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PRESS RELEASE

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FED WATCHERS AND BORROWERS HAVE SOMETHING NEW TO KEEP AN EYE ON, CAMBRIDGE REALTYCAPITAL CHAIRMAN JEFFREY DAVIS SAYS

Senior housing/healthcare borrowers attempting to draw a bead on where interest rates might be heading in the future face an increasingly more challenging task.

In what would have sounded like heresy not too long ago, interest rate adjustments are now being described by the Federal Reserve Board Chairman and others as not being an appropriate tool to use when attempting to stabilize financial markets, Cambridge Realty Capital Companies Chairman Jeffry A. Davis observes.

In a recent speech, Fed Chair Janet Yellen urged central banks around the world to rely more on building resilience in their financial systems. She opined that monetary policy faces significant limitations as a tool to promote financial stability because its effects on financial vulnerabilities are less direct than a regulatory or supervisory approach, he said.

"The problem is that central bankers don't have a lot of experience working with some of the newer regulatory ideas now emerging on the international banking scene," he added.

The Fed has kept its benchmark interest rate near zero since December 2008, although a modest tightening apparently is on the horizon for 2015. Yellen says the easy monetary policy has aided U.S. economic recovery but also warned that low rates have encouraged the flight of money to more risky practices.

"Such risk-taking can go too far, thereby contributing to the fragility of the financial system," she told central bankers in her address.

In the aftermath of the global financial crisis, Yellen says a strong interest developed in something called macroprudential policy, which has become popular among central bankers and financial regulators.

Historically, mainstream economists traditionally viewed the financial system as an intermediary that was not itself a source of economic risk. Much of the regulatory apparatus in place before the financial crisis was aimed at protecting investors or assuring an institution's soundness with government-insured depository accounts.

"It's a different world today," Davis said.

The financial crisis and prolonged economic slump that followed led to renewed interest in containing or minimizing risk originating in the financial system. Policymakers began to look for tools to reduce the severity and frequency of asset bubbles and excessive credit growth in the banking system, he noted.

In her address, Davis says the Fed Chair candidly admitted that experience with supervisory and regulatory tools, such as macroprudential policy, is limited and central bankers "have much to learn to use these tools effectively."

In the U.S., Congress passed the Dodd-Frank Act after the global financial crisis of 2008 - 2009 was spawned by U.S. banks dabbling in a class of high-risk mortgage bonds. The law requires banks and other financial organizations to hold larger capital buffers and undergo periodic stress tests, and loan applicants undergo more stringent review than before.

Yellen said U.S. interest rate policy will continue to be tied to balancing price stability and full employment but noted that pockets of increased risk-taking across the financial system could require "a more robust" macroprudential approach.

"It's one more thing for Fed watchers to key an eye on," 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 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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