



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

### Supporting Documentation for Pre-Screens

- Include your rationale as to why you support proceeding with the Pre-Screen/Exception.
- Include a description of the prescreen when inputting exceptions in PMT. This box is often blank.
- Providing all relevant information will expedite the pre-screen review and approval process.
  - Properties with PPP/EIDL loans – Provide SREO and Questionnaire
  - Properties with Regulatory Agreements – Provide the Regulatory Agreement Questionnaire
  - Borrowers/Properties with Legal Issues – Provide Single Counsel's analysis

### Application Fees

- The Application Fee is 0.10% of the Loan Amount as stated in the Commitment Letter. This fee is collected for all loans located in Standard, Small and Very Small Markets and is due within 2 business days following Rate Lock.
- The Application Fee is earned at submission of the full underwriting package. If a deal dies after submission, the Application Fee will be due and payable to Freddie Mac.

### Rate Hold Calculation

- Use PMT when calculating business days to ensure an accurate 35th business day. Some lenders use their own offline calendar to calculate business days and include/exclude different days in their calculation, resulting in an incorrect submission date.

### Discount Requests

- Provide as much information as possible on the competition when requesting a pricing discount including name of the lender, loan term, amortization, prepayment penalty, and recourse. This info not only helps us make a decision on the discount request but also allows us to better understand competition in general.

### LTC for New Construction

- **Review Detailed Cost Breakdown – both Hard and Soft Costs**
  - Soft Costs *Reductions* may be required to calculate Total (allowable) Costs, such as costs associated with the existing Construction Loan, such as Loan Fees, Interest Reserve and Legal Fees. On the other hand, we are likely to *include* costs integral to construction, such as Architectural, Survey, Permits/Filing and other Municipal Fees, etc.
  - Review General Contractor Fee and Construction Management Fees – is it Borrower-affiliated or Third Party? Do they seem reasonable as a percentage of other/total costs?
- **Value Indication to support higher LTC**
  - Lease up Velocity
  - Length of Stabilization (90/90 is expected, though 85/90 may be considered)
  - Collections (T-2 or T-3 preferred)
- A higher LTC > 100% may be acceptable, especially if combined with a lower LTV and other mitigants.
- LTC within 12 Months is an Exception: Start Date for New Construction = Start of Construction
  - *If > 12 Months and LTC > 100% requires a Prescreen*