



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.](#)

Commitment Updates

We've updated the SBL commitment template to include a revised COVID-19 Debt Service Reserve (DSR) Rider (revised 5/5/2020) to the loan agreement. The update clarifies that only federal, state and local restrictions that impact the property jurisdiction are considered while calculating a borrower's eligibility to request release of the DSR. The 5/5/2020 form may be used for loan commitments issued prior to 5/5/2020, as long as the loan commitment is amended to reflect the change.

The updated commitment also includes a note rider to modify the condemnation prepayment premium provision to require a prepayment premium if a property is condemned by a municipality to convert it to affordable housing. This modification applies to all Freddie Mac Multifamily loans and will be incorporated into the base notes in our next round of loan document updates.

Best Practices for Mortgage Transaction Narrative

We've updated our [SBL Mortgage Transaction Narrative](#) on the [Originate & Underwrite webpage](#) under *References & Tools*. It now incorporates best

practices for COVID-19, among other updates. Please use this document as a boilerplate when working through your mortgage transaction narratives.

Programmatic Exceptions and Credit Risks

Effective immediately, the following temporary changes have been made to the [Programmatic Exceptions and Credit Risks](#). Items being removed do not allow a path forward through SBL at this time.

- Removed former programmatic exception #1 – In line with the update made on April 3, there is no longer a path forward for a borrower who is an Individual, Revocable Trust, MAE, Corporation Sole Proprietor, or has a master lease concentration greater than 25%.
 - Note: Crowdfunding and preferred equity are still not allowed.
- Clarified programmatic exception #5 (formerly #6) – **Any** guarantor with a credit score < 650 is now a programmatic exception.
- Modified programmatic exception #19 – Borrower principal has material negative credit history, been in default, involved in a foreclosure, or been given relief by any lender under the terms of any mortgage loan, mezzanine loan, contract for deed or similar arrangement (i.e., by modification, workout, forbearance), or material derogatory web search results (e.g., felony or financial criminal record, bankruptcy, foreclosure/short sale, material historical litigation and/or pending litigation).
- Modified credit risk #2 to remove student and military concentration up to 25%.

Document Management System (DMS)

Additional due diligence provided as a result of COVID-19 as it relates to supporting rents and/or occupancy, or additional due diligence related to the lease audit, should only be uploaded as part of the Seller/Servicer Underwriting Deliveries. The document type should be 'Rent Roll' for all documentation supporting rents/occupancy or 'Property Inspection' and 'Lease Audit' for additional leases being provided. All additional due diligence

provided should be clearly described with an appropriate analysis in the mortgage transaction narrative.

SBL COVID-19 FAQs

We've updated our [SBL COVID-19 FAQs](#) to address some more frequently asked questions. You will find additional clarifications regarding calculations for the COVID-19 DSR, release of COVID-19 restrictions and when the 90 days begin.

COVID-19 Webpage

Don't forget to visit our [COVID-19 webpage](#) for ongoing updates and any emails you might've missed.



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