



SMALL BALANCE LOAN UPDATE

Debt Service Reserve (DSR) Updates

Earlier this week, Steve Lansbury, senior vice president of underwriting and credit, [announced](#) recent updates to DSR. Please refer to the [SBL COVID-19 DSR May Update](#) for more details.

Programmatic Exceptions Changes

We are pleased to share the following Programmatic Exceptions changes as they will reduce the number of prescreens and allow further clarification:

Exception #18 is revised to reduce prescreens on older credit events (>15 years ago):

- Borrower Principal has material negative credit history within last 15 years or has been involved in any of the following events at any time:
 - (a) money laundering (criminal or civil litigation or regulatory enforcement action),
 - (b) fraud (conviction, regulatory enforcement action, or settlement agreement),
 - (c) any other "Financial Crime," violent crime or felony criminal action other than fraud or money laundering,
 - (d) any civil action between Borrower Principals,
 - (e) insolvency, bankruptcy or similar proceeding at the time of underwriting or
 - (f) a Borrower Principal is or was an adverse party to Freddie Mac in any current or past litigation.
- If material negative credit history has occurred prior to the most recent 15 years AND does not involve any items (a) – (f) above, the loan **does not** need to be prescreened.
- Please note: **ALL** material negative credit history must be sufficiently explained in the Form 1115SBL (and

accompanying Exhibit) and the Mortgage Transaction Narrative Analysis.

Exceptions #38, #39 and #40 are revised to eliminate prescreens at less than or equal to a 25% concentration. A 50% lease audit and prescreen are only required in the following situations:

- #38: Single employer (25%+), nonprofit/transitional units (25%+), corporate (25%+) OR any combination of student, military, single employer, nonprofit/transitional units, or corporate that exceed 25%.
- #39: Student concentration (regardless undergraduate/graduate) exceeding 25% is subject to prescreen; greater than 50% student concentration results in no path forward.
- #40: Military concentration exceeding 25% is subject to prescreen; greater than 50% military concentration results in no path forward.

Exception #56 is revised to remove “Optigo® lender and Freddie Mac” and now focuses on new relationships to Freddie Mac:

- Very Small Market loan where the Controlling member is new to Freddie Mac

Exception #57 is **added** to require a prescreen if Delinquent Rent details or Aged Receivable Reports are missing.

Please use the updated [Programmatic Exception List](#) and [Prescreen and Exception Request Form](#) .

SBL Educations Series

Thank you to all who joined the first SBL Education webinar. We had a packed agenda and enjoyed meeting with you in the breakout rooms.

If you haven't had a chance yet, [complete this survey](#) to let us know how the first session went. You can access the presentation from yesterday's session in [Optigo Academy](#), and for a comprehensive dive into the topics discussed, check out the prework modules listed.

And if you have topic suggestions for upcoming SBL webinars, please send them to [Jared Rothgeb](#).

Small Talk

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 [Tyrone Purdie](#). Tyrone Purdie is a producer in the Southeast region.



Tyrone in Santorini(ty).

How can we ensure appraisal comparables are acceptable?

While reviewing the appraisal, it's prudent to question whether the selection of comparables is sensible. Items to consider include: neighborhood and submarket, building class and condition, vintage, unit and project size, date of sale, net rental income and net operating income per unit, transaction dynamics (e.g., off-market or arms-length, distressed/vacant units), etc. If comparables are not truly "comparable," then inquire with the appraiser to obtain an explanation or (preferably) alternate comparables. If the appraiser's conclusions are still weakly supported, then the shortfall and risk must be strongly mitigated to support the transaction. By getting ahead of the issue and documenting accordingly within the investment brief, this will avoid raising the issue post-submission. These efforts allow us the opportunity to deliver on our timing for a draft commitment letter.

If you had an all-expense paid vacation, where would you go and what would you do?

Wow, there are so many destinations that would be in my top five. We've been blessed to be able to travel to Greece, Italy and Paris but I think I would choose a more relaxing destination over historical significance/culture. So, I would choose Bora Bora as my wife has always wanted to go. The travel required to get to the French Polynesia from D.C. is 28+ hours, but I'm sure Bora Bora would more than compensate for the jet lag. I'm pretty simple to

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please, but I'd definitely want to enjoy the view of Mount Otemanu for some awesome photos.



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