



December Tips and Tricks – Small Balance Loan (SBL)

PPP Loans

Prescreen all loans where the subject property or borrowing entity has received a PPP loan. You do not need to screen deals where the management company or another property owned by the sponsor has received a PPP loan; disclose the loan and provide an explanation in the narrative included with the final submission to UW. Please provide answers to the questions below with the prescreen.

- Who/what entity is the “PPP Borrower” of the PPP Loan, and what role is that person/entity in the proposed Freddie Mac loan?
- What caused the PPP Borrower to apply for the PPP Loan (need at the property/for the business, abundance of caution, or ultimate realization the PPP Loan is not needed/necessary)?
- Is the PPP Loan secured, and if so, by what collateral?
- What are the remedies for the PPP Lender per the PPP Loan terms?
- Are there any documents filed of record evidencing the PPP Loan (that will appear on title as exceptions in the owner/lender title policies)?
- What is the status of repayment or forgiveness of the PPP Loan?

SBL Refinances

- Be sure to reconcile the annual statements provided to Asset Management with the operating history provided with the submission package on all SBL refinances.

PMT and Forms

- Please complete the Portfolio and Portfolio Name fields on the Loan Terms tab for all loans that are part of a portfolio.
- Submit all credit exception requests via PMT prior to emailing the regional production teams.
- Enter the Sponsor name into PMT. If “TBD” or “Unknown” were entered, please update as soon as possible.

Non-Permitted Features

- Certain features and structures are never permitted in the Freddie Mac SBL program. These should be screened out or avoided early in the deal process
- Some examples include:
 - Preferred equity
 - Mezzanine debt
 - Reverse 1031 exchanges
 - Master lease structures

Mixed-Use Properties

- Mixed-use properties may require Freddie Mac screening for charter compliance
- Try to gather all relevant information early, including:
 - Number of structures and location of non-residential units
 - Number of residential and non-residential units
 - Income from residential and non-residential sources
 - Physical area of residential and non-residential units
 - Affordability components of residential units

Link Loans

- Non-contiguous properties aggregated under a single loan (a “Link Loan”) are permitted in certain circumstances
- Additional requirements apply to Link Loans, including:
 - Minimum of 10 units
 - Loan amount must be at least \$2 million
 - Additional replacement reserves
 - Common property management and financials
 - All properties within the same market and within 3 miles of each other