



## SMALL BALANCE LOAN UPDATE

### Freddie Mac Staff:

The email below will be sent externally to Multifamily customers and others who are subscribed to our news emails. You are receiving this email for information purposes only, and you may [update your email preferences](#) at any time.

### Southwest Virtual Pop-Up

Mark your calendar – we’re starting out the new year in the Southwest and will be hosting the next virtual pop-up on **January 25 and 26**. This includes all southwestern markets in the Western region, such as Phoenix, Los Angeles, the Inland Empire (CA), San Diego, Las Vegas and Tucson!

Please invite your borrowers to a video call with our Small Balance Loan (SBL) production and credit teams. We’ll give an overview of how we work, discuss the market and possible credit exceptions, and offer high-level prescreens – tailoring it to what your customer needs.

Once you’ve identified a borrower you’d like to bring, please complete this [registration form](#) and our Western region team will reach out to schedule the appointment. There is no limit to how many meetings a lender can schedule. We look forward to virtually “seeing” you in the Southwest!

[Register Now](#)

### Business Update Call

We have hit the ground running in 2021. Please mark your calendar for a business update call on **January 20 at 1-2 p.m. ET**. We will look back on

2020 accomplishments, new FHFA guidelines and discuss our approach and goals for the current year.

Add to Calendar

## SBL Collections: Updated Due Diligence Requirements

For SBL deals taken under application on or after **January 8, 2021**, please see the updated [SBL Collection Requirements](#). For deals in process, we may request this information on a discretionary basis depending on the dynamics of the transaction. Highlights for additional requirements include the following:

- **Rent rolls**
  - Rent rolls should include a delinquent rents column for year-to-date delinquencies.
  - Rents collected month-to-date by unit versus rental charges should be included in the rent roll.
- **Aged Receivables** schedules are required for submission and should include 30, 60 and 90-day aged receivables.

Note that packages lacking this additional required due diligence may fail check-in upon submission of the deals to SBL.

## Small Talk

Each week we're welcoming any questions from you in the Small Talk series. As we receive questions, a selected member of our team will answer in the following week's SBL Update with their fresh perspective. Please continue to submit any questions to [sbl\\_weekly\\_questions@freddiemac.com](mailto:sbl_weekly_questions@freddiemac.com) to hear from us!

This week we're featuring [Megan Felch](#). Megan is an underwriting professional in the South Central region.

## What are you asked most about in SBL underwriting?

Well, there are two topics that come to mind.

### 1. Can we annualize Ratio Utility Billing Systems (RUBS) income?

On a case-by-case basis, we have considered varying from the T-12 RUBS income; however, there has to be a story. If the property was recently rehabbed or restabilized and introduced RUBS within the past year we can consider annualizing, if supported by comparables and the appraisal.



Megan Felch

Generally, we will not go less than T-6 due to seasonal fluctuations. When we do use RUBS income that varies from T-12, we will always align the utilities expense time frame with the RUBS (i.e., T-9 utilities and T-9 RUBS), especially when the property was recently stabilized. It is also important to underwrite the RUBS income below the associated utility expense.

### 2. Do we always underwrite to appraiser's taxes in Texas?

We underwrite to the higher of appraisal or actual. In some cases, we will underwrite above the appraiser's estimate when the appraiser's pro forma assessed value to market value is below comparables. Generally, we do not underwrite below 60% AV/MV. If the borrower is contesting their taxes, we will still underwrite to the higher of actual or appraisal, regardless of the dispute, because we cannot predict the outcome.

## What are you most excited for in 2021?

The opportunity to travel again! I miss my family in the Northeast, and I'd love to go to the beach or overseas again. My bulldog will not be as happy about us traveling again though...

## What kept you busy during the pandemic?

I am in the high-risk category and have been stuck in isolation. I've been missing the gym and studios, but I've been trying to focus on my health at home and in nature. I was persuasive enough to get my boyfriend to do yoga

with me at home, so it's been fun sharing and teaching him a new routine. Now he thinks I'm some sort of expert so life outside the bubble will be enlightening for him!



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