

All Small Balance Loan (SBL) Updates and documents can be found on the [Originate and Underwrite -- SBL Lenders page](#).

If you have any questions about our updates, please contact your relationship manager.

SBL Program Performance Update

The Freddie Mac SBL offering continues its success as we prepare for the first securitizations of mortgages originated by SBL approved Seller/Servicers. The pipeline continues to grow, meeting the volume targets for the first half of the year, and building towards a total funding above the 2015 goal.

We continue to increase the approved Seller/Servicers with the addition of Magna Bank out of Memphis, TN. As part of the Q-10 network of mortgage banking firms, Magna Bank will originate and service SBLs in the Southeast and elsewhere among the 28 cities covered by the overall Q-10 relationships.

Freddie Mac continues to grow our SBL staff, with growth in the Production and Underwriting teams. Filling a much needed position in Freddie Mac's Northeast office in Manhattan in late July, we will add needed staff, and the SBL Underwriting team continues to grow with dedicated positions added in Dallas, Chicago, Irvine, Denver, and other regional and satellite offices. SBL Production is also considering adding regional market expertise in markets around the country. A listing of approved SBL Sellers and their respective Production and Underwriting relationship managers is provided at the end of this update.

SBL Offering Enhancements, Resources and Tools

1. Upgraded Affordability Test

We have made the following updates to our Affordability Test:

- Expansion of the percentage of affordable limits up to 160% of average medium income (AMI)
- Calculation of 2015 Multifamily Lending Scorecard Caps and uncapped loans, taking into account different markets and product types
- Better functionality, including automatic rent roll import from the Loan Submission Template (LST)

Read our [customer news article](#) for additional information. Please note that we have also added new [Affordability Test Directions](#). We informed sourcing subscribers and customers on June 18th via email.

For more information, visit the [Affordability Test and Resources page](#).

2. Loan Proceeds Review and Confirmation Policy – Non-Top Markets:

We remind all SBL Sellers to contact their relationship manager to discuss the issuance of an application for maximum loan proceeds in Tier 1 and Tier 2 top markets. Many lenders will not refinance loans above an LTV of 75 percent, and we do not want SBL lenders competing with each other over proceeds in these markets. Therefore, we request that you provide the competition and reason for refinancing a mortgage in these markets at 80 percent. Also, Freddie Mac will provide any Seller who wishes to issue an application at 75 percent or less written confirmation that we will not finance any loan on the subject property above that level of proceeds. Since putting this policy in effect, we have not seen a decline in loan applications issued or accepted in non-top markets and this improves the exposure to the Seller, Freddie Mac and the securities investors. We greatly appreciate your cooperation with this policy.

3. Effective July 7, 2015 – Populating the Index Rates and Net Spreads Needed in the Loan Submission Template (LST)

Recently, Freddie Mac added the US Treasury (UST) index to the Notes section of the SBL Pricing Grid. Sellers are asked to populate the appropriate index based on the grid into the LST when submitting an Underwriting package. The Premium Calculator, posted under References and Tools tab on the [Originate and Underwrite—SBL Lenders page](#), has been updated to include an input for the Index (the red box highlights this below). Net Spread is now calculated in a more traditional sense (*Final Coupon minus Servicing minus Index*). The index provided on this SBL Pricing Grid is for the LST submission and should **not** be used for quoting SBL loans/conversion to a spread over the UST. The UST index is for Freddie Mac internal calculations and processing only. Also, the Calculator has been updated to better identify the buy-up entry into the LST.

SBL- Premium Calculator Version 3.1

Loan	
UPB	
Base Coupon per Pricing Grid	
Index Rate per Pricing Grid	
Loan Type	
Premium/Buy-Up	
Prepayment Option	
DCR	
LTV	
Full Term I/O	
Excess Premium Type ¹	
Rate Lock	≤ 90 Days
Co-Op	No

Freddie Mac Required Coupon		
Base Coupon		0.00%
Pass Through ²		
Prepay Adjustment	Yes	#N/A
DCR Adjustment	Yes	0.00%
LTV Adjustment	Yes	-0.12%
Full Term IO Adjustment		0.00%
Premium Adjustment		#N/A
Rate Lock Adjustment		0.00%
Co-Op Adjustment		0.00%
Mortgage Coupon ³		#N/A

