a 1.11 DCR on the projected Net Operating Income, using 40-year amortization. We're still underwriting up to 90% of cost. There's still no LTV requirement. Our construction program remains extremely price-competitive compared to dwindling supply of high-leverage alternatives using senior loans plus mezzanine or preferred equity.

Our rates remain competitive, even as we continue to offer non-recourse with no carveouts, even during construction. And we still require no Yield Maintenance or Defeasance.

So FHA-insured financing remains steady in the midst of the storm.