SBL LEGAL QUICK HITS

April 8, 2016

This is the first issue of SBL Legal Quick Hits, a communication designed to share brief program updates and reminders for our Single Counsel. If you have any questions, please contact us at Freddie_Mac_Legal_SBL@freddiemac.com.

Topics in this issue include:

- Elimination of Operational Repair Letters
- Accurate Legal Descriptions
- Unpublished Riders
- Borrower Purpose and Organizational Documents
- Document Scan Quality Assurance
- MBA Small Balance Loan Summit
- Commitment/ERLA Documents on Updated Single Counsel Resources Page

Elimination of Operational Repair Letters: As announced in the March SBL Credit and Underwriting Update, Operational Repair Letters are no longer required for loans closed on or after March 15, 2016.

Accurate Legal Descriptions: When a property has multiple parcels, if an existing survey is not available to confirm that all of the parcels are included in the legal description, be sure to review the tax map of the parcels that is included in the appraisal. The appraisal is generally available in DMS.

Unpublished Riders: If your loan has any of the following issues, there are one or more unpublished riders that Freddie Mac underwriters must attach to the Commitment/ERLA:

- Building Code Violations
- Foreign Guarantor
- Loans over $6M
- Unpermitted Units
- Co-borrowers *(borrower type approved on an exception basis; the loan must also satisfy all of the scattered site underwriting criteria described here.)*
- Illinois Land Trust *(borrower type approved on an exception basis)*
- Massachusetts Realty Trust *(borrower type approved on an exception basis)*

We are working to publish some of these more common riders; we will keep you updated on that change. Until the riders are published, they must always be included in the Commitment/ERLA.

Borrower Purpose and Organizational Documents: We do not require an SAE Borrower to amend its organizational documents to include the SAE provisions; the Borrower's covenants are set forth in the Loan Agreement.

As long as Borrower's stated purpose is not explicitly contrary to the SAE requirements, there is no need to require a borrower to amend their organizational documents relative to purpose. To illustrate, a permissible general purpose statement may be that Borrower is formed to "do all things permitted by law" but an impermissible contrary statement would be that Borrower is formed to "own and operate the following three assets: (1) Whiteacre, (2) Blackacre, and (3) Brownacre."

Document Scan Quality Assurance: Please ensure that you use a color or high-resolution greyscale scanner setting when scanning loan documents for delivery. Also, you should open and check each PDF document before forwarding it to Seller or uploading it to DMS; if the scan is not clear, is crooked, or is missing the Freddie Mac logo and document name, you should check the scanner settings and re-scan the document.

MBA Small Balance Loan Summit: MBA is hosting a Small Balance Lending Summit this June in Chicago. To get more information about the summit, please click here. We understand signing up early to attend is critical as space will be limited.

Commitment/ERLA Documents on Updated Single Counsel Resources Page: The Single Counsel Resources Page now includes the current versions of the Commitment/ERLA documents. The form of Commitment/Application Seller Correction used to make non-material corrections to the Commitment/ERLA now contains the property address. Please contact us at Freddie_Mac_Legal_SBL@freddiemac.com if you do not have the document password for the Single Counsel Resources Page.

Did you see: Other recent SBL Program Updates.

- SBL Update: Credit and Underwriting
- SBL Update: Loan Production and Delivery
- SBL Update: Final Delivery and NY Consolidations