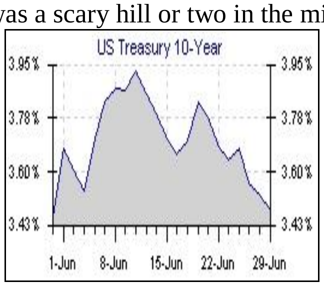
Multi-Family Loan Update

July, 2009

Key Rate Indices	Current	Last Month	Change
6 month Libor	1.11%	1.24%	-13 Bps
1- year Libor	1.61%	1.59%	+ 2 Bps
Prime	3.25%	3.25%	-
Fed Funds	0.25%	0.25%	-
1 year CMT	0.56%	0.47%	+ 9 Bps
5-Year Treasury	2.55%	2.34%	+ 21 Bps
10-Year Treasury	3.53%	3.46%	+ 7 Bps

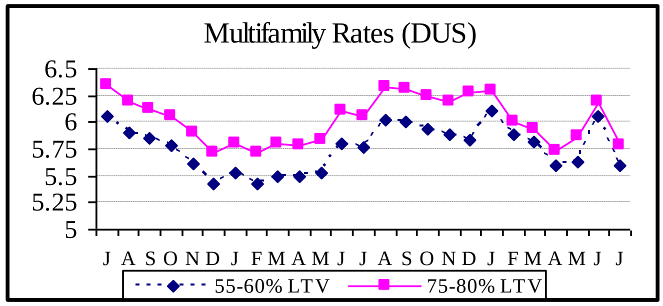
Rate Update

It seems my comments of last month are being echoed in the market as concern about a weak recovery seems to be back in the news. The stock market is going sideways and the bond market is schizophrenic. It's been a wild roller coaster ride. The indexes ended a bit above where they began the month, but there was a scary hill or two in the middle of the month.



As seen in the charts above this roller coaster was both in the long term securities (10 year treasury) and shorter term securities (1 year LIBOR), though overnight and 30 day instruments seemed to stay relatively steady as the Fed has a good handle on them. We ended the month slightly above where we began, but the volatility created some concern about the future. Clearly the market is on a hair trigger relating to the future inflation and the value of the dollar and any news might mover treasuries 10 Bps.

This volatility will probably continue as there is no consensus as to what the future holds. Many experts are predicting inflation in the near future and others are discussing deflation. Consumer confidence seems to be positive, but just yesterday the news showed it has moderated and that scarred the market. There is fear that the supply of treasury securities is too large and no foreign bank will buy our securities, but then the treasury has one of the most successful sales in quite a while. And I haven't even spoken about the variety of opinions about the future strength, or lack thereof, of the US Dollar. My opinion is that rates will rise in the future, but if this takes a few months or over a year is unclear. I still advise borrowers to move as quickly as possible to take good deals and lock in rates when they can.



For the month multifamily rates from Freddie and Fannie went along on the roller coaster ride while banks kept their head and kept rates relatively steady. As the treasury market moved around Freddie and Fannie spreads tightened, both in reaction to the rise in the index and because of competitive pressure as Freddie lowered spreads to push their CME product. Current rates are nearly as good as they have been in two years (see chart above). The only problem is that unless you are in the middle of processing a loan it may be hard to capture the rate. Early rate locks are difficult except on very low LTV loans and we don't know if we have another hill in the roller coaster coming up in July. My guess is that we will see some more bumps in the road.

On larger loans the lenders continue to be Freddie, Fannie and FHA/HUD. The issue on who to choose is a trade off between timing and leverage. The best leverage is with HUD, but the timing stinks. Freddie and Fannie can both be relatively quick (60 days or so), but the leverage is more moderate. Overall rates are competitive between the three executions and other factors are very deal dependent. If you are looking for financing you should really get quotes from all three lenders. The wild card remains appraisal values. There are still too few actual sales for appraisers to use as comps and those that do occur often have a story. This makes it hard to peg a value and results in a wide range of value opinions.

For smaller multifamily loans (under $3 million) the market is still local community banks. However, our research indicates that the number of smaller banks making loans has decreased over the last few months. In Chicago where I spend the most time about 1/3 of the banks we saw lending at the end of the first quarter are no longer lending or have more conservative lending criteria. The best rates are still in the high 5% to low 6% range, but most banks are at 6.5%-7% and some even higher.

MFLoan-Blog – Freddie Mac CME – A new kind of CMBS – On June 18th Freddie Mac finalized the sale of the first securities For the complete article visit – 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% - 5.50	5.70% - 6.25%
Fannie Mae (DUS)	1.20-1.40x	70%-80%	5.00% - 5.50	5.70% - 6.25%
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 and include MIP. Data is based on informal survey of lenders. .

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