



SMALL BALANCE LOAN UPDATE

Debt Service Reserve (DSR) and Credit Update

Last week, Steve Lansbury, senior vice president of underwriting & credit, announced updates to the DSR. We are expanding this announcement to include additional changes to our credit standards for cash-out, escrows and underwritten commercial income. As a result of these changes, the minimum DCR and LTV requirements for DSR waivers have also been revised. The changes are in effect for any loan under app, in underwriting and not yet rate locked – and are reflected in the [COVID-19 DSR & Credit May Update](#).

Additionally, the [Prescreen and Exception Request Form](#) and [Programmatic Exceptions List](#) have been updated as follows:

- Removal of Exception #12 –Insurance escrow collection is deferred
- Updated Exception #14 – removal of the word “LTV”
- Duplicate #56 has been corrected and re-numbered to #58

Please reach out to your regional production or underwriting manager if you have any further questions.

Business-to-Business (B2B)

Earlier this week Catherine Evans and Meg McElgunn shared upcoming updates regarding our B2B process becoming streamlined with Optigo Happy. In case you missed it, here is the [announcement](#) for more details.

Mortgage Transaction Narrative

The [SBL Mortgage Transaction Narrative – Best Practices](#), also known as the SBL Boilerplate, has been updated and is available for immediate use on the [Originate & Underwrite webpage](#).

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 [Jessica Gonzalez](#). Jessica is the senior director on our SBL underwriting & credit team and is located in Chicago.



Jessica Gonzalez with her daughter, Aviana and son, Xavier.

How can we move deals through underwriting faster?

The use of the [SBL Mortgage Transaction Narrative](#) is consistent with the form and data that must be provided in each Asset Summary Report. The use of our template will ensure consistency in the level of detail we will need for the strengths, risk, property, cash flow, and sponsor and market analysis that Freddie Mac completes on every loan. Utilizing the same approach to our narratives will put you at an advantage and assist in minor questions being asked during underwriting, saving you time in the end!

Is an inspection by Freddie Mac required as a condition of the release of the DSR?

No, if a lender inspection is conditioned to satisfy any outstanding due diligence in the Loan Agreement, Freddie Mac is not required to attend. It should be noted that the use of Optigo Happy or the Freddie Mac Excel inspection template are not permitted. The reinspection must be documented using the standard MBA inspection form, and if an annual loan inspection is being used to satisfy the condition, you must follow the standard annual loan inspection requirements outlined in [AllRegs®](#).

If a credit report is pulled for the same sponsor within a year, can a soft pull be completed, as opposed to a hard pull, to avoid adversely impacting their credit score?

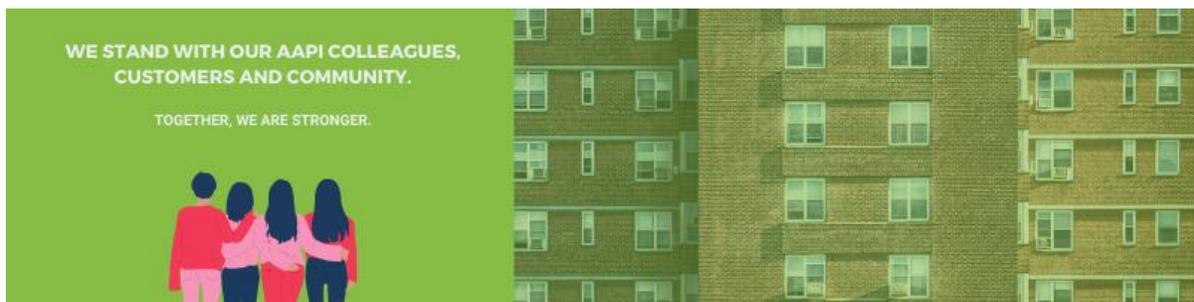
While we're sensitive to the impact on the sponsors' credit score, soft pulls are not accepted. The variance between a soft pull and a hard pull is the inclusion of judgments, liens and extraneous information, not just the FICO score. As we learned in the credit report presentation in last week's [SBL Education Series](#), it's the story and detail behind the credit score that is ultimately going to get us comfortable with the sponsors' credit history.

Did you know?

Knowledge is knowing a tomato is a fruit; wisdom is not putting it in a fruit salad. As we all prepare for a long weekend and hopefully a well-deserved reprieve from the computer, let's remember to keep the fruit salad free and clear of the tomatoes.

How has COVID-19 and WFH changed your family environment?

Navigating both working from home and having at least two children (Xavier, 14, and Aviana, 9) remote learning, three when the oldest is home (Christian, 20), can be challenging at times, especially now that my husband is back at work. I have learned that we can only control so much; technology will interfere at the worst possible time and we must just go with it. My advice: Enjoy the little moments, take a long walk and have dinner at the table (without devices). We have reinstated Sunday Dinner at least twice a week, instead of just on Sundays. We will be yearning for this time in the future and should appreciate it as much as we can. Though, I am REALLY looking forward to moving beyond this phase and finally connecting with all of you again!



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