Premium in Servicing Spreads	
% of Premium to Seller	0.00%
Seller Comp in Cash from Premium	0
Seller Comp in Servicing Spreads from Premium	#N/A
Additional Seller Comp in Servicing Spreads from Pricing Adjustments	0.00%

Loan Submission Template (LST) & OUS* Entries	
Buy-Up (Fees Out) Dropdown	0.0000%
Index Rate (%) ⁴	0.00%
Net Spread to Freddie Mac ⁵	#N/A
Servicing Fee (%) ⁶	#N/A
Underwritten Note Rate	#N/A

*OUS is internal to Freddie Mac

Notes:

Manual Input Required

- 1 Seller chooses premium in either Cash or additional Servicing - Dropdown menu
- 2 Coupon reduction is passed through to the borrower
- 3 Final mortgage coupon adjusted for premium/buyups
- 4 Coupon per pricing grid but excluding add-ons for premium/buyups less Total Servicing

B. LOAN TERMS

QUOTE SCENARIO #1 (MAH)	1st Mortgage Perm
Loan Amount:	\$0
Note Type	(Please select from list)
Hedge Protection	(Please select from list)
Final Float	N/A
Lien position	1
Total Term (mos)	0
Final Float Term (mos)	0
Amortization Schedule(mos)	0
Interest-Only Term (in mos)	0
Amort. Schedule after IO Term (mos)	0
Prepay Term (mos)	0
Prepay Type (if "Other", elaborate in narrative)	(Please select from list)
Yield Maintenance with Treasuries Plus:	N/A
1st Mortgage Perm	1st Mortgage Perm
Applicable Index Type	(Please select from list)
Index Rate (%)	0.000%
Net Spread to Freddie Mac (%)	0.000%
Servicing Fee (%)	0.000%
Gross spread (%)	0.000%
Underwritten Note Rate (%)	0.000%
Max Capped Note Rate (%)	0.000%
Interest Calculation:	(Please select from list)
Delivery Type	(Please select from list)
ERL Funding Timing	(Please select from list)
Buy-Down (Fees In) in Dollars	(Please select from list)
Buy-Up (Fees Out) in Percentage	(Please select from list)

4. Prepayment Options

With the Origination and Underwriting System (OUS) and LST enhancement released in May 2015, all SBL prepayment options are now in the LST. Below is a reference table to show what option should be chosen for a given prepayment structure:

Prepayment Option (Fixed/Hybrid)	LST Entry
54321 / 54321, 1%	5-4-3-2-1, then 1%
321(3) / 321(3), 1%	32111
5544321 / 5544321, 1%	5544321
3(2)2(2)1(3) / 3(2)2(2)1(3), 1%	3322111
5544332211 / 5544332211, 1%	5544332211
3(3)2(3)1(4) / 3(3)2(3)1(4), 1%	3332221111
YM / YM, 1%	Non Standard Yield Maintenance
Defeasance	Non Standard Defeasance

5. SBL Pipeline Manager Enhancements Rolled Out

On June 29, Freddie Mac rolled out a number of enhancements to the SBL Pipeline Manager. Specifically, three changes impact the Sellers:

- Bulk Pipeline Updates

The SBL Pipeline Manager can now be updated using a .CSV file. Expect follow-up information on how the .CSV file needs to be constructed to ensure a proper upload in the coming weeks. Records will be identified using the Pipeline ID (which you can find if you scroll to the right on the “All Deals” screen). Any record uploaded without a Pipeline ID will create a new record in the pipeline.

- Lost Deals

Lost deals now require a reason. When selecting “Lost” from the Status dropdown, a text box appears below the Status field for Sellers to enter comments. Providing descriptive feedback on lost deals will better help your relationship manager understand competition in the market, which can have an impact on future offering changes or pricing changes. If the deal was declined by Freddie Mac, then “Freddie Mac declined” is sufficient reasoning.

- Inspection Contacts

As the staffing continues to grow to support the growth in pipeline, having proper contacts for inspection scheduling is important. The left menu now has a place to enter inspection contact information. Please update this quarterly with any changes.

Freddie Mac continues to look at ways to improve the SBL Pipeline Manager tool. Please give any feedback to your relationship manager as we are compiling a list for the next round of enhancements.

