



March Tips and Tricks – Small Balance Loan (SBL)

Home Share/Airbnb Units

- Landlord-operated Airbnb is prohibited per the Loan Agreement.
- Airbnb, VRBO or any other “home share” units that are operating at time of loan application must be brought to Freddie Mac’s attention immediately for a prescreen, with the home share units being converted to long term leases. There is no path forward for properties that have any home sharing activities, even if the home share duration is longer than 30 days.
- The property will need to be removed from all home share websites prior to submission to Freddie Mac.

Screening Litigation

- For litigation, always provide a short synopsis of the item(s), why the Optigo® lender is comfortable, and the Optigo lender’s recommendation on how to proceed.
- Lender’s synopsis and recommendation should be accompanied with a PLIM (if necessary) and any related documentation (court docket, case summary, settlement, etc.)
- Please review the [SBL Litigation Analysis Guidance](#) on when Single-Counsel should be engaged
 - Past or pending litigation involving fraud, misrepresentation, bankruptcy, financial misconduct with regulatory agencies (SEC, FTC, OIG, CFPB, etc.) or felony convictions should be escalated Freddie Mac immediately.
 - Is there a pattern of litigation of the same type of issue? This requires screening by Freddie Mac.

Rush Underwriting Requests

- Reach out to your regional production contact at least one week prior to the expected underwriting package submission date to discuss a rush request. This advanced notice will allow our team to assess capacity so that we can allocate resources appropriately if possible. We may not be able to accommodate rush requests depending on deal inflows.
- Any rush requests will be evaluated on a case-by-case basis and should be accompanied by a clear reasoning as to what is driving the urgency including:
 - When was the deal taken under app?
 - What is the closing deadline? o If a refi, is there a pending maturity?
 - Is sponsor using 1031 funds?
 - Does sponsor have hard money at risk, and how much?
 - Does the sponsor have extension options? Is there an associated fee?

Kitchens & Zoning Compliance

- If a Freddie Mac compliant kitchen is not permitted in a unit per local zoning guidance, the property will not qualify for SBL.
 - We often see “Guestroom” designations in Los Angeles where a kitchen is prohibited by zoning. We are unable to finance properties with these units as they are unable to comply with our requirements.

Physical Risk Report

- Any PR90 or Priority Repair that requires further due diligence from a specialist is required to be addressed prior to submission to Freddie Mac.
 - Wood Boring Insect Inspection Report or Load Testing conditioned as a Priority Repair will delay underwriting and should be completed prior to submission.