



Joint-Inspection Requirements in SBL Top Markets

Effective May 28, 2019, we’re modifying the Top Market inspection delegation instructions, as described below.

Consistent with the SBL Property Inspection changes announced on September 7, 2017, we’ll continue to delegate Top Market property inspections to OptigoSM SBL Lenders, with the below adjustments. These adjustments will ensure that Freddie Mac is an inspection participant for properties with heightened aggregate risk, helping us to make optimal credit decisions.

Joint inspection is required if any **one** of the below exception risks are present:

Programmatic Exception (requires SBL Exception Form & FRE quote approval/“prescreen”)	
#	Risk Description
9	Underwritten collections (NRI) > rent roll NRI submitted with underwriting package (Lean-in)
22	Sponsor or controlling member resides more than 100 miles from subject property and third-party management with local experience is not operating the subject property
31	Tenant concentration of military (50%+), student (50%+), single employer (25%+), non-profit/transitional units (25%+), corporate (25%+) or master lease (25%+)
33	Cardinal housing property, Illinois Land Trust, preferred equity, ground lease, reverse 1031 exchange, seniors housing with any on-site services or >25% of units <250 square feet (“Micro Units”)

Additionally, joint inspection is required if the property has **two or more** of the following risks:

Programmatic Exception (requires SBL Exception Form & FRE quote approval/“prescreen”)	
#	Risk Description
3	Loan size greater than \$6MM with >100 units or <1.25x
8	Commercial GPR or gross area > 40% of total GPR or total square footage
10	No Guarantor with FICO score > 650
13	Inspection by third party or Seller not policy-compliant (e.g. fewer than minimum required units inspected per Guide)

Programmatic Exception (requires SBL Exception Form & FRE quote approval/“prescreen”)	
#	Risk Description
14	Subject’s three consecutive month physical occupancy average is less than 90% (85% if subject property is in a 1) Top Market or 2) Standard/Small market and a) an acquisition with experienced borrower or b) <30 units (refi/acquisition))
21	Uncertified/non-legally occupied or marketed residential or commercial unit
25	Violent, drug related or persistent pattern of lesser crimes at the subject property in past 5 years
30	Loan to cost >80% within 1 year of changing ownership (refinance or acquisition)
37	Any Nonresidential lease operating under a non-standard or controversial public use (i.e. a liquor store; a gun shop or firearm range; so-called massage parlor or any business which sells, rents or permits the viewing of so-called “adult” or pornographic materials; an off-track betting parlor or arcade; operation of a so-called “head shop”; a burlesque or strip club; or any illegal activity)
39	Controlling sponsor does not have experience owning and controlling similar MF property and/or the only experienced controlling sponsor is not signing as Guarantor.

NOTE: Optigo SBL Lenders may request a delegated property inspection by submitting an exception form with support for why a joint inspection is not necessary. Additionally, any Top Market property may be jointly inspected by Freddie Mac at our discretion.

Reminder

Inspection requirements are detailed in Section 8SBL.15 of the *Multifamily Seller/Service Guide* and the [SBL Property Inspection and Lease Audit](#) form is still available for lease audit.

An updated inspection template will be released in the Optigo Inspection App by May 28, 2019, to include a drop-down menu for “inspection type.” When conducting a delegated inspection, lenders should choose “Delegated” in the “Inspection Type” section and “Joint” if Freddie Mac is a required participant.

If you have any questions, please contact your SBL Regional [Production](#) or [Underwriting](#) Manager.