SBL Credit Policy, Seller/Service Guide SBL Addendum, and Legal Document Updates

1. SBL Multifamily Guide Addendum Changes – Posted June, 30, 2015

Freddie Mac posted several changes to the Multifamily Seller/Service Guide Addendum for the SBL Offering. The following is a summary of those changes. Seller/Service are advised to review all of the modifications to the revised SBL Addendum. For additional details, see the Summary of Updates to the SBL Addendum posted on the [SBL Guide Addendum page](#).

Chapter 10: Fundamentals of Mortgages, Mortgage Origination and Credit Underwriting -- 10.10 Originator and origination fees:

We have updated Section 10.10 to reflect our new requirement that an SBL Seller may not charge a fee in connection with the origination and sale of an SBL Mortgage that is less than 0.75 percent of the original unpaid principal balance (UPB) of the Mortgage. (Effective 06-03-15)

Chapter 13: Environmental Report Requirements -- 13.1 Seller/Service environmental responsibilities:

We have clarified that the provisions of SBL Chapter 13 apply to loans purchased under the Small Balance Loan (SBL) Purchase Product only to the extent they are specifically incorporated by reference into the SBL Product by the requirements described in Chapter 15A, or any other Guide or SBL Addendum Chapter, Form or Exhibit. (Effective 06-03-15)

Chapter 14: Property Condition Report Requirements -- 14.1 Property condition reports:

We are clarifying that the provisions of SBL Chapter 14 apply to loans purchased under the Small Balance Loan (SBL) Purchase Product only to the extent they are specifically incorporated by reference into the SBL Product by the requirements described in Chapter 15A, or any other Guide or SBL Addendum Chapter, Form or Exhibit. (Effective 06-03-15)

Chapter 15: Physical Risk Report Requirements for the Small Balance Loan Purchase Product -- 15A.1

Physical Risk Reports:

We are clarifying that the provisions of Chapter 15A set forth the Physical Risk Report Requirements for the Small Balance Loan Purchase Product and that the provisions of Chapters 13 and 14 are applicable only to the extent they are specifically incorporated by reference into the SBL Purchase Product by the requirements described in Chapter 15A, or any other Guide or SBL Addendum Chapter, Form or Exhibit. (Effective 06-03-15)

2. SBL Loan Document Changes

- **Applicability of 5-1-2015 Loan Documents (especially Security Instruments)**

As you know, the SBL product relies on certain conventional loan forms (such as all of the Security Instruments, the Omnibus Assignment, certain riders and several miscellaneous forms).

Many of the conventional loan documents were updated on 5-1-2015, as is reflected on the [SBL Documents page](#) on the Loan Documents tab. You should be using these most up-to-date versions of the loan documents wherever possible.

We have updated the Currently Acceptable Multifamily Loan Documents – SBL to more clearly call out the conventional documents applicable in the SBL space and to tie back to the conventional Currently Acceptable List for those documents so that we remain in sync with future updates. These documents are posted on the [SBL Documents page](#) on the Loan Documents tab.

- **Multiple Asset Entity Riders to the SBL Loan Agreement (Limited and unlimited)**

We have updated both of the following riders to correct an error in a section reference:

- Multiple Asset Entity – Unrestricted Ownership Rider to Loan and Security Agreement – SBL (6-23-2015)
- Multiple Asset Entity Ownership Restrictions Rider to Loan and Security Agreement – SBL (6-23-2015)

We have also updated the Currently Acceptable Multifamily Loan Documents – SBL to reflect these updates. These documents are posted on the [SBL Materials page](#) on the Loan Documents tab.

