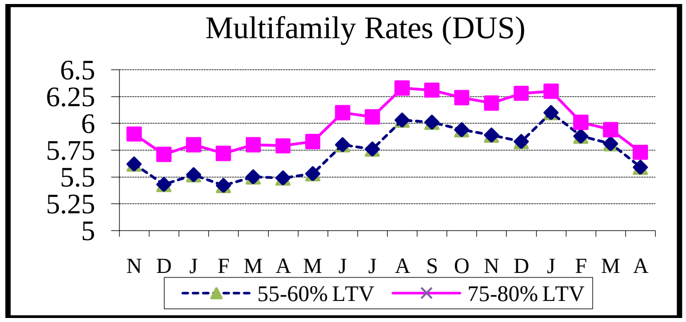
Multi-Family Loan Update April, 2009

Key Rate Indices	Current	Last Month	Change
Fed Funds Target	0.25%	0.25%	-
Prime	3.25%	3.25%	-
1 month Libor	0.50%	0.45%	+ 5 Bps
3 month Libor	1.19%	1.26%	- 7 Bps
12 Month Treasury	0.54%	0.72%	- 18 Bps
5-Year Treasury	1.68%	1.99%	- 31 Bps
10-Year Treasury	2.68%	3.02%	- 34 Bps



Rate Update

March has seen the introduction of a number of new government programs designed to stabilize the banks. These include a plan to buy "toxic" assets in public-private partnerships as well as continued plans by the Fed to buy long term treasury and other securities (including CMBS) in order to liquefy the capital markets and keep long term rates low. So far it's been mainly talk and little action, but hopefully the action will come soon.

There are still a lot of skeptics about the plan for a public-private partnership to buy the toxic assets. Some people think it's only a half step and will not solve the problem and others are concerned that it gives too much upside to Wall Street and not enough risk. I think this plan has a good chance to work as it marshals Wall Street greed to find the value or prices of these assets thus allowing banks, and us, to really know their financial position. We will just have to wait and see who is correct.

In another week FASB will be reevaluating the mark to market accounting rule. They should loosen the language on how to value illiquid assets allowing the banks to increase the value of some assets. I think this rule (forcing short term values to price long term assets) is one of the major reasons we are in this current crisis. A change in these rules should help banks and give them room to make more loans

Over the past month the stock market has rallied as has the bond market. You might even say there is a bit of optimism in the air. Long term interest rates are down while short term rates are slightly up creating a slight flatting of the yield curve. The 10 year t-bill is down 34 Bps and 30 day LIBOR is up by 5 Bps.

On loans for smaller multifamily properties (under $3 million) rates are pretty steady. Local community banks are still making the marker and are sticking with rates in the high 5% to low 6% range. Leverage is typically 75%. These are recourse loans generally of 5 years or less. If non-recourse is a must for your small loan these are hard to find, but for the right deal are available from Fannie Mae small loan and/or DUS lenders.

For larger property loans the market is still being driven by Agency lenders. Borrowers looking for maximum leverage should consider HUD or Fannie Mae. While Fannie is conservative compared to last year they are still more aggressive than Freddie, Life companies and most major banks. Fannie's typical 10 year balloon mortgages are being closed at 75% LTV, or so, and their rates are very good in the high 5% range.

For those large loan borrowers who are not highly leveraged they should look at Freddie. At this time Freddie is a more conservative lender requiring lower LTVs and higher DSCs for cash out loans and loans in certain markets. They are concerned about the lack of real information on apartment prices/values and they will not be aggressive until they can be comfortable with value. However, their capped ARM is the best loan available today. This loan typically has a start rate of under 4% with a rate cap of 7%. While fixed rate loans are about in the middle of that range they have a YM prepayment premium vs. the ARM loans which have flexible step-down prepayment premiums.

MFLoan-Blog –
Maturing loans and extending balloon payments

There have recently been a number of articles raising alarm about the significant amount of multifamily and commercial real estate loans maturing in the next 3 years. According to some reports there are over $200 billion of multifamily loans and another $600 Billion of commercial debt coming due across the country. That same report shows almost $25 billion in multifamily and commercial mortgages will be maturing in Illinois. These articles often see this as a harbinger of doom for
Continued at our blog - http://mfloan.wordpress.com/

Please visit our blog for articles and frequent updates on the current multifamily financing marketplace.

Multifamily Rates*

	Loan Terms		Fixed Rate	
	Min. DSC	Max. LTV	5-Year	10-Year
Freddie Mac	1.25x	65%-80%	5.25% - 6.25%	5.50% - 6.25%
Fannie Mae (DUS)	1.20x	70%-80%	5.00% - 6.00%	5.50% - 6.25%
Life Companies	1.30x	65%	6.00% - 7.50%	6.00% - 7.50%
Banks	1.20x	70% - 75%	5.50% - 7.00%	N/A

* Based on informal survey of lenders. .

To subscribe to this monthly e-newsletter please e-mail us at Update@MFLoan.com

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