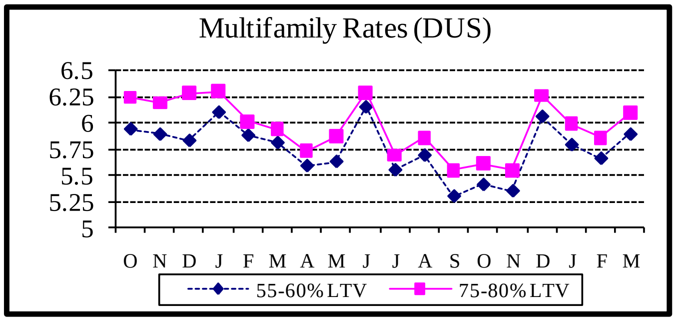
Multi-Family Loan Update April 5, 2010

Key Rate Indices	Current	Last Month	Change
6 month Libor	0.44%	0.38%	+ 6 Bps
1- year Libor	0.91%	0.83%	+ 8 Bps
Prime	3.25%	3.25%	-
Fed Funds	0.25%	0.25%	-
1 year CMT	0.42%	0.32%	+ 10 Bps
5-Year Treasury	2.74%	2.34%	+ 40 Bps
10-Year Treasury	3.99%	3.68%	+ 31 Bps



Rate Update

The news is good, jobs are coming back, the stock market is up and recovery is in process. I certainly hope so because jobs are the solution. However, I think we need to see a few more months of good jobs and more non-census jobs to really be upbeat. Until then cautious optimism is my watchword.

While the economic news is positive this has had the expected effect on treasury rates, pushing them up. Since the jobs report was announced last Friday the 5 and 10 year treasury are up about 15 Bps and the 6 month LIBOR by 6 Bps. Overall for the month the 5 year treasury is up 40 Bps and the 10 year by 31 Bps. This is bad news if you have not refinanced or locked in your rate. I am still unsure as to how rates will move in the near future, but I am confident that in the long run rates will be up.

For multifamily borrowers the news has not been as bad. The increase in treasuries has partially been offset with a decrease in spreads. Agency lenders have reduced spreads by 15-20 Bps over the month. This is in line with their trend of keeping the 10 year rate at about 6%.

Both agency lenders and HUD have maintained their market share and are still the most active lenders. This does not mean they are busy. Freddie and Fannie are competing on loans, but they are staying in their box. In most cases they are not stretching on values or underwriting. One exception to this is the change within Freddie to use appraised values on their CME product vs. internal values. This is slightly old news, but does make Freddie more aggressive than they were in years past.

As the agency lenders see competition they are doing what they can. On the leverage front they are trying new things like Freddie's Mezzanine program (see Freddie tries to help overleveraged properties) or just lowering rate (actually spreads) as we have seen both do on strong class "A" competitive deals.

Banks are continuing to see pressure on their balance sheets and we are seeing more banks selling portfolios of loans and trying to work out or extend loans that may be in trouble. This FDIC pressure has resulted in clear winners and losers. While most banks have slowed their commercial real estate efforts others have become more aggressive. We have seen some banks offer rates in the high 5% range for a 5 year loan and in the mid 5% for a 3 year loan. These are not agency rates, but are very low considering the process and prepayment flexibility.

For all lenders today one of the big issues continues to be borrower scrutiny. Lenders are looking for stronger and stronger borrowers to back their loans. Freddie issued formal rules (see Freddie Guidance …) and Fannie is looking for similarly strong borrowers. Fannie often wants a borrower to have a net worth greater than the loan amount and liquidity of at least 6-12 months P&I payments, depending on the size of the loan.

Banks are also scrutinizing their borrowers more aggressively. One national bank lender is looking for borrowers with a net worth equal to twice the loan amount and liquidity greater than one year's P&I. Smaller banks seem to be a little more flexible on net worth, but want strong liquidity. The other items being scrutinized by banks is the borrower's tax return. Usually agency lenders don't focus on tax returns, but banks certainly do. Banks are looking for borrower to have consistent income from either a job or global cash flow. As for global cash flow all lenders are closely looking at a borrower's real estate schedule to make sure there are no issues. They want good positive cash flow. They will also scrutinize loans coming due in the next 24 months that will have trouble being refinanced and properties with trouble covering their debt service or are underwater.

For borrowers this means it is especially important to think about your financial position before starting the borrowing process. Put money in the bank (even if it means drawing down a line of credit) to show you have liquidity. Take care creating your financial statement, make sure it shows everything and is up to date. Also, look at your overall real estate before talking to a lender. You can't change the reality of the situation, but any issues should be discussed with the lender early in the process. Upfront honesty goes a long way and surprises in the process are the easiest way to kill a deal.

Multifamily Rates*				
	Loan Terms		Fixed Rate	
	Min. DSC	**Max. LTV**	**5-Year**	**10-Year**
Freddie Mac	**1.25-1.40x**	**65%-80%**	**5.20% - 6.00%**	**5.40% - 6.50%**
Fannie Mae (DUS)	**1.20-1.40x**	**70%-80%**	**4.70% - 5.45%**	**5.50% - 6.25%**
FHA/HUD	**1.175%**	**85%**		**5.25 - 6.50%***
Life Companies	**1.30-1.50x**	**65%**	**5.50% - 7.50%**	**5.50% - 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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