



## 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.

### Affordability Test

We identified an error in the Affordability Test that was released on January 20, 2021; a corrected version was uploaded on January 21. To avoid any issues down the road, we are requesting that lenders re-run the Affordability Test for all loans taken under application on or after January 20. This will ensure that the accurate affordability metrics have been used in determining the interest rate. Please reach out to your Freddie Mac regional production team if there is a discrepancy that would affect the coupon so we are able to track that in the system. The latest version of the [Affordability Test](#) can be found on the [Affordability web page](#).

### Tax Abatement Cash Flow Analysis Template

Minor formula revisions have been made to the [Tax Abatement Cash Flow Analysis Template](#) that we rolled out in last week's *SBL Update*. Please begin using the updated template immediately.

### Small Balance Loan (SBL) Refinance Analysis

The [SBL Refinance Analysis](#), announced on September 30, 2020, and included in the [October 2 SBL Update](#), replaces any prior announcements that may have included guidance on the definition of cash out. Cash out is defined

as any transaction where the proceeds of the new loan exceed the balance of the existing first mortgage loan and any junior capital (such as a second mortgage, mezzanine debt or preferred equity) plus an allowance for Permitted Transactional Expenses. Permitted Transactional Expenses are defined within the Refinance Analysis.

## **Full Package Submission Template**

We've updated the [Full Package Submission Template](#) to identify multiple deals with the same sponsors that are being submitted to Freddie Mac SBL. By identifying any additional transactions with related sponsors or entities, we can optimize our underwriting by assigning the files to one underwriter or within one region.

## **Tenant in Common Borrower Guidance**

We have revised our [Tenant in Common Borrower Guidance](#) to include Ownership Interest. Any person or entity with a collective interest (direct or indirect) in their respective borrower equal to or exceeding 25% is a borrower principal and subsequent due diligence is required as identified per Freddie Mac KYC (Know Your Customer) policies.

## **Portfolio Rollup Template**

We've aligned the Portfolio Rollup Template with our new affordability goals. Please download the [current version here](#).

## **Credit Report Training in Optigo Academy**

Do you have questions about how to identify key components of credit reports and recognize red flags? Watch our [Understanding Credit Report](#) training by clicking the "Enroll" button – available now on [Optigo Academy](#).

## **Small Talk**

Each week we're welcoming any questions from you in the Small Talk series. Please continue to submit questions to [sbl\\_weekly\\_questions@freddiemac.com](mailto:sbl_weekly_questions@freddiemac.com) to hear from a select member of our team in the following week's SBL Update.

This week we're featuring [Amanda Patella](#). Amanda is senior analyst in the South Central region.

**If underwriting turn time will remain at 12 business days, will SBL then give Optigo lenders a 40-day submission timeline?**



**Amanda Patella:** From the “pre-covid times”: Standing like a true tourist in front of Goðafoss in northern Iceland.

While we recognize that sometimes extra days means more time for a cleaner submission, we need to be cognizant of our overall turn time in order to stay competitive in the market. If we introduce a 40-day submission timeline on top of a 12-day underwriting turn, we're looking at almost two extra weeks overall. We're still evaluating whether we're going to stay at a 12-day underwriting turn time, as it is typically used temporarily to help manage borrower expectations during busier times.

**Of the \$2 billion in overhang for 2021, is it Top Market heavy/breakdown? To piggyback off that question, are there emerging markets that will be elevated or downgraded?**

The market tier breakdown is about the same as it has been historically: over 50% Top and over 30% Standard. We have aligned our pricing grid with our mission goals resulting in interest rate benefits in many Standard, Small and Very Small Markets – especially with the re-introduction of an ultra-mission discount. As always, if there's a really well-performing market, feel free to reach out to your Freddie Mac representative to see if we can help on a one-off deal. That all being said, working alongside our Multifamily Research team, we will continue to evaluate our market tiering throughout the year.

**As a lifelong New England Patriots fan, are you happy to see Tom Brady make it to his 10th Superbowl?**

No, I'm still salty.



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