



SMALL BALANCE LOAN UPDATE

Freddie Mac Staff:

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SBL Loans Encumbered by Regulatory Agreements

We've adopted a new approach for evaluating regulatory agreements, which are common on SBL loans. This new approach will help us provide even more liquidity to workforce housing.

Effective May 22, 2019, we'll accept regulatory agreements that:

- Require the regulatory agency's consent to transfer the property
- Give the regulatory agency the right to appoint a court-appointed receiver in the event of a breach

We incorporated this policy change into our SBL [Regulatory Agreement Questionnaire](#) and added an indicator to confirm any agreement doesn't encumber properties that aren't collateral on the loan.

Please note, remedies that allow an agency to seize rents or directly control the property remain "out of bounds" for SBL loans. Also, our requirement that tax credit investors have exited a LIHTC deal remains unchanged.

Joint-Inspection Requirements in Top Markets

Effective May 28, 2019, our Top Market inspection delegation instructions will incorporate aggregate risk as a determinant of joint inspection or delegation.

We'll continue to delegate Top Market property inspections to OptigoSM SBL lenders with these adjustments, which will ensure that we're an inspection participant for properties with heightened aggregate risk and help us make optimal credit decisions.

Click [here](#) for more information.

Hybrid ARM Yield Maintenance Prepayment Charge Adjustment

For all hybrid ARM SBL loans under application on or after May 6, 2019, the yield maintenance prepayment charge will be the greater of:

- a) 1.0% of the principal being prepaid, or
- b) the calculated yield maintenance amount

We've eliminated the additional 1% of principal being prepaid that was previously a part of the yield maintenance prepayment charge calculation. An updated hybrid ARM note can be found [here](#).

Updated Affordability Test

We recently updated our self-service Affordability Test, which makes it easy to identify affordable loans based on county-specific area median income thresholds. You can find it [here](#).

Optigo to Our Last SBL Workshop

[Register](#) for our Western Region SBL Workshop in Irvine, CA on Tuesday, July 16. It's our last workshop of the year!

The workshop will provide hands-on, interactive training for underwriters and production analysts on a range of topics, including regional pricing processing, pipeline management, sales and rent comps, inspections, due diligence, our Guide, and knowing your borrower.

After the workshop, we'll host a well-earned networking reception where you can meet colleagues from across the industry.



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