Key Rate Indices	Current	Last Month	Change
6 month Libor	0.93%	1.09%	-16 Bps
1- year Libor	1.50%	1.59%	-10 Bps
Prime	3.25%	3.25%	-
Fed Funds	0.25%	0.25%	-
1 year CMT	0.48%	0.54%	- 6 Bps
5-Year Treasury	2.51%	2.52%	- 1 Bps
10-Year Treasury	3.48%	3.54%	- 6 Bps

Rate Update

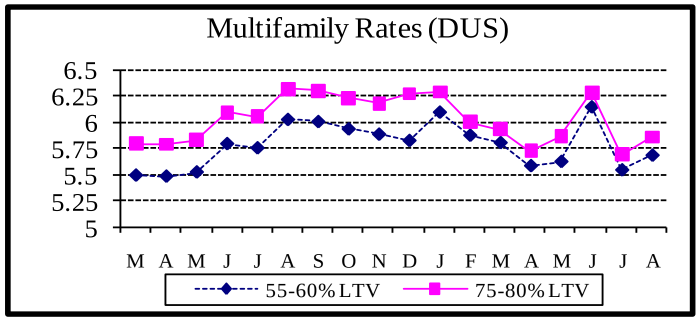
Another month and the roller coaster ride continues. For the stock and bond market we are on a slow hill upwards. The S&P 500 is up about 7.5% since the beginning of the month and bonds are up in value across the spectrum. This means rates are down though the decrease on short term instruments is more pronounced than on the long end of the curve. Will this hill end with a straightaway or a steep downward dive is anyone's guess. My belief is that there is a downward hill over the horizon, but I do not think it will be very steep at least for the near future.

For most borrowers the most important index is the 10 year treasury. As you can see below these rates are volatile, but I think the trend is clear. Since bottoming out last fall the trend is clearly upward. The question is will these rates hold just below 4% which is the average of 2008 or it will continue to rise to the mid 4% range were it was in 2007 or the historical average that is even higher.

3 Year History

One Month History

One thing to watch is what's driving the volatility. There are many factors, but one easily identifiable factor is Fed auctions. Last week saw a large refunding of various term securities. You can find lots of commentary on the results of these auctions in the popular press, but it is clear to me that when those auctions occur the treasury market moves. The markets are in constant fear that the auctions will not go well or that it will show the Chinese or other foreign governments giving up on our bonds. So far this is not the case, but if that does happen expect rates to rise, and quickly. Watch our more auctions are on the horizon.



Unlike last month rates from Freddie and Fannie stayed relatively stable as the roller coaster in treasuries continued. For the most part spreads were adjusted appropriately. In fact while there has been some volatility Agency rates, in general they have stayed pretty stable for the last few months with 10 year loans in the mid to high 5% range. Of course the rates I am comparing are standard DUS rates (mainly DUS/MBS) and Freddie CME rates. Both of these are basically securitized loans with agency credit enhancement, Fannie through single loan securitization and Freddie through the new CME pools.

Another positive factor in the market is that we are starting to see more properties sell and trade hands. This is important because one of the biggest issues we have seen in lending is the lack of confidence in values. This has caused all types of lenders to limit their LTVs or to impute conservative cap rates to determine value vs. actual market cap rates. Once we are all comfortable that we actually know the value of a property and that the value will hold lenders will be able to become more aggressive on their LTVs. I think we are a long way from that point, but seeing some sales does start the process.

For many borrowers FHA/HUD loans are still very attractive with overall rates, including MIP, in the mid 5% range. There are a lot of lenders pitching FHA/HUD loans many of which have limited knowledge or processing experience. If you are planning on doing one of these deals make sure you are dealing directly with a FHA/HUD MAP lender and one who has experience doing multifamily loans. With the volume of loans going to HUD you need to be working with someone who knows the tricks and how to effectively push the loan through HUD.

For smaller multifamily loans (under $3 million) the market is still mainly local banks, see this month's blog article (link below) for more information on loan options for small properties.

MFLoan-Blog – Loan options for small properties

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**	**5.75% - 6.25%**
Fannie Mae (DUS)	**1.20-1.40x**	**70%-80%**	**5.00% - 5.50**	**5.75% - 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

