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PRESS RELEASE

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FEDERAL RESERVE BOARD HAS 'CACOPHONY' PROBLEM, PRINCETON ECONOMIST SAYS

The former vice chairman of the Federal Reserve Board, Alan Blinder, says the nation's central bank may have a "cacophony problem" that could roil the markets once the Fed ends its bond-buying program and starts debating in earnest when to raise interest rates.

"It's one more disconcerting thing senior housing/healthcare borrowers must factor into their thinking when attempting to make sense of credit market trends," says senior housing funding expert Jeffrey A. Davis.

Davis is chairman of Cambridge Realty Capital Companies, one of the nation's leading senior housing/healthcare lenders. He points out that industry borrowers will find themselves similarly confused if the message from the Fed is not enunciated clearly and unambiguously at this time.

Blinder is a professor of economics at Princeton University. He is a Wall Street Journal columnist and author of *After the Music Stopped*, which describes causes and effects of the recent economic crisis.

Speaking at a recent Investment Management Consultants Association (IMCA) conference, Blinder noted that the Fed's power comes not from its statutory authority but from the fact that traders "dote" on its every word and the markets overact.

Unlike when more domineering personalities like Alan Greenspan and Paul Volker headed the board, former Chair Ben Bernanke ushered in a process more tolerant of dissent and open dialogue, greater transparency and a leadership-by-committee style.

That's for the better, Blinder believes. But in his speech he warned that the Fed, split as it is between inflation hawks and doves with very different ideas about how the Fed should navigate the economy, suffers from a cacophony problem.

This especially applies as the Fed moves into the latter stages of tapering and considers when to lift the federal fund rate. In the summer and early fall, there will be only one thing on the minds of traders and that is the Fed's decision.

"Unless the thinking behind that decision is crystal clear and unambiguous, the markets will be prone to overact. The upcoming debate between hawks and doves on the board of governors is a recipe to rattle markets," Blinder said.

In his keynote address at the IMCA conference, Prof. Blinder said a poor first quarter makes it unlikely the economy will achieve sustainable growth rates of 2.5 percent to 3 percent for 2014, which makes it unlikely that the Fed will tighten up interest rates this year.

In her first public comments, the Fed's new Chair Janet Yellen suggested that interest rates might begin to rise six months after tapering ends. Blinder, an inflation dove, said this timetable "seems too early to me."

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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