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SBL Update



Freddie Mac
MULTIFAMILY

As of August 15, updates have been implemented to the Freddie Mac *Multifamily Seller/Service Guide* (Guide). To learn about all the changes, read the [news article](#). The below updates impact the Small Balance Loan (SBL) business, but it is not an exhaustive list of all applicable changes.

Historical Property Financial Statement Reconciliation

Please note the following new requirements for reconciling property financial statements, which are reflected in Sections 11.7 and 55SBL.2 of the Guide.

- For refinances of Freddie Mac mortgages where the lender originated the existing mortgage, the lender must compare statements submitted in the underwriting package with statements provided during servicing for overlapping time periods. By uploading the historical property financial statements to the Document Management System, the lender is certifying that this review has been completed and either (i) there are no deviations identified, or (ii) any deviations have been clearly disclosed to Freddie Mac in the Mortgage Transaction Narrative Analysis. (**Note:** SBL lenders generally already follow this reconciliation process which is now being rolled out across all product lines.)
- For all loans, in the event year-end and T-12 property financial statements are both provided in a monthly format, the lender must advise Freddie Mac of any inconsistencies observed in overlapping months between T-12 and

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the prior year's property financial statement. For example, in a T-12 statement through May 2024, the months of June through December 2023 should match the same months provided in the year-end 2023 statement when that information is available.

Public Records Searches

To promote alignment and consistency of Public Records Search requirements during the origination and servicing of mortgages across all product lines, we published a single set of search requirements in the [Public Record Search Requirements](#) document.

We updated Guide Sections 2.18(a), 2.23, 2.24, 2.28, 9SBL.13, 18SBL.30, 41SBL.4(a)(b) and the Glossary to reflect this change.

Real Estate Schedule Verification

We clarified the verification requirements for [Form 1116, Real Estate Schedule](#) in Guide Section 11.6(b) as follows:

The lender is only required to verify the Key Borrower Principal's ownership role (e.g., general partner, limited partner, etc.) in the assets listed on the schedule, not the ownership percentage.

A federal tax return (Schedule K-1) is now an additional acceptable method for the lender to complete the verification (without requiring prior Freddie Mac review).

SBL PR-90 Repairs and Priority Repairs

With our July 30 [Legal Document updates](#), we revised the [SBL Loan Agreement](#) to specifically list the PR-90 Repairs and Priority Repairs and their required

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completion date. PR-90 Repairs will be completed within 90 days of closing and Priority Repairs will be completed within 365 days of closing.

We updated Guide Sections 8SBL.17, 39.4, 39.5(a) and 62SBL.2 to reflect these changes.

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8200 Jones Branch Drive, McLean, VA 22102