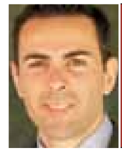

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Keep an Eye on Uncle Sam

Government loan programs have provided stability and liquidity to the market

Although the commercial real estate market continues to show signs of cautious optimism, conventional lending remains tight — as it has been for the past few years. As a result, government agencies like the Federal Housing Administration (FHA) and the Small Business Administration (SBA) have stepped in with several new and old loan programs to help pump liquidity into the market and provide stability, as well. Understanding how to work with these programs is a must for commercial mortgage brokers who are keen to meet clients' needs.

Government agencies also have introduced many changes to meet market needs in the post-recession years and to streamline the processing of applications for their loan products. In particular, two major changes have helped the market significantly in recent years. These are the FHA's introduction of the LEAN process for Section 232 loans, and the temporary SBA 504 refinancing program. Here is how they've helped the market:

1. **The LEAN process for Section 232 loans:** It was introduced in 2008 to process applications for Section 232 loans — an FHA-insured product that covers housing for the elderly, like nursing homes, assisted-living facilities, and board and care. Section 232 may be used to finance the purchase, refinance, new construction or substantial rehabilitation of a project. The LEAN process aims, among other things, to streamline the processing of Section 232 loans and to reduce the time between the issuance of a firm commitment and closing. By taking the strain off of regional U.S. Department of Housing and Urban Development offices and doing the underwriting in the Office of Insured Health Care Facilities (now the Office of Health Care Programs), the LEAN program has provided an efficient alternative to traditionally lengthy lending processes. These efforts have had quite an impact on the commercial real estate marketplace, particularly on health-care properties that are financed through Section 232.
2. **The temporary 504 loan-refinancing program:** In the post-recession years, thousands of successful businesses struggled with their maturing commercial mortgages, and many more are expected to mature in the coming few years. Under the 2010 Small Business Jobs Act, the SBA implemented a temporary refinancing program that began in 2011 and ended this past September. Major changes to the loan-refinancing program in October 2011 included allowing borrowers to finance as much as 90 percent of the appraised value of available collateral, including fixed assets. By some estimates, the total refinancing though this program reached nearly $2.5 billion.

With the ongoing efforts of the federal government to stimulate the economy, many government-backed loan programs have driven the market in the past few years. They are expected to remain vital to the market, particularly as recovery begins to gain momentum and outpaces the willingness of traditional lenders to ease lending criteria. Commercial mortgage brokers should be prepared to respond to clients' needs promptly and efficiently by being fully informed of the changes and updates in the loan programs that are offered by different government agencies. •

Yanni Raz is CEO of HML and has been a hard-money lender for more than 10 years. Raz was a real estate broker for five years before he partnered with a group of investors from California and began assisting real estate investors in financing commercial and residential projects. He writes about real estate financing for magazines, blogs and other online news outlets. Reach Raz at info@hardmoneyloans.org or (818) 308-4443. Visit hardmoneyloans.org and equitytrustmortgage.com.

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