



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.

Registration for Loan Labs and Workshops Now Open

[Register](#) for a Loan Lab and/or SBL Workshop near you. We have new content in 2019, which will include production as well as credit and underwriting.

As a reminder, we're offering three sessions this year:

- **Tuesday, May 7 in Chicago** (hotel cut-off: April 19)
- **Thursday, May 30 in New York City** (hotel cut-off: May 10)
- **Tuesday, July 16 in Irvine, CA** (hotel cut-off: June 28)

Make sure to reserve a hotel prior to our cut-off dates above to receive our discounted rate. [Register today!](#)

We're Popping Up, So You Can Pop In

We're excited to announce that we will be launching our very first pop-up office in Salt Lake City from April 23 – 25!

Lenders in the Western Region – bring your borrowers and brokers to interact with the SBL team (both Production and Credit) in a unique way. Want to meet

and greet? Ask questions? Educate potential borrowers with a presentation? Our exclusive office venue will let you customize your experience, so let's collaborate.

We'll provide more details soon, including registration information. If you have any questions, please contact your Western Region representative. We look forward to seeing you in Salt Lake City!

Updated Programmatic Exceptions and Credit Risks

Updates to the [Programmatic Exceptions and Credit Risks](#) (login required) further align with our existing underwriting approach, and none require changes to existing credit policy.

Key updates include:

- **#8 Commercial Space:** Change to net rental area metric
- **#27 Foreign Guarantor:** Including verbiage of a sole foreign guarantor not residing in the U.S.
- **#32 Linked Loans :** Updated for recent Linked Loans guidance
- **#40 Economic Vacancy:** Including underwritten economic vacancy below 5 percent. We previously announced that exceptions for underwriting to less than 5 percent physical vacancy are only considered if the subject qualifies under all the following parameters:
 - Top Market
 - <70% LTV
 - Rents¹ <10% of REIS² rents
 - Appraiser and REIS² submarket vintage vacancy below underwritten
 - 1+ full year of property financial operating history
 - Average of one year back not below underwritten

¹ Rent Level at subject to be compared on \$/SF level to REIS Avg. Rent PSF based on bedroom count.

² Or other qualified source as approved by regional management team

Pricing Grid Communications

Our traditional “Tuesday pricing grid update” email will no longer be distributed. OptigoSM SBL lenders will only receive updated pricing grids via email when there is a change to the rate, items that impact the rate, or when there is a change to the index.

Please note: The most up-to-date pricing grid can always be found on [our website](#) (login required) and the rate and other variables are part of the pricing calculator section of the Pipeline Management Tool (PMT).

Full Term IO Costs

The cost of 5-year full-term Interest Only loans increased by 1 bp effective February 20, when IO changes were modified to a straight 4 bps per, in addition to the included IO per each product. Note reductions in all regions are 4 bps per year.

	NE, SE, NC, SC Regions:	Western Region:
5-year	16 bps	10 bps
7-year	20 bps	14 bps
10-year	30 bps	20 bps

Business-to-Business (B2B) Update

We’re targeting Labor Day (September 2), or earlier, to have all lenders integrate their underwriting platforms with ours to deliver documents and data. Many lenders have already made this change, which eliminates the current manual process (Loan Submission Template).

This B2B delivery path supports our digital transformation efforts and will be mandatory by mid-2020.

Regional Pricing Is on Its Way

We're currently working to update SBL systems, including the pricing grid and calculators, to allow for pricing by region and market tier. We'll provide a roll-out date in the coming weeks.

This change will help us:

- Take a more active and strategic approach to pricing, driving more business to Freddie Mac SBL
- Allow more borrowers to take advantage of the SBL rate-lock
- Provide greater flexibility to meet market pricing and help ensure the best market coupons on FRE-SB Securities

We recognize that markets are different, and that competition is also different market-to-market. Moving away from a national pricing model is necessary to address specific market-tier pricing based on regional differences in mortgage capital competition.

Keep Pipelines Updated

It's important for all lenders to keep their pipelines updated and accurate in PMT. Please make sure to continuously update the PMT, as needed, so we can plan accordingly in the SBL production, underwriting and securitization teams.

No Exception Consideration for Minimum Loan Amount for Link Loans

Effective immediately, any 5+ unit link loan portfolio must be at or above \$2 million in loan proceeds, including any adjustments in proceeds as part of underwriting approval, with no exceptions.

If you have any questions, please contact [David Cardwell](#) at 703-719-2410.



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