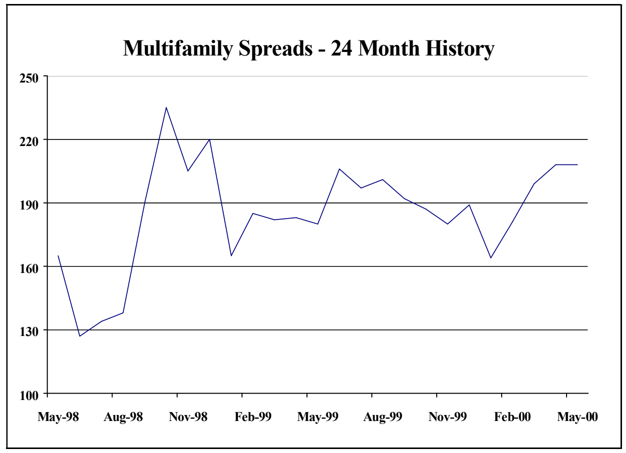
The dip in rates at the beginning of the month is clearly over with treasury rates now up over a 1/4 point from last month. Given the strength of the economy most experts are predicting the Fed to increase rates at least another 50 Bps. It is clear to us that overall interest rates should continue to rise for the near future. This trend notwithstanding there is still significant volatility in the marketplace. The yield curve is still inverted and the lack of 10-year treasury securities has created a need for a new benchmark for pricing. Many lenders are looking at swap spreads as their real internal benchmark though we only know of one company actually quoting transactions using swap spreads as an index

On the spread side we have started to see a calmer market. The significant upward movement in late March by Freddie, Fannie and the Conduits has leveled off. Spreads seem to be sticking at between 200 bps - 220 bps for most deals with selective transactions being done at sub 200 bps. On low LTV loans we still see pricing at 150 bps - 170 bps, but with 10 year CMBS "AAA" securities trading at 160 bps there is an effective floor on spreads.

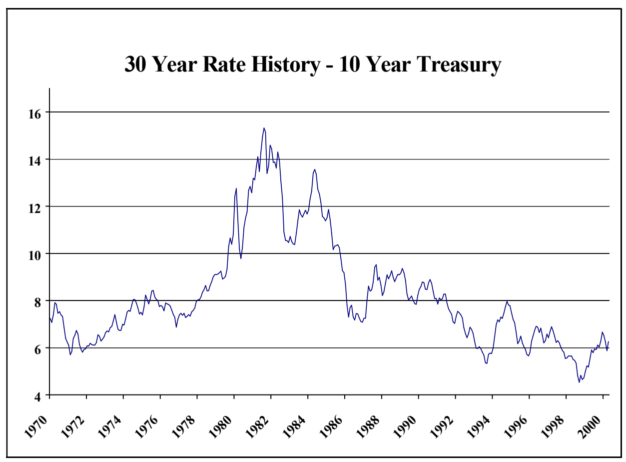
One of the main reactions to this increasing rate environment is that fewer loans are being made. This is resulting in some companies dropping out of the market. At least one conduit has closed their doors and others have significantly reduced staff. Additionally some life companies have a halt on lending. The remaining players have a strong appetite for loans, but have not yet loosed their underwriting restrictions to get more product.

Currently the best pricing for most deals is life companies or aggressive conduits. While Freddie and Fannie are still strong pricing entities they no longer have a significant pricing advantage on fully leveraged deals. On any individual deal an aggressive conduit is beating their price/spread. Freddie and Fannie are still competing aggressively on the lower leverage transactions and are able to win individual transactions with other features such as an early rate lock or a float to fix option.

During the last month more cyber-lenders have entered the marketplace. We expect this to continue with most major mortgage banking firms to be part of one or more Internet lending sites by year-end. These cyber-lenders are not offering any more service than traditional mortgage bankers and probably are increasing the overall cost and complexity of a transaction, but this should change.



Market Rate Watch			
	5/1/00	Last Month	Last Year
30 Day LIBOR	6.28%	6.13%	%
1 Year Treasury	6.21%	6.12%	4.78%
5 Year Treasury	6.58%	6.12%	5.24%
10 Year Treasury	5.26%	5.87%	5.36%
30 Year Treasury	5.98%	5.76%	5.68%
Prime	9.00%	9.00%	7.75%



Fixed Rate Lending Programs						
	Max LTV	Min. DCR	Term	Amortization	Loan Size	Spread/Rate*
Freddie Mac	80%	1.25x	5-30 years	10-30 years	$1-$50 + million	190-210 BPS
Fannie Mae	80%	1.25x	10-30 years	20-30 years	$2-$50 + million	8.30%-8.50%
Conduits	80%	1.20x	10-20 years	25-30 years	$2-$25+ million	200-230 BPS
Life Company Loans	75% - 80%	1.25x	10-15 years	15-30 years	$2-$40+ million	190-230 BPS
HUD	85% - 90%	1.11-1.17x	35-40 years	35-40 years	$2-$50+ million	8.25%-9.00%
Banks	75% - 80%	1.25x	3-10 years	20-30 years	$250k-$20 million	8.50%-9.50%

* Rates/Spreads based on a typical 10 year term, 25-30 year amortization with a 75%-80% LTV

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