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PRESS RELEASE

3/6/14

RESEARCH PAPER BY FEDERAL RESERVE BOARD ECONOMISTS CONFIRMS THE CENTRAL BANK'S UNCONVENTIONAL MONETARY POLICIES WORKED

Proof that the Federal Reserve Board's unconventional monetary policy tools are succeeding in lowering borrowing costs for senior housing/healthcare borrowers can be found in a new working paper written by three central bank economists.

The research paper, "Monetary Policy and Real Borrowing Costs at the Zero Lower Bound" shows the Fed in recent years has been able to reduce borrowing cost for consumers and businesses using unconventional policy tools, said Cambridge Realty Capital Companies Chairman Jeffrey A. Davis.

The Fed has traditionally used the federal fund rate, an interest rate for overnight lending between banks, as its primary tool for influencing the economy. However, in December 2008, the rate was lowered to almost zero where it has remained ever since, he points out.

"When this didn't get the job done, the Fed resorted to other, less conventional ways to lower the cost of borrowing and help revive the economy," Davis said.

For example, the Fed Chairman began purposefully making explicit statements about how long the Fed expected to keep rates low and called this approach forward guidance. The other unconventional approach, called quantitative easing, involved the Fed in large scale purchases of bonds and mortgage-backed securities.

Presumably, the programs were doing what they were supposed to do. But solid proof awaited the research paper authored by economist Simon Gilchrist of Boston University and economic researchers David Lopez-Salido and Egon Zakrajsek of the Federal Reserve in Washington D.C., Davis said.

The economists examined two-year Treasury yields on days the central bank announced policy changes, and noted the related effects on 10-year Treasury yields, corporate bonds and mortgage-backed securities. The 10-year Treasury yield is a benchmark for mortgage rates and other loans, including popular FHA-approved HUD loans.

Davis says the Fed researchers concluded that a combination of forward guidance and asset purchases is very effective in influencing longer-term interest rates. The effects of both types of policy actions are transmitted fully to real business borrowing costs.

The two types of unconventional monetary policy work in different ways. However, the economists found no meaningful difference in the efficacy of conventional and unconventional policies as measured by the impact of monetary policy on real borrowing costs.

"The working paper developed by the economists appears to justify the Fed's confidence in the unconventional strategies that helped rescue the economy from the abyss," Davis said.

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 nursing home, [assisted living](#) and healthcare debt and equity capital providers, with more than 400 closed 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 and joint ventures, sale/leasebacks, conventional and mezzanine debt financing, and the acquisition of distressed debt.

Cambridge is the creator of *The Signature Experience(TM)*, 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, 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](tel:3123571601) 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, via YouTube at <http://www.youtube.com/user/ePulseLive>, 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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