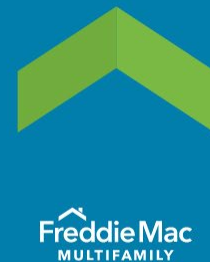


SBL Update



Updates to Temporary Exceptions

Earlier this week, we announced a series of temporary permitted changes to Small Balance Loan (SBL) credit exceptions in support of our 5- to 50-unit goals.

These changes are temporary and may be adjusted at any time based on market conditions or Freddie Mac requirements. These changes impact permitted interest-only terms, minimum DCR and maximum LTV for loans with amortizing payments, as well as full-term interest-only payments. The specific changes are outlined below.

Any loan satisfying the five criteria below is eligible for up to two years of additional interest-only payments.

1. At least one unit must qualify as a low-income 5-50 unit (excludes all Link Loans and loans secured by properties with more than 25% commercial Gross Potential Rent (GPR) or Net Rentable Area (NRA)).
2. Maturity LTV less than or equal to 70%.
3. Lender and Freddie Mac property inspection rating in Optigo Happy® of 3 or greater.
4. Physical Risk Report with a rating of average or better and repairs less than 1% of the loan amount.

Send Date: June 21, 2024

5. Guarantor must meet the net worth and liquidity requirements.

Any loan satisfying the seven criteria below is eligible for expanded DCR, LTV and full-term interest-only payments.

1. At least one unit must qualify as a low-income 5-50 unit (excludes all Link Loans and loans secured by properties with more than 25% commercial GPR or NRA).
2. Maturity LTV less than or equal to 70%.
3. Lender and Freddie Mac property inspection rating in Optigo Happy of 3 or greater.
4. Physical Risk Report with a rating of average or better and repairs less than 1% of the loan amount.
5. Guarantor must meet the net worth and liquidity requirements.
6. Acquisition or refinance with minimum 20% hard cash equity or more than five years of ownership.
7. No history of default or foreclosure in the last 10 years with any Key Borrower Principal or Guarantor.

Send Date: June 21, 2024

Market Tier	Baseline Minimum DCR and Maximum LTV Requirements				Temporary Minimum DCR and Maximum LTV Requirements			
	DCR	LTV	DCR-FTIO	LTV-FTIO	DCR	LTV	DCR-FTIO	LTV-FTIO
Top	1.20	80% (1)	1.35	65%	1.20	80% (1)	1.25(2)	65%
Standard	1.25	80% (1)	1.40	65%	1.25	80% (1)	1.35	65%
Small	1.30	70% Refi 75% Acq	1.40	60%	1.25	75%	1.35	60%
Very Small	1.40	70% Refi 75% Acq	1.50	60%	1.30	75%	1.40	60%

(1) Cash-out Refinances originated between 13 and 36 months since the initial ownership by the Borrower are limited to 75% LTV in Top and Standard markets for both Baseline and Temporary Requirements

(2) Pre-screen required for Temporary Full Term IO requests in Top markets.

With the exception of requests for full-term interest-only in top markets, provided a loan meets the criteria listed above, Optigo® lenders do not need to submit an exception request to take advantage of either the additional years of interest only or the temporary minimum DCR and maximum LTV requirements noted above.

Optigo lenders must prescreen for approval any loan that will be structured with full-term interest-only payments in top markets. Please contact a Freddie Mac SBL Production or Underwriting representative with any questions.

Updated Document: SBL Rate Buydowns

Last week, we introduced Rate Buydowns to SBL. The document we provided in our previous newsletter has since been revised and now requires a login for users in the Optigo network.

Please make sure to use this new version of the [SBL Rate Buydowns](#) document going forward. This document can also be found under the [References & Tools tab](#) on our Originate & Underwrite page.

Certified Liquidity Documentation: Effective Immediately

Send Date: June 21, 2024

As previously announced, for SBL loans taken under application on or after April 18, all Key Borrower Principals with Ultimate Control and Guarantors that qualify as either “First-Time Sponsors” or “Limited Multifamily Experience Sponsors” must provide documentation to verify the liquidity reflected on their financial statements. Such documentation may include bank or brokerage account statements.

Effective immediately, for all SBL loans taken under application on or after April 18 for which a final commitment letter has not been issued, please ensure that the relevant Key Borrower Principals certify all documentation provided to verify their liquidity.

An updated [Form 1112: Borrower and Key Borrower Principal Blanket Certification](#) was made available on June 13, which may be used to certify all liquidity verification documentation. If Form 1112 noting liquidity verification documentation is not provided, please ensure the relevant Key Borrower Principals provide a separate written certification of the documents provided to verify their liquidity.