SMALL BALANCE LOAN UPDATE

Direct Servicing Update

As a reminder, today, August 7, is the last day we will accept an application incorporating the direct servicing incentive. Since we have enhanced our pricing grid to be more competitive in the current environment, we will be discontinuing the direct servicing incentive.

Los Angeles Density Bonus Agreements

Density bonus agreements are a common encumbrance on smaller multifamily properties in the Western region, particularly in Los Angeles. Historically, multifamily properties with these agreements have been ineligible for SBL financing due to their non-compliance under the SBL Regulatory Agreement Questionnaire. Typically, the non-compliant nature of these agreements comes from the regulatory agency's ability to seize rents on the restricted unit(s), which is considered non-compliant under Section III, Enforcement on the SBL Regulatory Agreement Questionnaire. SBL will now consider financing properties with City of Los Angeles Density Bonus Agreements provided that:

1. The **only** non-compliant aspect of the SBL Regulatory Agreement Questionnaire is Section III, Enforcement and the Regulatory

Agreement Agency's right to seize rental income on the restricted unit(s); they **cannot** have the right to directly manage the property.

2. Income from the restricted unit(s) at the property is excluded from underwritten income, while still including the restricted unit(s) in underwritten expenses.

3. The unit is excluded from the Value conclusion derived by the appraiser.

If you have additional questions or you believe another similar title restriction would fit under this scenario in other regions of the country, please reach out to single counsel prior to contacting your regional production representative.

Pipeline Management Tool (PMT) Enhancements Coming Soon

The next PMT enhancement is slated for August 17. We will be incorporating the credit exception/prescreen forms into PMT to help streamline the approval process and loan tracking. More details to come.

Tax Abatement

Please remember to prescreen any loan that comes with any form of tax abatement benefits. If approved during prescreen, the Optigo® lender must also deliver a complete Tax Abatement Exemption Questionnaire as part of the full underwriting package for final approval. The tax abatement questionnaire can be found on the SBL Lender Documents page under *Miscellaneous*.

Include Single Counsel on Submission Emails

As a reminder, please continue to add the respective stakeholders and single counsel on the package submission email chain. The Full Package Submission Template requires this information to be provided. Going forward, any package submission emails that do not include the respective single counsel contact on the email chain, as well as the required details in the template, will fail submission.

Negative News Searches

Our team continues to find issues during Google searches post-submission for items related to crime at the subject property, sponsorship and management. These items require prescreen and potentially delay the process if they're not addressed pre-submission. In order to continue to serve you and meet deal timelines, we strongly encourage you to conduct thorough searches to identify and screen any findings early in the process.

Borrower Principal/Guarantor Experience

To clarify, a prescreen is required if multifamily ownership is not a minimum of three multifamily properties of five or more units, with the first property being acquired no less than two years prior, or the subject property is the only multifamily asset owned and is owned for less than five years.