SBL LEGAL QUICK HITS

Freddie Mac MULTIFAMILY

Issue 4: June 7, 2016

Loans Over $5 Million *(New Threshold)*

For any Small Balance Loan (SBL) over $5M, the following additional requirements will apply:

- Seller must submit the loan to Freddie Mac for an exception approval
- Third party reports (including a zoning report and Phase I environmental report) that meet conventional loan standards
- Survey that meets the conventional loan standards
- Borrower must be a Special Purpose Entity (SPE)
- SPE covenants and quarterly reporting requirements will be added to the Loan Agreement via unpublished riders (these must be included in the Commitment)

Note that this is a change in threshold; previously, these requirements applied for loans over $6M.

Published Foreign Guarantor Riders

The Guarantor is a Foreign Citizen or U.S. Citizen Residing Outside U.S. Rider to Loan Agreement – SBL and Guarantor is a Foreign Citizen or U.S. Citizen Residing outside U.S. Rider to Guaranty – SBL are now published documents. These riders have been simplified so that the only information to be completed is the identity and address of the Process Agent for service of process. Additionally, now that the riders are published, they will not need to be attached to Commitments/ERLAs.

Updated Commitment/ERLA Forms

We updated the Commitment, ERLA and ERL Adjustment Letter forms; you can find them on the SBL Single Counsel page. Revisions to those forms include the following:

- Added the now-published foreign guarantor riders and requirements to the template language
- Expanded the information included for a Seller buy-up to show the full buy-up the Seller selected as well as the portion of the buy-up and the equivalent cash amount allocated to the Seller
- Added a field for future use to capture additional program incentives; this field will currently default to “Not Eligible”
- Revised the large loan requirements in the Seller Only provisions to reflect a $5M threshold (reduced from $6M)

Small Balance Loan Lab

As the date draws closer, be sure to touch base with each of your Sellers to determine if any of your loans are being submitted to Freddie Mac for underwriting during the Small Balance Loan Lab in Chicago that will precede the MBA Small Balance Loan Summit. The Loan Lab will take place June 21-22, and if one of your loans is being underwritten as part of the Loan Lab, you or a colleague familiar with the file ***MUST*** be available by phone and email, and must be prepared to address any legal issues and to assist with the Seller’s issuance of the commitment to the borrower.

Did You See

- Small Balance Loans Production Update (06/06/16)
- New Consolidated Single Final Delivery Package for SBL (06/03/16)
- Upcoming Small Balance Loan Lab Event to Expedite Approvals (05/25/16)
- Small Balance Loans May Credit Update (05/23/16)
- Updated SBL Guide Addendum (05/12/16)
- SBL: New Email Boxes for Transaction Processing (05/11/16)

SBL Legal Quick Hits is 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.