



## SMALL BALANCE LOAN UPDATE

### Freddie Mac Staff:

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### Next Stop: Houston Virtual Pop-Up

We're on the move again. Mark your calendar – we're hosting the next virtual pop-up in **Houston on November 9 and 10**.

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.

Once you've identified a borrower you'd like to bring, please complete this [registration form](#) and our South-Central 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 Houston!

[Register Now](#)

## Optigo® 2020 Conference Recap

Among many other things that have been different this year, our Optigo 2020 annual conference was hosted virtually from Tuesday to Thursday this week. Although we weren't physically able to meet with our customers during the conference, it turned out to be a worthwhile event. Kelly Chou, SBL production & sales director, did a fantastic job emceeding the third day, and there were stimulating general sessions from Debby Jenkins, David Brickman and most notably, Emmanuel Acho, who had a thought-provoking dialogue on diversity, equity and inclusion with Debby.

Meg McElgunn and Catherine Evans discussed the state of the SBL program and how we performed through the highs and lows of this year. For those who weren't able to attend, here are key highlights from the presentation:

- So far, SBL has funded greater than 33,000 low-income units and 12,000 very low-income units this year – making over 80% of what we do true mission business.
- We've seen top 10 MSAs shift westward in 2020 and are on pace for the Western region to have a record year in originations.
- Early in the year, both CBRE and Greystone hit a multiplatinum milestone, achieving \$5 billion each in aggregate SBL loans since the program's inception.
- Investor confidence in SBL products is at an all-time-high, as we securitized pools every single month of the pandemic and dramatically tightened bond spreads since March.
- Last but not least, adoptions of B2B and virtual inspections have been successful.

All in all, it's been quite a year and we truly could not have done any of it without all of you – so thank you! Let's continue to end 2020 on a high note together.

## Programmatic Exceptions List Update

We've updated Programmatic Exception #25 to align the policy more directly to the following:

- Sponsorship doesn't meet minimum experience requirement. At the time of the full underwriting submission, at least one sponsor/guarantor has held ownership and control in either (i) a minimum of three (3) multifamily properties, with the first property having been acquired at least two years prior, or (ii) the subject property for at least five (5) years.

Please refer to the updated [Programmatic Exceptions List](#) and [Prescreen and Exception Request Form](#) on the [Originate & Underwrite webpage](#).

## 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 [Ted Chen](#). Ted is a producer in our Western region.

### Are we going to see any reprieve from COVID-19 guidance soon?

I think the overall school of thought across the nation right now is uncertainty. We're uncertain when the COVID-19 situation will end, we're uncertain whether tenants are able to predictably keep paying rent, and we're uncertain as to some of the impacts that we're seeing in the market. Although we can look to historical data as a guiding factor, we ultimately don't know what the future holds. With that said, we are constantly trying to find the right balance of competitiveness, certainty of execution and risk mitigation.



We are closely examining the forbearance data and local market metrics so that we are prepared to adjust the guidance in the future. In the meantime, please reach out to discuss waivers of the DSR on a case-by-case basis.

Ted Chen: "This was my last vacation where I made it all the way north into the Arctic Circle in Finland."

### **How do I bring in good business on the West Coast?**

Property resiliency and borrower experience are probably the most important factors on West Coast deals now. Our region has the most Top Markets but that also means that we have a lot more competition in very nuanced environments. Navigating this field is no easy task but finding borrowers who understand the need to be more conservative in these times of uncertainty is paramount, and luckily, we're seeing a lot of experienced sponsors who share this perspective.

### **I was wondering if affordable housing projects with LURAs and LIHTC programs are eligible for the SBL program?**

As a good rule of thumb, always refer to our [SBL Regulatory Agreement Questionnaire](#) if you have any property with Land Use Restrictive Agreements (LURAs) or other affordability components to it. We have been able to finance properties with a LURA that complies with our questionnaire and is in either the last two years of the initial compliance period or has already entered the extended use period.

### **What's the most West Coast thing about you?**

This might just be a SoCal thing, but I call every freeway 'the \_\_\_.' I take 'the 10' to work and take 'the 60' to 'the 5' whenever I need to go south.



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