



SMALL BALANCE LOAN UPDATE

Freddie Mac Staff:

The email below will be sent externally to Multifamily customers and others who are subscribed to our news emails. You are receiving this email for information purposes only, and you may [update your email preferences](#) at any time.



Next Stop: Nashville Virtual Pop-Up

Mark your calendar – we're hosting our next virtual pop-up in Nashville on **October 14 and 15.**

Please invite your borrowers to a video call with our Small Balance Loan (SBL) production and credit teams. We'll give an overview of how we work, discuss the market and possible credit exceptions, and offer high level prescreens – tailoring it to what your customer needs.

Please complete this [registration form](#) as soon as you've identified a borrower you'd like to bring, and our Southeast team will reach out to schedule the appointment. There is no limit to how many meetings a lender can schedule. We look forward to virtually "seeing" you in Nashville soon!

Borrower Certification of Property Condition

The following is added to clarify our update on May 1 regarding the Borrower Certification of Property Condition (BCPC). If the loan contains incomplete due diligence, then as a condition of the debt service reserve release, the BCPC is required. Incomplete due diligence can be identified as one of the following:

- **Lender Inspection**
- **Appraisal** (including zoning)
- **Physical Risk Report**

If any other item has been identified through the underwriting process, and the decision is made to require a condition of release not identified above, the Optigo® lender and Freddie Mac will work together to obtain the BCPC, if one has not already been provided.

Commercial Income Guidance

We continue to be cautious around financing mixed-use apartment buildings. Our general requirement has not changed: Commercial space will be underwritten as if completely vacant. On an exception basis, consideration will be given to essential businesses and/or credit tenants, such as banks. Some examples of essential businesses include supermarkets, delis, convenience stores, pharmacies, medical offices, medical labs and child care centers. For restaurants, there is a strong emphasis on take-out locations only, which have remained open and up to date on rent.

When you submit an exception request related to commercial income, please verify the following:

- The business has been open and operational throughout the pandemic
- The business is current on its rent payments and has not missed any prior payments
- There are no rent concessions currently in place or planned
- Expiration of lease is at least three years in the future

In addition, it's helpful to provide the lender's sizer and a break-even cash flow analysis stressing commercial income to 0%. Also, please provide exterior/interior of commercial spaces and the full rent roll for the property.

To discuss a mixed-use property with commercial income, please reach out to your regional representative who can provide additional guidance.

Market of Concerns

Effective immediately, we are modifying the [SBL COVID-19 Credit & Program Update](#) posted under *COVID-19 Resources* on the [Originate & Underwrite webpage](#). For all loans put under application as of September 24, 2020, **Houston and the state of Oklahoma** no longer markets of concern.

We will continue to be more conservative in tourism-dependent markets listed below. We will require a 0.05x increase in DCR and 5% reduction in LTV thresholds on all loans in such markets. Please prescreen your transaction with your regional production team prior to issuing an application for the following areas:

- State of Nevada
- Orlando, Florida
- New Orleans, Louisiana

New & Improved Documents

As announced during our training sessions this week, we'd like to share two of our most recent new and improved documents:

- [Programmatic Exception List](#)
- [Credit Risk and No Path Forward Aid](#)

As you work through transactions and have any questions, please reach out to your respective relationship manager.

Small Talk

Each week we're welcoming any questions from you, our Optigo lenders, in the new Small Talk series. As we receive questions, a selected member of our team will answer in the following week's SBL Update with their fresh perspective. Please continue to submit any questions to sbl_weekly_questions@freddiemac.com to hear from us!

This week we're featuring Steve Taylor. Steve is an underwriting director for the Southeast region and lives near Arlington, Virginia.



Have you picked up any new hobbies during the pandemic?

I purchased a NordicTrack cycle in March and have been virtually riding through Utah and Colorado. The video is great, but you still have to pedal on the downhills.

What's the most helpful feature on Optigo Happy?

We continue to get good feedback on [Optigo Happy virtual inspections](#) and appreciate your ideas for improvements. We heard from some users that it is difficult to navigate among the different sections of the inspection report during

the virtual inspection, and as a result photographs are sometimes missed or get saved in the wrong section of the report. Last week we released an enhancement that allows users to [replay the full video](#) from a virtual inspection after it has been completed, including the ability to capture photographs from the video to add to the inspection report. Additional enhancements are in the works, including adding the flexibility to move photographs to different sections of the inspection report after the inspection has been completed.

Anything you wouldn't put peanut butter on?

Liver and onions or scotch.

Thank You for Attending the Guide Training

Thank you for joining us for the guide training yesterday, September 24. In case you missed it or would like to refresh, here is a copy of the [training deck and inclusion of the recording](#). As mentioned on the call, please reach out to your respective relationship manager with any questions. You can also utilize our new Small Talk series to submit any questions via sbl_weekly_questions@freddiemac.com.



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