



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.

Temporary Authorization – Immediate Updates to SBL Underwriting

Amid market volatility, Freddie Mac remains steady and open for business. But due to current market conditions, we're making **two** temporary underwriting changes to our SBL program as follows:

- Effective as of the date of this communication, any loan taken under application that involves a borrower taking cash equity out of the transaction will require a 0.10x increase to DCR and a 5% reduction in LTV. Cash equity out of the transaction will be defined as any cash proceeds greater than 3% of the existing mortgage loan plus junior capital and prepayment penalties.
- Effective as of the date of this communication, for any loan taken under application or not yet committed to by Freddie Mac: Commercial space will be underwritten as if completely vacant, even if occupied. In extremely limited circumstances, and subject to approval by Catherine Evans, vice president of SBL Underwriting, underwriting income from a supply chain critical and/or credit tenant will be considered on a case-by-case basis.

Freddie Mac Multifamily is making credit parameter adjustments across all business lines. These temporary measures will remain in effect until further notice. We continue to look at other ways to address cash-out transactions.

Forbearance

Freddie Mac has developed an approach to deal with impacted borrowers, their properties, their tenants and associated loans. You've likely already received an email in regard to our [forbearance approach](#). If not, please reach out to your Freddie Mac representative for the details.

Inspection Guidance

We've posted a document titled [COVID-19 SBL Inspection Guidance](#) on Freddie Mac's [Originate and Underwrite webpage](#) under References & Tools regarding guidance and ideas on how to conduct an inspection in the current environment. Please note, we are not requiring anyone to enter occupied units at this time, however, inspections are a risk mitigant. We urge everyone to keep CDC safety guidelines in mind.

New Webpage Regarding COVID-19 Updates

There's a lot happening, and we don't want you to miss the updates. We've created a [COVID-19 webpage](#) as a resource for all of our related Multifamily communications and will continue to post updates to this page.

If you have any questions, please reach out to your Freddie Mac relationship manager. Thank you for working and partnering with us during these unprecedented times.



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