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PRESS RELEASE

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AN INTERESTING DILEMMA FOR THE FED: WHAT TO DO WHEN QUANTITATIVE EASING (QE3) PROGRAM ENDS

The Federal Reserve Board's quantitative easing program (QE3) may be winding down, but more than the memory of this creative economic stimulus program will live on long after the central bank ends its monthly purchases of bonds later this year.

Cambridge Realty Capital Companies Chairman Jeffrey A. Davis says the good news for senior housing/healthcare borrowers is that ending the bond purchasing program doesn't necessarily mean interest rates will immediately spike higher.

"It appears the Fed has another card up its sleeve," he said.

Cambridge is one of the nation's leading senior housing/healthcare lenders, with more than $4.5 billion in closed senior care transactions. A PulsePoints blog post on the Cambridge website makes the point that the Fed will continue to receive payments from maturing securities on the vast amount of holdings that it already has.

So far this year the Fed has received roughly $16 billion on average each month in payments from maturing securities. And it currently reinvests these payments to maintain the size of its holdings, which have grown to record levels and now exceed $4 trillion.

Back in February of 2011, the Fed indicated it would stop reinvesting these payments after winding down its quantitative easing program, allowing the size of its holdings to shrink. However, some members of the central bank are now questioning the wisdom of this strategy.

William C. Dudley is president of the Federal Reserve Bank of New York. He argues that "ending reinvestments as an initial step risks inadvertently bringing forward any tightening of financial conditions as this might foreshadow the impending lift-off date for rates in a manner that is inconsistent the committee's intention."

The thought is that continuing to reinvest principal payments would keep long-term borrowing costs low and preserve the effect of the QE3 program, even after the program has been completely wound down and bond purchases are no longer being made.

"The question becomes, what to do with these funds? Should the Fed continue to reinvest them and maintain the size of its holdings or stop doing so and let its holdings shrink? Davis asks.

"This is uncharted territory for the Fed as its balance sheet continues to grow. Reinvestments are another form of stimulus and some Fed officials will undoubtedly share Mr. Dudley's view that they should continue while the economy regains its footing. Others will be more hawkish and will push to end them entirely, or at least in part," Davis said.

"The more likely scenario errs on the side of caution, which could be good news for senior housing/healthcare borrowers since it means the window of opportunity for capitalizing on low interest rates may be projected forward," he 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 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 athttp://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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