SBL LEGAL QUICK HITS

Issue 8: November 30, 2016

Hybrid ARM Notes with Yield Maintenance (YM) Prepayment
We will publish an updated Hybrid ARM Note in December; until then any loans that are **both** Hybrid ARM and have a Yield Maintenance prepayment feature will require that you update the "Schedule 1 - Prepayment Charge" as specified in the Commitment. If the Commitment for your Hybrid ARM YM loan does not include a modification to the Prepayment Charge, contact Filicia Davenport.

Reminder: Mandatory Use of Updated Loan Agreement
The updated form of Loan Agreement is required for all loans with Commitments with Effective Dates on or after November 28, 2016. A summary of the changes to the Loan Agreement is below.

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)
- Borrowers must now receive a copy of the Physical Risk Report
- Servicers will now hold all repair/replacement escrows in the same account

Other Key Changes

- Adds a reporting requirement – Borrowers must now submit a rent roll mid-year
- 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

Limited waivers to use the prior Loan Agreement on deals closing on or before 12/31/16 are available — contact Filicia Davenport.

Updated Commitment Forms Posted to Single Counsel Resources Page
Updated forms of the Commitment, ERL Application and ERL Adjustment Letter can now be found on the Single Counsel Resources Page. Key changes to these forms include the following:

- Removal of Priority Repairs list
- Elimination of requirement for the Building Code Violations Rider to the Loan Agreement. Violations that are a material issues must now be identified as Priority Repairs in the PCR and will be treated in the same way as all other Priority Repairs.
  NOTE: *Freddie Mac will remove the Building Code Violations Rider from the web site in early 2017.*
- Inclusion of a new 'Additional Condition' that will require specified outstanding items be satisfied before Seller can accept the Commitment.

Did You See…

- Small Balance Loan Agreement Changes, Effective November 28