

## April Tips and Tricks – Small Balance Loan (SBL)

### **PMT: Link Loans vs. Portfolios**

Please note that one SBL link loan should not be labeled as a portfolio in PMT. While there may be multiple buildings, it is one loan. For Link loans, select 'Yes' in the 'Link Loans' drop-down at the bottom of the 'Property Detail' tab in PMT. For multiple SBL loans with the same key principal/sponsor that are being financed concurrently with SBL, please select 'Yes' in the 'Portfolio' field on the 'Loan Terms' tab and then provide a portfolio name.

### **Affordability Goals**

Low-Income (LI) Units are multifamily units affordable to low-income families, defined as families with incomes less than or equal to 80 percent of area median income (AMI). Low-Income 5-50 (LI 5-50) Unit affordability is calculated the same way as typical LI units, except that these must be units in small multifamily properties (50 units or less). Very Low-Income (VLI) Units are multifamily units affordable to very low-income families, defined as families with incomes less than or equal to 50 percent of area median income (AMI). LI, LI 5-50, and VLI Units all contribute towards the overall mission percentage of the loan. Freddie Mac and Fannie Mae must meet these affordability goals on a percentage basis of volume. Therefore, it is important that unit affordability is accurately entered in PMT, particularly when entertaining pricing discount and exception requests.

### **Missing YTD/Stabilized T-12 Operating History or T-12 Occupancy Statement**

When submitting a request for Programmatic Exception #27, please be sure to identify the reason(s) that trigger a lack of stabilized operating history. This exception is typically reserved for properties that experienced recent lease-up due to extensive renovations or completion of new construction – not simply properties with poor historical performance. It is important to identify this exception, and any other exceptions that may apply as early as possible in the process as this may impact the timeline or approval. For example, average occupancy greater than or equal to 90% over the most recent consecutive 90 days is typically required at submission, even when Programmatic Exception #27 is requested.

### **Inspection Scheduling Procedure**

Please ensure that a partial B2B upload is completed at least two (2) business days prior to submitting a request to schedule a property inspection. The partial B2B upload triggers the creation of the inspection template in Optigo Happy and the creation of the required DMS folder. All pre-inspection documentation should be uploaded into the newly created DMS folder. Please do not send the information via email. The complete inspection scheduling process is outlined in SBL Inspection Scheduling Process document dated 11/4/22 and available on the Freddie Mac website.

The Inspection Scheduling Process requires a rent roll dated not more than 45 days from date the inspection request is submitted with the inspection request. Also, per section [8SBL.15](#), at least 2 business days prior to the scheduled site inspection the lender must deliver a rent roll dated within 7 business days of the scheduled inspection. The purpose of the second rent roll is to ensure that Freddie Mac inspector has current information on the property at the time of inspection. Although 2 business days is the minimum for delivery, please bear in mind that the Freddie Mac inspector may select units to be inspected from the updated rent roll and having less than 2 business days to communicate the selected units to the borrower may make it difficult to notify the tenants and ensure access.

Finally, the rent rolls delivered for the purpose of inspections must be reasonably complete. Please review section 55SBL.2 for the information required for final rent rolls. Although the rent rolls provided for inspections do not have to contain all of the information outlined on [55SBL.2](#), they must include sufficient detail to guide the Freddie Mac inspector's selection of units.