

# SBL Update



## Updates to Temporary Exceptions

The temporary permitted credit exceptions to Small Balance Loan (SBL) that were introduced in June 2024 will be effective through **Friday, November 15, 2024**, at which time they will expire. See the specific exception details below.

Effective for all loans under application on or after November 16, 2024, all exceptions for DCR, LTV and full-term interest only (IO) will require a prescreen by the respective region.

The exception for up to two years of additional IO when the following conditions are met will remain in place at this time.

- Loans with at least one low-income 5-50 qualified unit (*does not include: (i) link loans or (ii) mixed-use loans containing more than 25% commercial GPR or NRA*)
- Maturity LTV equal to or less than 70%
- Property inspection rating of Fair or better
- Satisfactory receipt of physical risk report in average condition or better with repairs less than 1% of the UPB
- Guarantor must meet the requirements for net worth and liquidity

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Optigo® lenders will not need to submit an exception request to take advantage of the additional years of IO exception. Should the loan in question have another exception, that exception will need to be submitted for consideration in totality. We ask that Optigo lenders be prudent in applying judgment to the use of additional IO when layered risk may be present.

The temporary exceptions had a significant role in supporting our goal toward financing 5- to 50-unit properties in 2024. The SBL team is grateful to our Optigo lenders for their partnership in meeting our mission to finance affordable rental housing.

### **Year-End Closing Update**

The following is an update to our [Business Deadlines](#) communicated on **October 31**.

With the elevated levels of deals in underwriting and delays associated with underwriting packages being submitted on-time we would like to provide the following update.

- Please be aware that the underwriter will confirm whether each individual loan can deliver a commitment by year-end. The full underwriting package must be submitted by **Monday, December 2** for consideration of year-end commitment.
- For any loans that are submitted and fail the doc check, a commitment in time for a year-end close is not likely to happen.
- Lastly, please do not rush through the underwriting submission. We have seen an uptick in loans that have been flagged for enhanced due diligence. This may ultimately impact our ability to meet a year-end deadline for closing. Remember, financial accuracies matter. Borrower certifications should not omit any disclosures. Concessions and bad debt need to be accurately accounted for and represented. Income and expenses should not be removed — in any circumstance — or “moved below the line” without FULL disclosure. These are items that have

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significantly slowed down other deals, and we do not want it to happen to yours.

## **10 Years of SBL**

In case you missed it, last week we launched our [SBL 10-year anniversary webpage](#) to celebrate a decade since the inception of our SBL program. To honor this special occasion, take a look at some of the memories and accomplishments we've achieved together over the years.

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8200 Jones Branch Drive, McLean, VA 22102