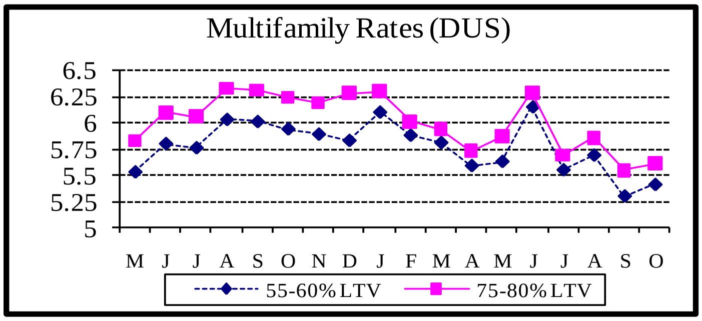
Multi-Family Loan Update

November 1, 2009

Key Rate Indices	Current	Last Month	Change
6 month Libor	0.56%	0.62%	- 6 Bps
1- year Libor	1.20%	1.24%	- 4 Bps
Prime	3.25%	3.25%	-
Fed Funds	0.25%	0.25%	-
1 year CMT	0.40%	0.40%	-
5-Year Treasury	2.32%	2.21%	+ 10 Bps
10-Year Treasury	3.39%	3.21%	+ 18 Bps



Rate Update

On Friday I heard one of those Wall Street talking heads say the 10-year treasury has maintained its trading range bouncing off its high of 3.50%. This is trader speak sums up what has been happening all summer and what has been controlling rates for most multifamily borrowers. Since March the 10- year treasury has fluctuated between 3% and 3.5%. For us working on financing properties we are in constant worry that treasuries will break out of this range and interest rates will increase dramatically.

As the month ended we were near the top of that range, but on Friday it reversed as the stock market started to correct (Crash?) and the dollar started to strengthen. The question on everyone's mind is what the Fed will do next week and if their statement will make the market think rates will be on the rise. I don't think the Fed will make any changes and the 10-year treasury will continue in this range for the rest of the year. Next year is another story. If that happens we will have another month where multifamily rates stay steady. This is a good thing. The stability of multifamily rates has been the only bright spot in the market.

Despite many anecdotal comments that the sales market is opening up there is little actual evidence that sellers are setting more realistic prices or buyers are looking for market deals and not just steals. The press has increased its talk of a further commercial real estate melt down which increases anxiety for buyers, sellers and borrowers. Banks are still extending bad loans rather than taking the pain now. This is probably a good thing for each bank, but not necessarily good for the system. No matter who it is good for it will make the pain last longer even if it's not as severe in the end.

Longer term rates increased last month back to basically where they were at the beginning on September. Short term rates continued to drop last month by just a few Bps. Short term rates should continue to be low until the Fed changes their position, but at that point they should snap back quickly and dramatically.

The multifamily mortgage market has picked up as the year ends but not as much as you would expect given current rates. Many borrowers are still sitting on the sidelines because of a concern about loan proceeds or just procrastination. I maintain that borrowers will regret that they did not take this opportunity to lock in low rates even if it meant no cash out on the loan or investing additional equity.

Freddie and Fannie are still leading the market. Freddie has been particularly active with their CME product which has been pricing lower than a typical Fannie deal. Also, in Fannie pre-review markets Freddie seems to be winning good deals by providing more leverage than the typical Fannie lender. Many Fannie lenders are being aggressive and offering higher proceeds than Freddie in non pre-review markets. One thing to note however is what Fannie lender you are working with. Some Fannie lenders are aggressive today, while others are relatively conservative. Working with a good broker may help you determine which Fannie DUS lender is the right one for your property. Actually, that's always a good idea.

Life Companies are still lending, but only conservatively and HUD is still busy. HUD rates have risen over the last month, but are still very attractive. The issue continues to be capacity and making sure you are working with a good HUD lender.

Banks continue to be an important part of the market. Many banks are still lending especially on smaller properties. However, the players are constantly changing. It's hard to tell which bank will do any particular deal so you must shop around. This is especially true for borrowers whose relationship bank has abandoned them. Borrowers with longstanding relationships are getting their banks to offer good deals. However if you don't have a relationship with a bank that's still lending you need to create one. Don't just ask for a loan, explain to them you need to establish a new relationship and will bring deposits and operating accounts with you in order to make the loan attractive.

Multifamily Rates*				
	Loan Terms		Fixed Rate	
	Min. DSC	**Max. LTV**	**5-Year**	**10-Year**
Freddie Mac	**1.25-1.40x**	**65%-80%**	**4.25% - 5.25**	**5.00% - 5.75%**
Fannie Mae (DUS)	**1.20-1.40x**	**70%-80%**	**4.25% - 5.25**	**5.00% - 5.75%**
FHA/HUD	**1.175%**	**85%**		**5.25 - 6.00%***
Life Companies	**1.30-1.50x**	**65%**	**6.00% - 7.50%**	**5.75% - 7.50%**
Banks	**1.20-1.30x**	**70% - 75%**	**5.75% - 7.00%**	**N/A**

* FHA loans are 35 year fully amortizing and include MIP. Data is based on informal survey of lenders. .

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If you would like additional information on multifamily rates or are looking for a loan on any type of apartment project please give me a call at 847-421-2217 or send me an e-mail us at Aklingher@mfloan.com