

# SBL Update



## Kick-off and Check-In Calls

We've received feedback from lenders that our kick-off calls are most beneficial when our team has had enough time to review the loan submission and can come to the call with questions or feedback on the transaction.

In response to this, we are changing our approach. Instead of a kick-off call shortly after package submission, we will hold a "check-in call" that will coincide with the Freddie Mac underwriter completing their review of the package and sending their initial questions. Ideally, the check-in call will take place by the fifth day of underwriting.

We will still strive to place a quick call to you shortly after the loan submission is accepted, to provide reassurance that we are working on the deal and an update on when we think the Draft Commitment Letter (DCL) will be available. This will not be a formal, scheduled call and won't include anyone other than the lender's underwriter or contact for the transaction.

The Freddie Mac underwriter and target DCL date are noted in the initial check-in email, so please feel free to contact our team at any time with questions regarding a loan in underwriting.

## Upcoming Changes to 5- & 7-year Hybrid Loan Products

Effective for loans taken under application on or after May 1, the total loan term on the 5- and 7-year hybrid Small Balance Loan (SBL) products will be reduced from 20 years to a total of 10 years.

Send Date: April 12, 2024

- The 5-year hybrid loan will retain its initial 5-year fixed-rate period followed by a 5-year floating-rate period.
- Similarly, the 7-year hybrid loan will retain its initial 7-year fixed-rate period followed by a 3-year floating-rate period.
- The 10-year hybrid loan product will remain unchanged with a 20-year loan term (initial fixed-rate period of 10 years followed by a 10-year floating-rate period).

All other terms and requirements of the hybrid loan products remain unchanged. This includes the terms of the floating-rate period, prepayment options, maturity LTV and/or hybrid stress test. Please note: These changes are part of the upcoming April *Multifamily Seller/Service Guide* update but as mentioned above, they do not go into effect for loans under application until on or after May 1.

For questions or additional information, please contact your SBL Relationship Manager.

## **Updates to SBL Documents on Originate & Underwrite Page**

Effective immediately the following SBL documents have been updated on the [Originate and Underwrite page](#):

- [Programmatic Exception List](#)
- [Credit Risks & No Path Forward Aid](#)
- [Prescreen and Exception Request Form](#)

### **Programmatic Exceptions Updates**

- The language for the following exceptions was modified:

Send Date: April 12, 2024

- #15 - Key Borrower Principal net worth (1x UPB; 2x UPB for Foreign Guarantor (may be on an aggregate basis)) not Guide-compliant.
- #16 - Key Borrower Principal liquidity (9 mths DS; 2x liquidity for Foreign Guarantor (may be on an aggregate basis)) not Guide-compliant.
- #18 - Issue(s) which would require Borrower, Key Borrower Principal or any Related Entity to answer "Yes" to one or more questions set forth in form 1115 Section B, except for minor infractions such as slip and falls or settlements/judgments up to \$25k identified under questions 3d or 3e.
- #20 - No person with Ultimate Control (as defined in the 1115) of Borrower resides in the U.S. for more than 6 months of the year.
- #41 - Any non-residential lease permitting the use of the space for any Restricted Non-Residential Use. [Guide 43.24(e) and Guide Glossary - "Restricted Non-Residential Use"]
- #55 - The following crimes occurred at the property in the two years preceding loan application ("Crime"): Murder, Homicide, Shooting, Stabbing, Killing, Assault, Sexual assault, Rape, Robbery, Drug manufacturing, Drug distribution, Drug dealing.

Loan does not need to be prescreened for any of the following items:

- i. Crime is on the list but did not occur at the property within the preceding two years
- ii. Crime is on the list but did not occur at the property
- iii. Crime is not enumerated on the list

- The following exceptions were removed:

Send Date: April 12, 2024

- #1 - Loan size less than \$1.0MM not allowed. Any loan sized between \$1.00M and \$1.2MM is subject to Freddie Mac review
- #7 - DCR < policy min by > 0.10x
- #8 - LTV > policy max by > 10%
- #19 - Any Required Standard or Additional Carve Outs Are Not Policy Compliant

### **Credit Risks Update**

The following credit risk was removed:

- High number of criminal incidents in subject's neighborhood but not at subject property

### **No Path Forward Aid Update**

The following deal type was added to the No Path Forward list:

- One-off loans below \$1MM

### **Prescreen and Exception Request Update**

The form reflects updates made to the Programmatic Exceptions.

## **Reminder to Register: Optigo® Essentials: SBL Workshop**

Spots are filling up quick – make sure to register soon for this one-day event in Chicago on **Wednesday, April 24**, where we'll provide a national overview of the SBL business.

**Optigo Essentials: SBL**  
**Wednesday, April 24**

[Register Now](#)

**Please note:** The content of this workshop is tailored to SBL Optigo lenders and is open to all experience levels at your shop. Registration costs \$99 per attendee for this event. There will be no affiliated volunteer event in Chicago this year. See the registration page for full event details and what's included.

Send Date: April 12, 2024

We look forward to seeing you in Chicago!

© 2024 Freddie Mac  
8200 Jones Branch Drive, McLean, VA 22102