



# SBL UPDATE

## Small Balance Loan (SBL) Workshop Q&A

As promised, we're following up with some questions that were submitted during our [Optigo® Essentials for SBL workshop](#) two weeks ago in Chicago. Here are questions and answers from a few different sessions to help provide clarity across the board.

### Session – Pricing Best Practices

**Q: Does the low-income 5–50-unit (≥ 50% of units) pricing grid adjustment apply to SBL Link Loans?**

**A:** Yes. SBL Link Loans are eligible to receive this pricing grid adjustment provided that the total number of units in the SBL Link Loan are 50 units or less and 50% or more of the units qualify as low income on the affordability calculator.

See last year's [Link Loan announcement](#) for background on the expansion.

### Session – Know Your Customer Updates

**Q: If properties have negative equity but don't have any recourse debt, how is Freddie Mac viewing those properties?**

**A:** Those properties would still be concerning but wouldn't qualify as Contingent Liabilities per the new definition. Analyze the real estate schedule

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to determine the concentration of properties with negative equity as those may pose a refinance risk at maturity for the sponsor.

If the sponsor has an overwhelming number of deals reflecting a negative equity, the story as to why will determine whether or not a prescreen is necessary. If the sponsor has a concentration of assets under construction, this may be sufficiently mitigated within the mortgage transaction narrative analysis. Please include an analysis of such deals as a weakness and mitigate appropriately. Ultimately, strong sponsorship and familiarity with successfully leasing assets under development over a period of time would be strong mitigants in this scenario.

## **Session – Inspections**

### **Q: Can an originator perform the site inspections?**

**A:** We may not have directly answered this question during the workshop. Per [section 8SBL.15](#) of the *Multifamily Seller/Service Guide*, none of the following individuals may perform the inspection: 1) a third-party contractor engaged by the seller, 2) any employee of the seller responsible (individually or as part of a team) for originating the mortgage, 3) any employee of the seller directly benefiting financially or otherwise from the origination of the mortgage.

Next week we'll wrap up by answering the remaining questions from our workshop, and some additional questions that came from our SBL Underwriting roundtable, so stay tuned!