Multi-Family Loan Update — May, 2009

Key Rate Indices	Current	Last Month	Change
6 month Libor	1.55%	1.72%	- 17 Bps
1- year Libor	1.86%	1.95%	- 9 Bps
Prime	3.25%	3.25%	-
Fed Funds	0.25%	0.25%	-
1 year CMT	0.49%	0.57%	- 8 Bps
5-Year Treasury	2.01%	1.65%	+ 36 Bps
10-Year Treasury	3.15%	2.64%	+ 51 Bps

Rate Update

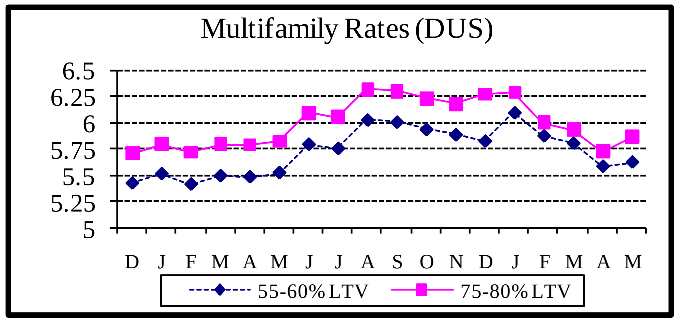
While the crisis is not over there seems to be some easing in the fear of a total collapse. We are starting to see some progress with the auto makers, the stock market is up and, with the exception of flu worries, people are generally more positive. Also, by the end of next week we should have more information about the banks, at least from the government's perspective. All this is good news, but remember, the bond market often works in reverse and good news for the economy will drive rates up.

During April the 10 year Treasury bond increased by over 50 Bps while short term rates such as Libor went down. To some extent this is a reversal from last month, but the yield curve is steeper than it has been in quite a while. Given all the economic issues it's not clear that this trend will continue. However it does indicate that when all the fears have abated and the economy is back on track interest rates will rise and it may happen quickly so be alert and ready.

While overall sentiment is more positive I am not as optimistic. The banks still have lots of trouble. We have just started to see the problems relating to job losses. Defaults on credit cards have just beginning as are single family defaults relating to job losses. There is lots of talk about commercial real estate defaults, but the defaults in this area have only started to occur and they will last for quite a while. Because of this I think we will see more negative news and tough times. That also means rates should stay low for the rest of this year and into 2010.

As for Multifamily loans the news is more of the same. Lenders are still conservative, but there is money for good stabilized deals with strong borrowers who know how to run a property.

For larger loans the game continues to be Freddie, Fannie and FHA/HUD. HUD has the best loan proceeds and a great rate, but it's a process to deal with, the timing is relatively slow and there are restrictions. It's a great loan, but it is not for everyone.



Depending on the deal Freddie and Fannie are very similar. During April Fannie got a bit more conservative on credit following Freddie's lead and Freddie got more aggressive on rate following Fannies lead. With both lenders the biggest issue is value. With limited market sales everyone is having difficulty deciding on a property's value and what loan to make. For my money the best loan today is still the Freddie's capped ARM with a start rate of 3.75%, but a fixed rate loans in the mid 5% range is also great. If your property has no prepayment penalty and your LTV is low you should consider refinancing this year.

For smaller multifamily loans (under $3 million) the market is fractured. Local community banks are still the best lenders, but each bank treats the deal differently and you should expect making a lot of calls to find the right bank. The best rates are still in the high 5% to low 6% range, but vary greatly between markets and lenders. This is also true of leverage and overall credit. One thing to note on small loans is that partial or non recourse is still available, but limited. Contrary to common wisdom it is possible for a borrower to get a non recourse loan if the property is in a good market and leverage is below 65%.

MFLoan-Blog –

Workout Advise - I received a number of comments from a March 31 posting on maturing loans with limited or no equity about. The questions were manly about loans with or without equity, but where there was insufficient cash flow to meet their debt service obligations. Today we will address that issue.

GSE basics or how to find the right Freddie or Fannie loan
You hear a lot today that the GSE lenders (Freddie Mac and Fannie Mae) are the best, maybe only, lenders in today's multifamily market, but you don't hear much about how to access these lenders or how to get the best GSE loan.

To see the rest of these articles or get updates on multifamily lending please see our blog – http://mfloan.wordpress.com/

Multifamily Rates*

	Loan Terms		Fixed Rate	
	Min. DSC	Max. LTV	5-Year	10-Year
Freddie Mac	1.25-1.40x	65%-80%	5.00% - 5.75%	5.50% - 6.25%
Fannie Mae (DUS)	1.20-1.40x	70%-80%	5.00% - 5.75%	5.50% - 6.25%
FHA/HUD	1.175%	85%		5.25% - 5.75%*
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. Data is based on informal survey of lenders. .