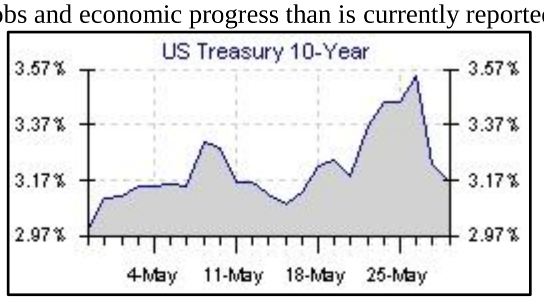
Key Rate Indices	Current	Last Month	Change
6 month Libor	1.24%	1.57%	-33 Bps
1- year Libor	1.60%	1.88%	-28 Bps
Prime	3.25%	3.25%	-
Fed Funds	0.25%	0.25%	-
1 year CMT	0.47%	0.49%	- 2 Bps
5-Year Treasury	2.34%	2.20%	+ 14 Bps
10-Year Treasury	3.46%	3.11%	+35 Bps

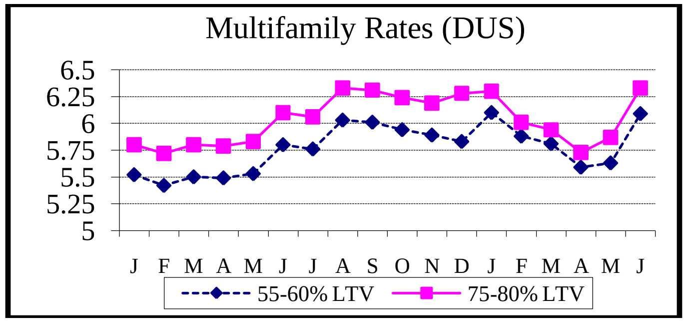
Rate Update

May was certainly an interesting month and maybe a bellwether for the latter part for the year. The stock market continued its climb and more positive economic news were reported. I am not sure we really have that much positive economic news, but the reporting seems to focus on the positives and that has lead us to a real increase in consumer confidence. Positive consumer confidence is a good thing and will help us in the long run.

However, unemployment and housing statistics are still relatively negative. Some people see a glimpse of the bottom in the statistics, but that may be wishful thinking. The banks seem to have some strength and were easily able to tap the market for more capital. But I am concerned that losses from credit cards, commercial real estate and even single family mortgage defaults related to job losses have yet to been felt. The bankruptcy of the auto industry is also still playing out and, I fear, will affect more jobs and economic progress than is currently reported.



The most interesting fact of the month was the roller coaster in the 10 year treasury. There were fears that the demand for treasuries might not meet supply and rates went up. They ended the month 35 Bps above the beginning, but at one point they were 60 Bps higher. Looking over the last 3 months the 10 year treasury is up over 80 Bps. In the long run this trend is bound to continue as the fears of inflation from so much stimulus and the reversal of the flight quality continues. In the short run things are not so simple and some of my economic fears might drive rates down again. The roller coaster ride is not over and rates will ebb and flow with the economic news. However, the fear



that occurred earlier this week was real and will reappear driving treasury rates higher over the next few years.

As for Multifamily loans we saw a real increase in rates as the 10 year treasury markets effected Agency loans. While banks are still maintaining their rates with a coupon in the high 5% to low/mid 6% range, agency loans are starting to track treasuries. For a while, as rates were heading toward 5%, spreads seemed to increase or decrease to keep rates steady, but that has ended. As rates have increased the spreads have started to stabilize and multifamily rates are back tracking treasuries.

On larger loans the lenders continue to be Freddie, Fannie and FHA/HUD. Lending requirements are still tight. Fannie increased their underwriting rates last month and Freddie continued to be very cautious. HUD is the leverage leader, but those loans have some issues and significant rate risk. See this week's blog posting, below, for more on HUD. Most borrowers have to realize that you need more equity to get a loan and should accept that. Think about the positives, rates are still very good and demographic trends are in your favor. In a few years you may be thankful that you have a rate under 7% and while underwriting restrictions will ease proceeds will not increase.

For smaller multifamily loans (under $3 million) the market is still local community banks. The best rates are still in the high 5% to low 6% range, but vary greatly between markets and lenders. You need to really shop for loans and I suggest using a good broker. While there is a cost to that service, it should get you a better loan than your just calling up your local banker.

MFLoan-Blog –

HUD 223(f) – Pros and Cons – Many borrowers who never considered FHA/HUD are now being told they need a HUD 223(f) loan. However, most borrowers, and brokers who sell

To see the rest of this article 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%	5.50% - 6.00%	6.00% - 6.50%
Fannie Mae (DUS)	1.20-1.40x	70%-80%	5.25% - 5.75%	5.90% - 6.40%
FHA/HUD	1.175%	85%		5.50% - 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. 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