



SMALL BALANCE LOAN UPDATE

Rent Regulation for New York

Significant changes to New York rent regulation laws took effect June 15. As a result, we are updating some of our analyses and due diligence requirements.

Note: the following items or equivalent should also be obtained for other parts of the country with rent stabilization/rent control such as New Jersey, California, etc.

Effective Immediately

- Prescreen
 - If a property is subject to rent regulation, clearly note this in the prescreen form, and include the approximate percentage of units subject to rent regulation and the cap rate used for valuation
- Full UW Package Requirements
 - Division of Housing & Community Renewal (DHCR) rent rolls or equivalent
 - Provide a current certified DHCR rent roll or equivalent
 - Complete an analysis of current rents vs. DHCR rents: how are rents above DHCR justified?
 - Appraisals

- Appraisal completed before 6/15/19: Appraiser must re-evaluate the value of the property given the law change and make necessary adjustments to value (an email is acceptable outlining any adjustments, if necessary, for the full UW package). Email should be attached to the appraisal for final delivery.
- Appraisal completed after 6/15/19: The valuation must reflect the impacts of the new law changes.
- REO/NW review: Closely review REO schedules for potential refinance risk on assets that are subject to rent regulations and highlight any significant potential impact to net worth.
- Tax Abatements – When performing the cash flow analysis for 421a and J51 tax abatements, the maximum annual rental increase during the rent regulated period is 2.35% based on the average annual increase permitted over the past 20 years by the Rent Guidelines Board.
- Inspections – If 50% or more of units at a property in a top market within New York are subject to rent regulations, the inspection is not delegated to the OptigoSM lender and Freddie Mac must be present at the inspection. A sample of units proportional to the number of regulated units at the property must be inspected.
- Reserves – If 50% or more of units at a New York property are subject to rent regulations, replacement reserves must be underwritten to a minimum of \$300/unit.

Workshop Season Has Concluded

Our Small Balance Loan business continues to grow and we see that each of our lenders is investing more into this program. As such, this year we hosted more SBL training events than we've ever had with three workshops and two regional Loan Labs. Each was well attended and a great success. Thank you all for attending, engaging and providing feedback.

If you would like to review or print materials from the SBL Workshops, they are posted in our [Learning Center](#).

Improved PMT 7.1 Coming July 29

On July 29, we're launching an improved Freddie Mac SBL Pipeline Management Tool (PMT). The updated PMT will be your single source for pricing grids and will include many changes. View the [announcement](#) for a list of changes.

[Register for our webinar](#) on Tuesday, July 30 at 3:00 p.m. ET to learn more.



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