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SENIOR HOUSING/HEALTHCARE BORROWERS LOOKING FORWARD TO MORE OF THE SAME AS FED LEAVES INTEREST RATE NEAR ZERO

Those senior housing/healthcare borrowers who've been wondering how long interest rates will continue to scrape bottom can't say the Federal Reserve Board hasn't been sending clear signals about its intentions.

While acknowledging that extended periods of low interest rates have led to excessive risk-taking in the financial markets in the past, the Fed has remained steadfastly committed to a strategy of keeping rates as low as possible for as long as possible to combat weakness in the U.S. economy, funding expert Jeffrey A. Davis observes.

Davis is Chairman of Cambridge Realty Capital Companies, one of the nation's leading senior housing/healthcare lenders. He points out that Fed Chairman Ben Bernanke is a thoughtful student of the Great Depression of the 1930s, and has repeatedly warned that a much stronger recovery early in the course of that downturn was choked off by the Fed tightening monetary policy too soon.

"Apparently, the consensus view of central bank policymakers is that the recovery is in an early stage and still fragile," he noted.

The federal funds rate is the rate banking institutions charge each other for overnight loans and is used as the benchmark for the interest paid on credit cards, home equity loans and many business loans. Effectively, the rate was set by the Fed between zero and 0.25 percent in December 2008 and has remained in this range since then. Critics of the Fed's policy say keeping the rate this low does not really help the economy and only succeeds in subsidizing bank profits. Others argue that the low rates are, in fact, the reason why banks have not been lending.

"But, so far, these are not the ideas that have been driving policy," Davis observes.

He thinks it's unlikely that the interest rate level is what's keeping bankers on the lending sidelines. More likely, concerns about losses on previous loans, coupled with worries about the ability of borrowers to repay new loans in a soft economy, are the larger factors impacting banking decisions at this time.

In the company's senior housing/healthcare forecast for 2010, Davis predicts that debt markets will continue to be challenged over the next 12 months, with both lenders and investors continuing to fixate on how well transactions support underlying economics.

“The major national banks will not be in the picture, but regional and community banks could be stepping up to fill some funding gaps for senior housing/healthcare borrowers in the months ahead. And others, including insurance companies, credit companies, and private and institutional equity investors, could become more active as well.

“With demand through the roof, we also anticipate that HUD will have another banner year in 2010,” he said.

Because conditions invariably change, Davis says he is advising clients to take advantage of today’s low rates while they can.

Davis says Cambridge has been privately owned since its founding in 1983 as a real estate investment banker specializing in commercial real estate properties. The company today has three distinctive business units: FHA-insured HUD loans, conventional financing, and investments and acquisitions.

The company is one of the nation’s leading senior housing and healthcare debt and equity capital providers with more than 300 closed transactions totaling more than \$3.0 billion since the early 1990’s, when the firm began its specialization in providing senior housing capital.

Cambridge is the creator of *The Signature Experience*[™], a four-step process designed to transform the traditional lender/borrower relationship and identify “ideal” capital solutions for worthy projects. The company has a national origination office in Los Angeles, and numerous correspondent and brokerage relationships nationwide.

Cambridge publishes the bi-monthly e-PULSE!(R) electronic newsletter, which delivers company news and feature stories via e-mail to corporate friends and clients. Additional information is available on the Cambridge website, www.cambridgecap.com, and Cambridge can be reached at (312) 357-1601 or via e-mail to info@cambridgecap.com.

The firm also has embraced social media and networking via Twitter at <http://twitter.com/cambridgecap> , via Facebook at <http://www.facebook.com/cambridgecap>, and via LinkedIn at <http://www.linkedin.com/companies/454232> , where information on the firm and its employees can be found.

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