Multi-Family Loan Update March 1, 2010

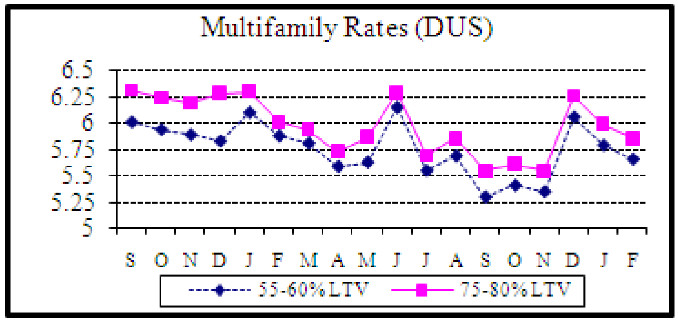
Key Rate Indices	Current	Last Month	Change
6 month Libor	0.38%	0.37%	+ 1 Bps
1- year Libor	0.84%	0.85%	- 1 Bps
Prime	3.25%	3.25%	-
Fed Funds	0.25%	0.25%	-
1 year CMT	0.32%	0.33%	- 1 Bps
5-Year Treasury	2.29%	2.32%	- 3 Bps
10-Year Treasury	3.60%	3.58%	- 2 Bps

Rate Update

Despite the Fed increasing the Discount rate the treasury market ended the month where it began the month. While I have been trying to lose my reference to roller coaster rides, I can't do that this month as the chart of 10 year treasury bonds so clearly resemble that reference. The question is are we in for another hill or are we going into a straightaway or further dips.

The reasons for these rate fluctuations have been many and not much different from last month. On one side we have fear of failing sovereign debt and other geo-political factors as well as some indications that the economy is not yet in a robust recovery. On the other side most economic data seems to support the opinion that we are out of the recession and growth is at hand. This makes many believe that any day now inflation will start and rates will rise. My current view is that these countervailing forces will keep treasury rates down until, at least the summer, and maybe through the fall. However, I believe that by year end we will see higher rates.

Despite the dramatic changes in the treasury rates during the month, multifamily rates have stayed relatively stable. Bank loans have maintained rates in the low to medium 6% range and on the agency side the uptick in treasury rates were moderated by decreasing the spread. This seems to be a trend for agency loans and has created a small opportunity for borrowers who are ready to lock when the roller coaster starts its downward slope. They can take advantage of the lower spreads and treasury rates. For now spreads are down 10 Bps, but they may increase again if Treasury rates stay down or drop further.



For multifamily borrowers Freddie and Fannie are still the lenders of choice, but I am hearing more and more about new lending options. There seem to be more banks returning to the lending arena or increasing their lending appetite. Life companies and other lenders are also getting more interested in apartment loans. Freddie and Fannie are winning the deals they want because of their low rates. However, borrowers who don't like the agency process or terms or are in markets that agency lenders don't like now have more options.

Even with their low rates we hear both Freddie and Fannie are not as busy as they would like. They are closing loans, but want to do more, but won't lower their underwriting criteria to increase volume. The main reason volume is down is because on many deals the numbers just don't work. I don't know who will take the hit on these properties, but until the properties are either sold or get a new infusion of equity, deal volume will be down.

Based on recent deals Freddie is the better lender for lower LTV loans, and Fannie for shorter term (5 year) or full leveraged loans. Freddie is also willing to lock rate quicker than Fannie due to their direct lending model vs. Fannie's delegated model.

On another note last week Tim Geithner mentioned that the administration would not propose a new structure for Freddie/Fannie this year. So, at least for a while, we don't have to worry if these lenders will be around to support the system.

In contrast to Freddie and Fannie HUD is unbelievably busy. They have more business than they can deal with. At the same time they are going through some restructuring and will be implementing new rules in the near future. I have heard stories of different offices responding to these pressures in different ways, some of which are not productive. If you are looking for a HUD loan, and if you have the time you should, then be patient and roll with the punches, it's the only way to deal with HUD.

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Multifamily Rates*				
	Loan Terms		Fixed Rate	
	Min. DSC	**Max. LTV**	**5-Year**	**10-Year**
Freddie Mac	**1.25-1.40x**	**65%-80%**	**5.00% - 6.00%**	**5.25% - 6.50%**
Fannie Mae (DUS)	**1.20-1.40x**	**70%-80%**	**4.50% - 5.25%**	**5.40% - 6.25%**
FHA/HUD	**1.175%**	**85%**		**5.00 - 6.50%***
Life Companies	**1.30-1.50x**	**65%**	**5.75% - 7.50%**	**6.00% - 7.50%**
Banks	**1.20-1.30x**	**70% - 75%**	**5.75% - 7.00%**	**6.00% – 7.50%**

* FHA loans are 35 year fully amortizing and include MIP. 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