



## 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.

### Small Balance Loan (SBL) Portfolio Execution

In an effort to provide you with the best initial feedback and underwriting execution on larger portfolios, we've made changes to our SBL portfolio execution requirements and request forms. It generally applies to portfolios with at least 10 deals and/or greater than \$25 million but may be required at our discretion at lower levels. Please visit the [SBL Portfolio Flyer](#) for more details.

### SBL Team Promotions

We're excited to promote the following team members in Production & Underwriting who have been incredible contributors to the SBL program. Please join us in congratulating:

- [Alex Meersman](#), production professional in South Central
- [Amanda Patella](#), production senior analyst in South Central
- [Karolina Eisenhart](#), production senior analyst in Southeast
- [Graham Martin](#), underwriting professional in Northeast
- [Leah More](#), underwriting associate in Northeast

- [Mike Fetchet](#), underwriting associate in Southeast
- [Scott Martin](#), underwriting senior analyst in Southeast

## 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](mailto:sbl_weekly_questions@freddiemac.com) to hear from us!

This week we're featuring [Michael Haase](#). Michael is a senior underwriter in the Northeast region.

### **As a result of the pandemic, what is your current work arrangement?**

The transition from working full-time in the NYC regional office to working from home has been an adjustment. The virtual work environment has blurred the start and end of the day. Setting boundaries is still a work in progress but closing deals while out of the typical office environment gives me a sense of pride – our internal team and external partners operate quite successfully. While being remote, I have not once felt isolated and can credit this to frequent communications with our tight-knit team, both regionally and nationwide, as well as calls with our Optigo network. I also get to listen to music all day without headphones!



### **How are you approaching volatile or declining collections that may occur as a result of COVID-19?**

We urge our lenders to obtain a full understanding of the subject property's operations. We want to understand why collections have been volatile or declined in the first place. Conversely, we should understand where the trend is heading: What specifically has occurred to facilitate a sustainable rebound in collections? When did collections normalize, or if the property is still operating

in a period of volatility, how is the risk being mitigated? Is the loan being underwritten to a level that makes sense?

My first suggestion would be for lenders to evaluate the collection timeline at the subject. Are the collection issues tied to the pandemic or is something else occurring at the property? For example, if August or September collections declined, perhaps it was due to the Enhanced Unemployment Benefit expiring in July. In this case, what is the outlook over the coming months, and how do the more recent collections support this?

Other items to think about include potential use of tenant security deposits in lieu of rent, or the potential for concessions. If either of these cases exist, it's important to understand what is going on at the property, and whether the impacts of these items have already been resolved or may present ongoing operational difficulties. If a tenant has ceased to pay rent and there is a statewide eviction moratorium, is the landlord working with the tenant to resolve the non-payment or past balances?

Unfortunately, there is no one-size-fits-all solution; while constraining to T-1, T-3 or T-6 may work on one deal, it may not suit another. Ultimately, the underwritten net rental income (NRI) must be supported. If you are working on a deal that has material collections issues, please reach out to us to discuss.

**The 9/30/2020 Refinance Analysis states, "Taxes underwritten to greater of 80% of underwritten value and the appraiser's estimate of taxes." Is this always required?**

The approach to taxes in the [SBL Refinance Analysis](#) is **guidance**, not a hard-and-fast requirement. The guidance is well-suited for most markets throughout the U.S. and ill-suited for others (NYC, for example). If you are not adhering to the guidance, you should establish why your underwritten tax conclusion is sound, chiefly in context of reassessment risk, which is what the guidance is intended to account for.

**What are you looking forward to?**

Taking some vacation time this year has been difficult due to travel restrictions. With tremendous excitement, my wife and I are going to the Dominican Republic in December! We love to travel, so this trip is long overdue. N-95 masks, check!

Most of all, I look forward to being able to meet with people in public, whether it is back in the office meeting with my teammates and customers, or family and friends!



[Preferences](#) | [View in Browser](#) | [Privacy](#) | [Unsubscribe](#)