SBL LEGAL QUICK HITS

Freddie Mac MULTIFAMILY

Issue 7: November 8, 2016

Updated Loan Agreement

Today we are publishing an updated Loan Agreement. The updated form will be required for all loans with Commitments with Effective Dates on or after November 28, but is available for immediate use.

The updated Loan Agreement introduces a simplified approach to property repairs, so it will be in Borrowers' and Seller/Servicers' interests to move to the updated form as soon as possible.

Priority Repair Changes

- Priority Repairs are no longer listed in the Loan Agreement
- Priority Repairs do not have a timeline for completion, but Borrower has recourse liability for these items until they are complete (performance liability plus loss/damages)
- Servicers will hold all repair/replacement escrows in the same account
- Borrowers must now receive a copy of the Physical Risk Report

Other Key Changes

- Adds a reporting requirement – Borrowers must now submit a rent roll midyear
- Adds a limitation on property alterations – Anything that displaces more than 20% of tenants requires Lender consent
- Relocates the property manager provision and limits on converting existing uses
- Includes required economic sanctions law provisions that parallel the recent conventional loan document changes
- Includes formatting changes in Article I, including adding check boxes and lightening the shaded value of all gray areas

Translating Current Commitments for the Updated Loan Agreement

If you will be using the updated Loan Agreement before the mandatory use date, please note the following:

- If the Commitment has not been issued, notify your Freddie Mac underwriter that you are using the updated Loan Agreement and that they should use the new OUS repair and replacement tables that line up with the updated form.
- If the Commitment has already been issued, the replacement reserve information in the Commitment will provide everything you need for the updated Loan Agreement, and you can translate the repair information for the updated Loan Agreement as follows:
  - If the Commitment lists any "Priority Repairs" – check the box for "Priority Repairs are required."
  - If the Commitment lists a Priority Repair Reserve Fund Deposit, this is equivalent to the Repair Deposit.

Full-Term Interest-Only Loans – Complete P&I with $0.00

If a loan is either a fixed rate where the full term is I/O or a Hybrid ARM that is I/O for the full fixed rate period, you must ensure that the P&I amount in the Commitment and Note are $0.00. This value is necessary for Purchase and Boarding to validate the loan, notwithstanding that the text of the Note contemplates a reference P&I amount.

SBL Assumption Forms
Later this month we plan to publish and announce SBL Assumption forms. If you need assumption forms before then, please reach out to one of the SBL Regional Attorneys or the SBL Mailbox for them. In your request, please let us know on which version the loan being assumed was documented so that we can get you the correct version of the assumption forms.

Did You See…?

- New Guide Bulletin Published (11/4/16)
- New Guide Bulletin Published (10/14/16)
- New Guide Bulletin Published (9/29/16)