



## Smarter and Faster Quoting and Closing in Seniors Housing



2018 Seniors Housing Seller Workshop

- Rising Rates
- Quote Process
  - » The Quote Memo
  - » Setting the Timeline
  - » Transition to Underwriting



# Rising Rates

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# Seniors Loan Spread and Treasury Movement

## 10 Yr Loan Spreads vs 10 Yr Treasury



# Smarter Quoting: The Submission Details That Lead to Faster Quotes

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## Transaction Overview – to Include

- Quote considerations
- Timing to Close
- Acuity at Application & Closing
- Borrower/Operator
- Real estate taxes - reassessments
- Operating information – current or dated
- Market rental comps vs. subject rents
- Current rents vs. rent increases
- Budget – how current
- Concessions
- UW Issues – Collections, Expenses, Cap Rates

- Tax Abatements-expiration
- Skilled Nursing – 20% NOI Analysis
- Entry Fee – net income calculation
- Strengths & weaknesses
- Lender competition
- Waivers – what are they?



- Describe tenant concentration and level of care
  - » Independent Living (IL)
  - » Assisted Living (AL)
  - » Alzheimer's beds (ALZ/MC)
  - » Skilled Nursing (SN)
- Make mention of any potential change in the acuity mix over the term of the loan
- Specify number of tenants that are 100% private pay and number that receive a portion of Medicaid/Medicare
- Discuss recent or planned capital improvements
  - » Include specific dollar amounts and scope of work

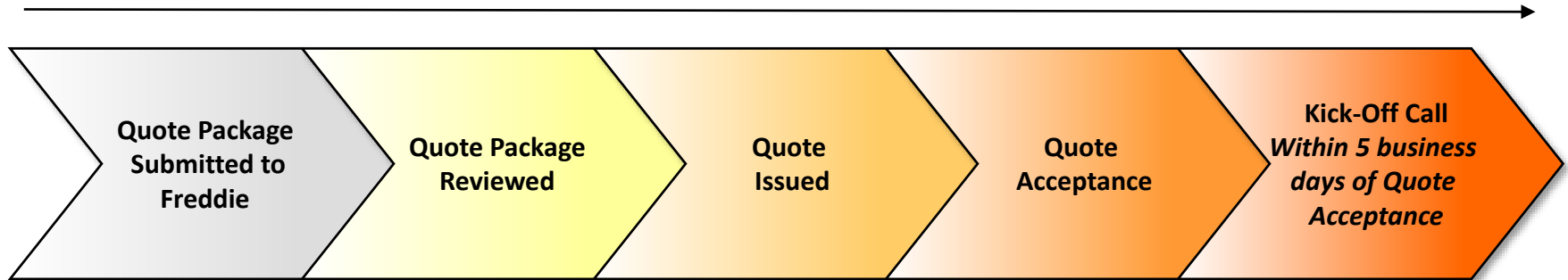


- When possible, use National Investment Center (NIC) data
  - » In situations where this is not available build a case for market occupancy levels
- Take market inventory and new construction into consideration
  - » Break down by acuity
- Good comps should factor in the following
  - » Relative location
  - » Acuity mix
  - » Age
  - » Operator

# Setting the Timeline

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## Production Quote Timeline



Seller/Service uploads a quote package to OUS

Freddie Mac Production reviews package and issues questions back to Seller/Service

If applicable, Production reviews with Credit, Legal, or other internal stakeholders

Freddie Mac Production issues quote to Seller/Service

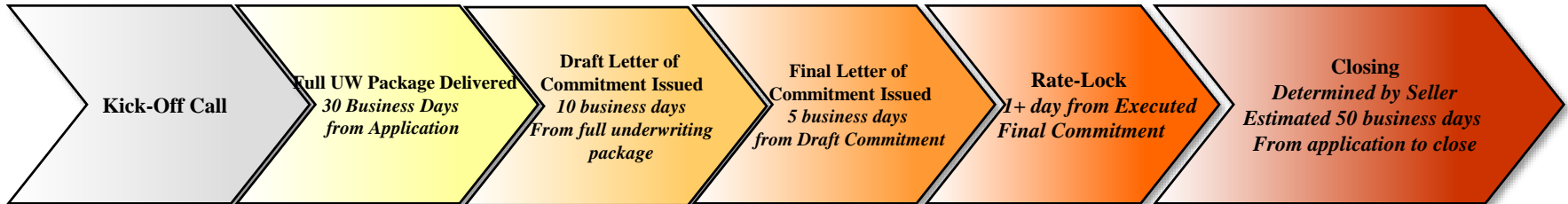
Borrower has 5 business days to accept Freddie Mac's quote

Once a quote is accepted, spread is held for 75 days for seniors deals

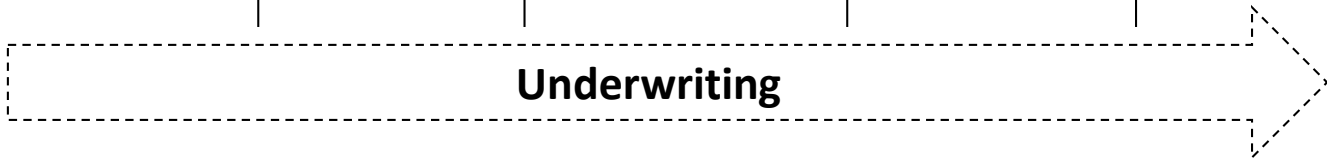
Freddie Mac and Seller/Service set up a kick-off call to discuss the deal and anticipated timing

**Production**

# Underwriting Timeline



- Seller / Servicer Due Diligence**
  - Third Party reports delivered and reviewed
  - Property financials reviewed and LST spread
  - Collection and analysis of other due diligence items
  - Seller/ Servicer Underwriting Narrative
- Freddie Mac reviews full underwriting package and provides feedback to Seller/ Servicer
  - Seller / Servicer addresses questions
  - Freddie Mac prepares Brief
- Seller / Servicer and Seller Counsel review draft
  - Freddie Mac updates draft based on comments received
  - Final negotiation completed
- Clean up items needed prior to rate lock
  - Fixed Rate: Lock Treasury and Spread
  - Floating Rate: Spread Lock Only
  - Underwriter to issue an Exhibit A
- Clean up items needed prior to closing



- Quote Process
  - » Forget the fluff and focus on the details
  - » Help us understand how we can win the deal
- Setting the Timeline
  - » Proactively communicate if a deal is on a quick turn and consider Joint Underwriting
  - » Joint Underwriting can reduce deal timeline from approximately 50 to 35 business days
  - » Meeting agreed-upon timeline dates is crucial to keep timing on track

