Freddie Mac
MULTIFAMILY

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SBL Education Series

OPTIGO ACADEMY
EDUCATION SERIES 2021
SBL

We are offering a lender education series in 2021 to bring you three virtual webinars with breakouts, live discussions and more. Please join us for the first webinar on May 20 discussing the Debt Service Reserve (DSR) release, SBL credit report training and the rent roll requirements.

If you don’t see a topic you or your team would like addressed, please contact Jared Rothgeb and we will consider adding it as a future topic.

Save the date

DSR Waiver Reminder

On December 4, 2020, we announced a modification to the requirements for prescreening requests to waive or reduce the required COVID-19 DSR for new loans in most Top and Standard markets. Please see the COVID-19 Debt Service Reserve Update – SBL document for guidance. The modification provided that no prescreen for a waiver or reduction of the DSR is required prior to submission to Freddie Mac for loans satisfying the following conditions:

1. Property is located in a Top or Standard market (other than New York City's five boroughs or Yonkers);
2. Residential unit count greater than 20 units;
3. No underwritten commercial income;
4. Consistent rental collections over the trailing six months; and
5. The LTV and DSCR satisfy the limits presented in the December announcement.

For loans that satisfy the requirements above, the Optigo® lender must still clearly cite within the mortgage transaction narrative (MTNA) that the lender is recommending the DSR be waived or reduced, confirm that each of the requirements for waiving the prescreen prior to submission are satisfied, and include reasonable mitigants to support the waiver or reduction of the DSR.

If the proposed and expected modifications to the DSR are not clearly articulated in the lender's MTNA, the Freddie Mac underwriter will not assume that the DSR is being modified, which may delay issuance of the final commitment letter.

Vote for Freddie Mac as CMBS Issuer of the Year

Thanks to your support and collaboration, we led the industry with nearly $78 billion in multifamily loans securitized in 2020 – and as for SB-Deals®, we hit over $30 billion since the program's inception. This year we are up for GlobalCapital's CMBS Issuer of the Year and are asking for your vote!

Click here to view this year’s finalists and place your vote for “Freddie Mac” for CMBS Issuer of the Year (Question #3) by Monday, May 3.

SBL Lender Call: Q1 Recap

In case you missed it, this week we recapped the first quarter and shared business updates during our lender call. We had a packed agenda, starting off with a Multifamily update from Debby Jenkins, EVP and head of Multifamily, and then ending with Diversity, Equity and Inclusion (DEI) efforts from Amanda Nunnink, vice president of Equity in Multifamily Housing.

Below are key highlights shared by our SBL leaders, Meg McElgunn, senior director of Production & Sales, and Catherine Evans, vice president of Underwriting & Credit:

- We’ve seen an increase in acquisition loans this year: up from 23% in Q1 2020 to 34% in Q1 2021
- Market tier shifts are resulting in a more balanced book of business across the country. So far this year, Los Angeles is still the #1 metropolitan statistical area
- Alignment working toward our mission goals: 71% of business qualifies at 80% area medium income (AMI) and over 40% qualifies at 60% AMI during Q1 of 2021
- In Q1 2021, SBL borrowers opted to go longer term, with majority being 10-year deals
- Of loans that took forbearance, about 85% have either repaid the forborne payments in full or are in compliance with their agreement
- We’re seeing a low level of new requests for forbearance
- Only three borrowers have needed to draw upon the DSR to pay monthly debt service
- We have established a streamlined process to handle anticipated DSR release requests

We're off to a great start this year and look forward to the next mid-year call!

Small Talk

Irina Grebenshchikova

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 Irina Grebenshchikova. Irina is a producer in the North Central region.

What topic has been coming up more and more in deals you're reviewing for prescreen?

In the recent weeks, we have seen more questions around value creation. General guidance suggests that one way of measuring value creation is by "measuring the difference between the current net rental income (NRI) and the NRI prior to the improvements." We found that some interpreted this as if we are suggesting a dollar-by-dollar comparison without acknowledging the difference in expense ratios, cap rate volatility or type of Capex that was performed (i.e., deferred maintenance versus interior improvements). Value creation can never be fully realized based on a mathematical formula – but rather is assessed/determined based upon a confluence of many factors, including but not limited to, what is driving the rental growth, along with an analysis and understanding of what is occurring in the submarket. Thus, it is important for us to reemphasize that rent increases should never be looked at in a vacuum, and to an extent, value creation is a biproduct of how well the property is being operated and being cared for – holistically.

Why are you interested in real estate?

I grew up in rural Russia in a home with no running water and an outdoor lavatory. My family always had food and clothing for us and an abundance of love and care. But when my husband initially came with me to visit the place where I am from, he announced that it would be a great place for the next survival TV show.

Reflecting on the quality of housing I grew up in, I see how important it is for families and kids to have a stable, affordable and loving home. I see the fundamentals of housing as the foundation of a stable family and that’s why I do what I do.

What are the last three books you read?

1. The Psychology of Money (timeless lessons on wealth, greed and happiness)
2. Atomic Habits (a roadmap to help you build good habits and break bad ones)
3. The Color of Law (a forgotten history of how our government segregated America)