Seller Relationship Management

Seller	Freddie Mac Production Relationship Manager	Freddie Mac Underwriting Point-of-Contact
Arbor	John Martinez/Marc Batchelor 703-714-2649/703-714-4941 john_martinez@freddiemac.com marc_batchelor@freddiemac.com	Ben Schweitzer 703-714-2593 ben_schweitzer@freddiemac.com
CBRE	Dave Cardwell/Steve Malloy 703-714-3244/703-714-3506 david_cardwell@freddiemac.com steven_malloy@freddiemac.com	Dan Greenberg 703-714-2764 daniel_greenberg@freddiemac.com
CPC	Dave Cardwell/Steve Malloy 703-714-3244/703-714-3506 david_cardwell@freddiemac.com steven_malloy@freddiemac.com	Dan Greenberg 703-714-2764 daniel_greenberg@freddiemac.com
Greystone	Christine Pratt 213-337-4270 christine_pratt@freddiemac.com	Jerry Lam 949-705-4626 gerald_lam@freddiemac.com
Hunt	Joyce Judah 312-407-7390 joyce_judah@freddiemac.com	Dan Greenberg 703-714-2764 daniel_greenberg@freddiemac.com
Magna	John Martinez 703-714-2649 john_martinez@freddiemac.com	Ben Schweitzer 703-714-2593 ben_schweitzer@freddiemac.com
ReadyCap	Joyce Judah 312-407-7390 joyce_judah@freddiemac.com	Dan Greenberg 703-714-2764 daniel_greenberg@freddiemac.com
Red Capital	Christine Pratt 213-337-4270 christine_pratt@freddiemac.com	Jerry Lam 949-705-4626 gerald_lam@freddiemac.com
Sabal	Christine Pratt 213-337-4270 christine_pratt@freddiemac.com	Ben Schweitzer 703-714-2593 ben_schweitzer@freddiemac.com

Single Counsel Update

To meet the needs of the growing SBL pipeline, we have added three additional Single Counsel law firms in the past month. Primary contacts for each firm are listed below, and the full Single Counsel Contact List can be found on the [Originate and Underwrite – SBL Lenders](#) page under the References and Tools tab.

Law Firm	Contact	Phone/Email
Abruzzo & Kinn LLP	Ted Abruzzo	516-743-9354 ted@abruzzokinn.com
Ballard Spahr, LLP	Mary Jo George	202-661-2208 george@ballardspahr.com

Law Firm	Contact	Phone/Email
Bourland, Heflin, Alvarez, Minor & Matthews, PLC (<i>as of August 1</i>)	Robert “Bob” Pinstein	901- 683-3526 rpinstein@bhammlaw.com
Cassin & Cassin LLP	Caroline Blakely	202-888-6401 cblakely@cassinllp.com
deNormandie, Sidlo & Associates PLLC	Pete deNormandie	206-805-2703 pdenormandie@ydnlaw.com
Fox Rothschild LLP	Gina Hough	202 461-3107 ghough@foxrothschild.com
Gerson Law Firm APC	Gordon Gerson	858-869-8686 ggerson@gersonlaw.com
Troutman Sanders LLP	Brian Iwashyna	804-697-1402 brian.iwashyna@troutmansanders.com

Important Reminders

Data Management System (DMS) Submission Emails Should Include City and State

Please include CITY and STATE in the subject line on submission emails. This information will aid in assigning loans to the appropriate underwriters.

Exception Requests

Effective January 2015, all requests for exceptions to program requirements, including the Freddie Mac *Multifamily Seller/Service Guide* and SBL Addendum requirements, must be provided prior to submission of the ERLA Package or the Full Underwriting Package using the [SBL Exception Request Form](#) now available on the [Originate and Underwrite – SBL Lenders page](#) under the References and Tools tab. Please contact Marc Batchelor with any questions. He may be reached at marc_batchelor@freddiemac.com or 703-714-4941.

Pipeline Loan-Level Information

Please ensure loan details are accurately populated in the Pipeline Manager tool. Please contact Steve Malloy with any questions. He may be reached at steven_malloy@freddiemac.com or 703-714-3506.

Additionally, we want to stress the following:

- Number of very-low income (VLI) and low-income (LI) units need to be inserted into the web-based [SBL Pipeline Manager tool](#). This should be done early in the process and not at submission of a complete underwriting package.
- Appraisal Company Name, Appraisal Order Date and Appraisal Due Date are fields that will assist Freddie Mac with processing your loan more efficiently.
- The SBL Pipeline Manager tool has been updated with the county names for every state. Now, by choosing the county in which the property is located, the tool will automatically populate whether it is Top Market or not. This field has replaced the ZIP code.

SBL Seller/Service Contact Information

Please send us any updated SBL contacts to ensure we can provide important and relevant communication to the SBL teams in your firm. Please send information to Christina House at christina_house@freddiemac.com or if you have questions, please call her at 703-714-2621.