



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.

Small Balance Loans (SBL) Single Counsel Updates

We're updating the Loan Agreement Rider for SBL COVID-19 Debt Service Reserve (DSR). The following is a summary of the changes:

- DSR Termination Conditions – Rental Collections and Prepaid Rent: The termination conditions in the Rider to the Loan Agreement were amended to make it clear that only prepaid rent that is properly allocated to a particular month can be used to satisfy the rental collections requirement.

The [SBL Commitment Letter](#) is scheduled to be updated on Monday, March 22 with these updates. You can find the SBL Commitment Letter on the [SBL Single Counsel webpage](#).

Below are links to additional COVID-19 resources:

- [COVID-19 DSR Release FAQs](#)
- [COVID-19 DSR Release Overview for SBL](#)

Women in Multifamily

During the month of March, women's history month, Freddie Mac Multifamily is celebrating several female colleagues in the revitalized [Women in Multifamily series](#). Hats off to these women and many others who work beside them every day.

[Abbey Lipson](#), an SBL producer in the Northeast, shares her story as a woman leading in multifamily finance. Read her article [here](#).



Abbey Lipson

Best Practices for Originate & Underwrite (O&U) Webpage

We host a variety of resources available to you on the [O&U webpage](#). As we continue to build out this page with a plethora of assets, it may be more difficult to find what you're looking for. Please refer to the [O&U Page Best Practices](#) to help you locate a document.

- Note: The “**ctrl+f**” keyboard shortcut is not the best way to search for what you're looking for.

Acquisition of Membership Interests

We've been asked if Freddie Mac will purchase a loan where the ownership of the property has been conveyed through an acquisition of membership interests, rather than through a sale of the property. To clarify, SBL will purchase loans where the property has been acquired through an acquisition of membership interests. This is not typical, but also not restricted. As a reminder, the recourse list in the SBL Loan Agreement also accounts for transfer taxes relating to an acquisition of membership interests (see Section 3.03(e)).

Mortgage Lending on Oklahoma Properties

We'd like to provide clarification about title policy exceptions relating to the *McGirt v. Oklahoma Supreme Court* case and native tribe's sovereign authority over lands in Oklahoma. Freddie Mac's standard position is no such exception may appear on the title. If you see such an exception while reviewing the title commitment, please reach out to the [SBL legal team](#) and we will assist you in addressing them.

Public Record Searches – Lien Results

We want to remind all SBL Optigo® lenders and single counsel that [Section 18SBL.30](#) of the *Multifamily Seller/Service Guide* details required public searches and the parties to be searched. Any “hit” or positive search result indicating a lien affecting the property or ownership interests of a borrower or borrower principal (for example, a federal tax lien affecting membership interests of a party in Control of the Borrower) must be disclosed and vetted with the Freddie Mac underwriter as soon as possible. Escrows held by third parties are not a satisfactory way to mitigate any such lien, as it is Freddie Mac's requirement that documentation evidencing lien pay-off be reviewed and approved by Freddie Mac prior to rate-lock. It's strongly encouraged that liens be released prior to submitting the loan for underwriting (so the deal file contains clean public searches).

Small Talk

Each week we're welcoming any questions from you in the Small Talk series. Please continue to submit questions to the [Small Talk mailbox](#) to hear from a select member of our team in the following week's SBL Update.

This week we're featuring [Rob Gallegos](#). Rob is an analyst in the Western region.



Rob Gallegos

Can we count Bitcoin toward liquidity?

Bitcoin, Ethereum, Dogecoin or any form of cryptocurrency will not count toward the borrower's liquidity. Though if one of your borrowers just purchased the \$69 million NFT (non-fungible token), make sure to inform them about the SBL program! For additional information about liquidity, please see our [liquidity verification guidance](#).

What pre-pandemic activity do you miss the most?

I miss going to the movies. While this past year I've thoroughly enjoyed every streaming service available, there's just something special about getting excited to go out and watch a movie on a giant screen with friends or family. Plus, the smell of popcorn!

How have the recent changes in affordability impacted pricing?

Affordability components of your deals can ultimately discount pricing by up to 40 basis points. If your deal is between 50% - 79% mission driven, a 15-basis point discount will apply. Any deal having 80% and above will qualify for a 30-basis point discount. Furthermore, an additional 10-basis point discount will apply if your deal is qualified at less than or equal to 60% of the area median income. Please be sure to download the most recent copy of the Affordability Test to see if your deal qualifies. PMT is your friend when it comes to ensuring correct pricing, so be sure to mark these inputs accurately for discounts to be applied. For more information, visit our [Affordability Test and Other Resources webpage](#).



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