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PRESS RELEASE

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FEDERAL RESERVE BOARD DOVISH ON SHORT-TERM RATE HIKE

Market watchers were hardly surprised when the Federal Reserve Board's Open Market Committee (FOMC) voted not to raise the Fed Funds Rate at its April 16 meeting. In a unanimous 9-1 decision, the committee voted to hold the rate in a target range near .25 percent.

Earlier this year there was speculation the Fed might be planning as many as four short-term rate hikes in 2016. But this projection hasn't panned out.

The Fed Funds rate is the interest rate used by banks and other depository institutions when they lend money to each other on an overnight basis. It is used by the Fed to control the supply of available funds and, in the bargain, inflation and other interest rates as well.

In making the April announcement, Fed Chairman Janet Yellen said any decision to move the Funds rates higher later this year will largely depend upon the strength of labor markets and on the pace of inflation in the economy. The Fed's job is to balance these two forces.

"At this time it isn't clear what the Fed will decide. The experts have been guessing what the odds for additional rate hikes in 2016 will be, with increases in June and again late in the year getting some support but far from certain," says finance expert Jeffrey A. Davis.

Mr. Davis is Chairman of Cambridge Realty Capital Companies, one of the nation's leading senior housing/healthcare lenders. He says that labor markets are currently surging, with more than 13 million jobs added to the economy since 2010. And the unemployment rate has dropped to decade-best levels.

But job growth is not sparking inflation the way it usually does, which poses a challenge for the Fed. When inflation stays too low for too long, the risk of deflation becomes a problem that could prove to be more damaging to the economy than inflation, he noted.

The Fed continues to take a more cautious or dovish approach to future rate hikes. And, in its April 16 statement, the central bank telegraphed its intention to continue supporting low mortgage interest rates by reinvesting earnings from mortgage-backed securities purchased during the central bank's Quantitative Easing (QE3) stimulus program.

The Fed's QE3 program ended in October 2014 with the Fed in possession of about $85 billion in long-term bonds and mortgage-backed securities (MBS). The latter accounted for a hefty amount of this total.

"By reinvesting earnings from these earlier MBS purchases, the Fed boosts aggregate demand, which in turn causes MBS prices to rise. When MBS prices rise, current mortgage rates fall," Mr. Davis said.

"For the immediate future, senior housing/healthcare borrowers looking to acquire, build or refinance a mortgage should find interests rates at attractively low levels. Only get concerned at the first serious sign the economy is starting to heat up," he advised.

Privately owned since its founding in 1983 as a real estate investment banker specializing in commercial real estate properties, Cambridge 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 400 closed senior housing transactions totaling more than $4.5 billion since the early 1990's, when the firm began its specialization in providing senior housing capital.

Cambridge has consistently ranked among the country's top five FHA-insured HUD lenders (now HUD Lean) over the last 15 years and offers an array of conventional lending options, including permanent construction and interim loans on either a floating or variable rate basis. The company's principal investment strategy includes direct property acquisitions, joint ventures and sale/leasebacks. The company has acquired 16 facilities totaling approximately $60 million.

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 Capital Wisdom(R) electronic newsletter, which delivers company news and feature stories via e-mail to corporate friends and clients as well as monthly updates of other relevant news and breaking trends. 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, via blog at www.cambridgecap.com/blog 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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