

INTRODUCTION

HUD is announcing the sale of approximately 54 Multifamily and Healthcare mortgage loans with an aggregate unpaid principal balance (UPB) of approximately \$349 million.

The portfolio includes mortgage loans secured primarily by first liens on multifamily and healthcare properties, including assisted living, congregate care, nursing homes and a mobile home park. The portfolio contains primarily non-performing mortgage loans. The majority of the mortgage loans were assigned to the U.S. Department of Housing and Urban Development ("HUD") under provisions of the National Housing Act. The mortgage loans are being sold servicing-released, without FHA insurance and, except as otherwise expressly provided in the loan sale agreement for MHLS 2005-1 ("Loan Sale Agreement"), without any representation or warranty, whether express, implied or created by operation of law.

PRELIMINARY SALE SCHEDULE

Bidder Information Package available:	February 14, 2005
Due Diligence Facility opens:	February 14, 2005
Due Diligence Facility closes:	March 15, 2005
Bid Date:	March 16, 2005
Bid Award Announcement:	On or before March 18, 2005
Closings:	March 23 – 31, 2005

All dates are subject to change at HUD's sole and absolute discretion.

(1)

BIDDER QUALIFICATION

This is a notice of a sale of mortgage loans. It is not an offer to sell or a solicitation of offers to buy the loans. Only parties that submit a Confidentiality Agreement and Qualification Statement completed in a manner acceptable to HUD and become qualified bidders will be eligible to receive information about the loans and to submit bids to acquire the loans.

DUE DILIGENCE

Prospective bidders will have three options for performing detailed due diligence. For a non-refundable assessment of \$500, prospective bidders will receive the Due Diligence CDs, may review the Asset Review Files on-line or may also review the Asset Review Files by visiting the due diligence facility in Washington, DC, from February 14, 2005 through March 15, 2005.

Qualified bidders who do not purchase the due diligence materials will receive access to the Bidder Information Package, Payment Histories, and Selected Attributes data for the portfolio via the HUD website.

If prospective bidders plan to visit the Due Diligence Facility, it is suggested that due diligence reservations be made early.

It may be necessary to limit the number of reviewers per prospective bidder and the time allotted for their review at the due diligence facility. The MHLS 2005-1 due diligence options and procedures will be further described in the Bidder Information Package.

(2)

PRELIMINARY PORTFOLIO

(as of 1/28/04)

Approximate UPB:	\$349 million
Number of Loans:	54
Healthcare Loans:	17
Multifamily Loans:	37

THE BID PROCESS

HUD will offer the loans in pools according to various combinations of the following possible criteria: performance status, collateral type, loan type, and geography. Qualified bidders will be able to submit bids on individual loan pools. Borrowers with performing loans will be able to submit bids on their own loans provided they are qualified under the terms of the Qualification Statement. Details on the bidding process will be provided in the Bidder Information Package. HUD reserves the right to accept or reject any and all bids, and to terminate the sale, in whole or in part, at any time at its sole and absolute discretion.

FURTHER INFORMATION

For further information concerning MHLS 2005-1, please visit the HUD Asset Sale website at:

www.hud.gov/offices/hsg/comp/asset/mfam/mhls.cfm

The website provides information about current and past HUD Sales, general information about HUD, and answers to Frequently Asked Questions.

If you have any questions concerning MHLS 2005-1, including questions about the Bidder Information package, please contact KEMA Advisors, Inc. at:

Transaction Specialist

MHLS 2005-1 Sale Coordinator
Telephone Number: 1-800-464-5856
Facsimile Number: 1-202-464-3047
E-mail: mhls2005@kemaadvisors.com

(3)

BIDDER INFORMATION PACKAGE

Bidder Information Packages will be available on the HUD website free of charge to qualified bidders on or about February 14, 2005. The Bidder Information Packages will contain background information on the HUD Multifamily and Healthcare Loan Sale, summary information on the loan portfolio, detailed bidding instructions, due diligence instructions, the Loan Sale Agreement, post-sale servicing requirements, and general information about HUD.

TO OBTAIN A BIDDER INFORMATION PACKAGE

To become a qualified bidder and receive the Bidder Information Package, prospective bidders must complete (without alteration) and submit an executed Confidentiality Agreement and Qualification Statement. Both documents are available on the HUD Multifamily and Healthcare Loan Sale page at:

www.hud.gov/offices/hsg/comp/asset/mfam/mhls.cfm

Mail and fax the executed Confidentiality Agreement and Qualification Statement to:

KEMA Advisors, Inc.
1400 K Street, NW, Suite 950
Washington, DC 20005
Attention: MHLS 2005-1 Sale Coordinator
Fax: 1-202-464-3047

Qualified bidders will receive a password that will permit them to access the Bidder Information Package through the HUD MHLS 2005-1 website. Qualified bidders who wish to receive a hard copy of the Bidder Information Package must provide their overnight courier account number with their request.

(4)

DISCLAIMER

No representation or warranty, whether express, implied or created by operation of law, is made by HUD, KEMA Advisors, Inc. or any of their respective affiliates, contractors, subcontractors, directors, officers, partners, employees, counsel, advisors or agents, as to the accuracy or completeness of the information contained herein or made available to prospective bidders in connection with MHLS 2005-1, and no legal liability with respect thereto is assumed or may be implied.

KEMA Advisors, Inc. has acted solely as Transaction Specialist to HUD and has not audited or independently verified any portion of the financial information contained herein or made available to bidders in connection with MHLS 2005-1. No person has been authorized to make any written or oral representation as to the accuracy or completeness of the information contained in or the materials referred to in this announcement and, if given or made, any such representation must not be relied upon. The purchase of mortgage loans involves risk, and prospective bidders should, along with their advisors, undertake such investigation as they deem advisable to evaluate the risks associated with such purchase.

This announcement is not an offer to sell or a solicitation of an offer to buy mortgage loans. Information concerning the mortgage loans will be furnished only to, and bids will be accepted only from, bidders who certify that they have: (i) such knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks; and (ii) the resources to bear the risks of a purchase of the mortgage loans and meet the other criteria required to become a qualified bidder. Except as otherwise expressly provided in the Loan Sale Agreement, the mortgage loans are being sold "as is," "where is," "with all faults," and without any recourse whatsoever.

(5)



**U. S. DEPARTMENT OF
HOUSING AND URBAN
DEVELOPMENT**
Announces:

**Multifamily and Healthcare
Loan Sale 2005 - 1**

Bid Date: March 16, 2005

Approximate UPB: \$349 Million
Approximate Total Loans: 54

Transaction Specialist:

