



Small Balance Loans 2017 Kickoff Customer Update

January 18, 2017



Our Appreciation for a GREAT YEAR!



THANK YOU!



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

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



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



- 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

- 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 AND 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

- 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 **disregard** 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)		<input type="checkbox"/>	<input type="checkbox"/>
County/State of primary residence		<input type="checkbox"/>	<input type="checkbox"/>
If a refinance, County/State of Mortgaged Property if different from above		<input type="checkbox"/>	<input type="checkbox"/>

- 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

Training

Expect webinar trainings in 2017
on various SBL legal topics

Send suggested topics to
Freddie_Mac_Legal_SBL@FreddieMac.com

Questions?

