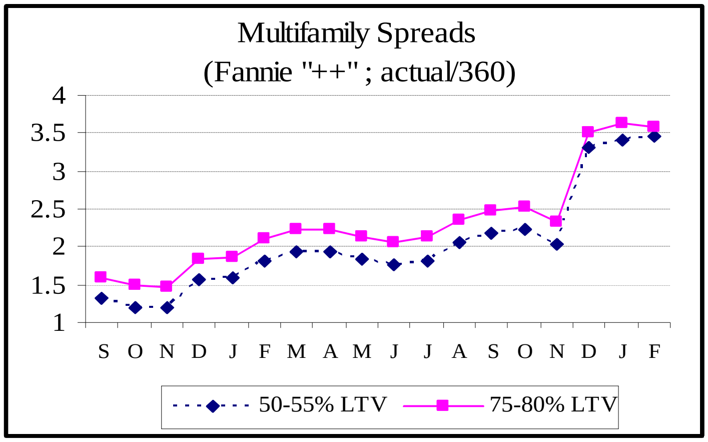

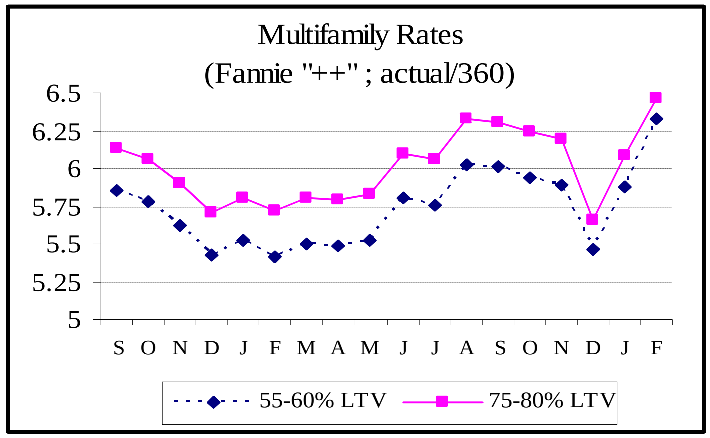

Welcome back to MFLoan Update. As the first issue in over 3 years we will devote our time to a brief outline of what Multi-Family loans are available today. In future issues we will focus on specific lenders and their programs as well as discuss who should seek financing in the current marketplace and how best to do so.

Today's lending market is still in a credit tightening mode. Lenders continue to pull back on what they will lend and to whom. The most recent example of this is Freddie Mac's announcement of new underwriting guidance (see http://mfloan.wordpress.com for more info on this). Additionally, the lender landscape keeps changing with some banks pulling out of the business while others are returning to the lending market.

For owners of larger properties financing is still available through agency lenders. Fannie and Freddie have a strong appetite for MF Loans, but their terms are tighter. They are looking for well operated properties in good condition that are owned and managed by experienced borrowers. For the best loans they are still willing offer 80% financing, but for most loans 70%-75% is the maximum. Financing from some life companies is also still available, but leverage is typically in the 60%-65% range.

For owners of smaller properties the best choice is local banks, though some larger banks and a few Fannie Mae small loan lenders are still out there. The story here is also one of quality. Banks want well run properties with good management and borrowers who have strong liquidity to back the loan. These loans are typically recourse loans and it helps if you, or your broker, have an existing relationship with the bank. The good news is that for good properties local banks can still get some leverage (up to 75%) and that some banks are offering great rates

As for rates they are still pretty good. Most lenders are offering rates in the low to mid 6% range for good loans. Even the higher rates in the low 7's being offered by some lenders are good on a historical basis. Some borrowers complain about the large spreads being charged today, but that is not indicative of lenders taking advantage, but of unrealistically low treasury rates. But rate and spreads are not the issue. The issue is just getting financing.

With tighter LTV restrictions and tightening and values dropping borrowers will have a hard time financing the debt currently on the property. This is not a problem unless you have a capital event such as a ballooning mortgage. For those of you who do have such an event occurring in the next 18 months you should start to think about financing soon. Financing is no longer a quick call to your banker or mortgage broker. It takes time to figure out who is lending, what deals are available and what's the best deal.

Key Indices	**Current**	**Last Month**	**Change**
Fed Funds	3.25%	3.25%	-
Prime	0.50%	0.50%	-
1 month LIBOR	0.41%	0.45%	- 4 Bps
6 month LIBOR	1.68%	1.78%	- 10 Bps
1-year Treasury	1.33%	0.97%	+ 36 Bps
5-Year Treasury	1.88%	1.55%	+ 33 Bps
10-Year Treasury	2.85%	2.22%	+ 63 Bps

Multifamily Loan Rates*

	Loan terms		**Fixed Rate**	
	Min. DSC	Max. LTV	5-Year	10-Year
Freddie Mac	1.25x	80%	6.00% - 6.50%	6.25% – 7.00%
Fannie Mae (DUS)	1.20x	80%	6.00% - 6.50%	6.25% – 7.00%
Life Companies	1.30x	65%	6.50% - 7.50%	6.50% - 7.50%
Banks	1.20x	75%	5.75% - 7.50%	N/A

* Based on informal survey of lenders. Rates assume typical loan quality. Lower rates may be available for lower leveraged loans.

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