

## Small Balance Loans 2017 Kickoff Customer Update

January 18, 2017







## **Today's Discussion**

## **2016 Recognition**

## Pricing Grid New Competitive Prepayment Option

## **Affordable Housing Process Update**

**Program and Process Changes** 



## Thank you for another great year.....

- Purchased over 1,500 SBL loans for \$3.7 Billion
- Uncapped purchase volume of \$2.5 billion
- Carry into 2017 is over 850 loans for more than \$2 Billion
- All SBL Seller/Servicers increased their volume
- 6 SBL Sellers funded over 100 loans with Freddie Mac
- Significant Mission Business
  - » Over 20,000 units affordable to very low-income families
  - » Over 15,000 units affordable to low-income families in properties with 50 units or less

**SBL Star Showcase** 



## Our Congratulations to...

Arbor Realty Trust - Top SBL Seller 2016

Greystone - Most Volume in Top Markets in 2016

**CBRE - Most Improved Seller 2016** 

Sabal - Turnaround Company of the Year

#### **Welcome New SBL Team Members**



REQUIRE

#### Underwriting

**Catherine Evans** Senior Director, SBL Underwriting Chicago, IL

Megan Felch Underwriting Associate Central Region – Dallas

**Daniel Kang** Underwriting Associate Northeast Region – New York, NY

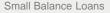
Michael Gray Underwriting Analyst Northeast Region – New York, NY

...and announcing the promotion of **Ben Schweitzer** to Director!

### **Production**

Russ Dines Senior Producer Pacific Northwest/West Region Seattle, WA

**Claudell Ellis** Production Analyst Southeast/East Region McLean, VA



#### **Pricing Grid Update**



- Tighter Grid designed for fewer discounts
  - » New Grid posted on 1/17/17
  - » More focus on grid pricing in 2017
  - » Regional Discounts Available, but more limited
- Discounts for incentives, affordable housing and other adjustments will be posted
- New 5 year fixed/hybrid top market pre-payment option
  - » New Option (3,1,0,0,0)
  - » +20 bps
  - » Reduction of partial IO = -4 bps/year of IO

#### **Affordable Housing**



- Must pre-screen with the Region
  - » Must meet program requirements see term sheet
    - Eligible/Ineligible properties, borrowers
    - Must be 50 units or less\*
    - Pre-screen requires completed regulatory agreement questionnaire <u>AND</u> regulatory agreement along with any/all subsidy agreements
- Not an automatic approval the subsidy levels and terms must be evaluated prior to approval
- There is a minimum 10 bps additional premium applied to the rate
  - \* Deals over 50 units require consultation with Targeted Affordable Housing



## **New Reporting Requirements (PMT)**

### Effective Immediately...

- Input loan level data more timely delays cost deals
- Report applications issued
- Include brokerage firm
- Calculate and report VLI and LI units
  - » Important to measure performance
  - » Consideration of property affordability useful in some loan pricing requests



- Very Small Market Loans Must Be Pre-Screened with the Region
- Please/Must tell Freddie Mac when you turn down a deal due to borrower, property or other material credit issue

### **Under consideration:**

# Issue is declining underwriting package quality, late delivery and failure to rate lock.

- Refundable application fee for all top market deals with fee payable for failure to rate-lock
- 5 bps charge for late delivery and/or incomplete packages
- Additional fees for credit exceptions not vetted prior to underwriting package delivery

#### **UNDERWRITING & CREDIT**



- Dedicated Seller underwriting staff... THANK YOU
- Quality of packages
  - » Incomplete packages or insufficient support



- "Cash-execution" securitization and B-piece buyer impact
  - » No credit box change
  - » Improve transparency and source data
    - Zoning
- Commercial Lease Abstract and Estoppel requirement
- Turn-times
  - » Small & Very Small Markets vs. Standard & Top Markets

#### **UNDERWRITING & CREDIT**



- Public Borrower Principal public searches required before full underwriting package submission (since 11/01/16)
- Utilize Public Record Search Job Aid (on SBL website)



Public Record Searches – SBL Job Aid (Revised 9-14-2016) Freddie Mac Loan Number: Property Name:

#### PART I: LITIGATION SEARCHES

Please <u>disregard</u> small claims matters, closed matters in which the searched party was a plaintiff only, or any tenant eviction proceedings.

#### Duplicate tables as necessary to include all applicable parties.

#### Individual Borrower

Check here if not applicable and delete table

[Enter Full Legal Name]	CLEAR	ADVERSE FINDING(S)
Federal (includes Bankruptcy)		
County/State of primary residence		
If a refinance, County/State of Mortgaged Property if different from above		

- Avoid execution delays, save money and increase transparency
  - » Contact Molly Jo Battenfield (molly\_jo\_battenfield@freddiemac.com) for per search cost analysis



### SBL Single Counsel

- » We finished the year with 12 strong SBL Single Counsel firms
- » Anticipate calls in Q1 seeking constructive feedback on these firms

#### Loan Documents

- » Remember, for new loans:
  - mid-year rent roll reporting is in effect
  - priority repairs no longer have a specified completion date
- » Expect new form notes this month that include the new prepayment option

#### Guide/Seismic Insurance

» As of the December Guide update, SBL Sellers may not waive seismic insurance requirements

#### Legal, Document and Guide Changes



## Training

Expect webinar trainings in 2017 on various SBL legal topics

Send suggested topics to Freddie\_Mac\_Legal\_SBL@FreddieMac.com

Small Balance Loans

