



November Tips and Tricks – Small Balance Loan (SBL)

Sponsor and Property Searches

- It is expected that searches are conducted and addressed appropriately by our Optigo® lenders prior to a loan being placed under application
- Leverage the Freddie Mac [Web Based Negative News Search Tool](#) to help with web searches
- Google the sponsor(s). If derogatory info comes up:
 - Felonies – typically a non-starter with SBL
 - Reputational Risk – confirm that lender’s internal credit team is on-board before discussing with Freddie Mac SBL
- Virtually “walk” the property and Google the property’s name and/or address. If you discover any of the following, please review with your sponsor and your internal credit team before discussing with Freddie Mac SBL:
 - Elevated crime and/or major felonies on-site
 - Boarded-up windows, other property-specific concerns
 - Any advertised vacancies on popular local listing websites and material violations on local housing authority websites

Prescreens and Exceptions

- Try to submit all Exceptions at once, instead of piecemeal
- If an additional Exception is discovered during due diligence, update the original Exception Form and Pipeline Management Tool (PMT) so that everything is kept in one place

Sponsors

- If a sponsor has significant development exposure, please review their SREO in comparison with their net worth/liquidity positions
- Order searches on appropriate parties in the org chart immediately after a deal goes under application
- Especially at this time of the year, Single Counsel needs complete, acceptable organizational documents from the sponsor before the full underwriting package can be submitted

DSR Reductions/Waivers

- SBL will not grant a reduction or waiver of the Debt Service Reserve if you are at the programmatic minimum for DSCR or programmatic maximum for LTV

Value Creation Support

- Provide clear support for value creation, especially for deals owned for less than two years. Please remember the following guidance as outlined in the [SBL Refinance Analysis](#).

PMT and Forms

- If a deal dies, please mark it as Lost in the PMT within 24 hours
- Once a month, please mark outstanding pre-firm deals as Lost if they are no longer active
- All loan amounts must be rounded to the nearest thousand
- Utilize the most recent version of all SBL forms on the [Originate and Underwrite webpage](#)

New Employees

- Utilize the many resources now available through [Optigo Academy](#) to help get them familiar with the Freddie Mac SBL program