



## 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.

### No Certificate of Occupancy

Please note that any deal that was recently constructed or rehabbed with units added will require proof of certificate of occupancy. Given the COVID-19 pandemic, it has been difficult to receive this information from local jurisdictions in some instances. The absence of a certificate of occupancy does not necessarily mean that there is no path forward for the loan. The *Multifamily Seller/Service Guide* Section 8SBL.5 and the [Certificate of Occupancy Guidance](#) outline what would be needed in the absence of a certificate of occupancy and additional guidelines for underwriting properties with non-permitted units.

### Year-end Cutoffs

**Lender Closing:** *Tuesday, December 1*, is the last day to submit a full and complete package to SBL Underwriting in order to rate lock in 2020. Please note that the ability to rate lock prior to year-end depends upon 1) the quality of the package, and 2) timely responses from the lender and sponsor.

**Freddie Mac Funding:** *Friday, December 11*, is the last day to submit a final delivery package to Freddie Mac's Purchase group to ensure that a loan is funded by Freddie Mac in 2020.

**SBL Hybrids:** *Thursday, December 31*, is the last day Freddie Mac will purchase **LIBOR-indexed SBL hybrid loans**. Please submit final delivery packages to Freddie Mac's Purchase group by Friday, December 11, to ensure that all LIBOR-indexed hybrid loans are funded by December 31.



## Houston Virtual Pop-Up

Don't forget – on **Monday and Tuesday next week** we're hosting virtual pop-up meetings in Houston. Our SBL production and credit teams will 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.

We look forward to virtually “seeing” you in Houston!

[Register Now](#)

## Programmatic Exceptions List Update

We've updated Programmatic Exception #25 by removing the word 'held' to be as clear as possible that the sponsor needs to currently own at least three properties at the time of submission to Freddie Mac.

**Sponsorship doesn't meet minimum experience requirement [Guide Section 9SBL.2(c)].** At the time of the full underwriting submission, at least one borrower principal has ownership in, and control of, entities that own either (i) a minimum of three multifamily properties, with ownership and control in at least one of the three properties for a minimum of two years prior, or (ii) the subject property for period of at least five years.

Please refer to the updated [Programmatic Exceptions List](#) 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 [Jose Barrios](#). Jose is a senior underwriter in the North-Central region.

**We recently conducted a site inspection of a 30-unit property in a standard market. On the day of inspection, Freddie Mac was told by the property manager only five tenants were notified and that there were no vacant units. Is this policy compliant?**

I see how this can be confusing. Although five units were inspected, which meets our minimum guidance of the greater of 5% or three units, the inspection is not compliant because Freddie Mac did not select the units to be inspected.

Prior to the date of the inspection, the Freddie Mac inspector will indicate the units that may potentially be inspected, and our Optigo lender must instruct borrowers to provide notification to the tenants of those units that a site inspection is pending. From the list of potential units to be inspected, Freddie

Mac, at its discretion, will select the specific units to be inspected at random on the day of the site inspection. However, if Freddie Mac is not present during the inspection, the lender will select the units to be inspected on the day of the site inspection. Neither the borrower, nor the property manager, may select or recommend units to be inspected.



For properties located in Very Small Markets, the borrowers must provide notification to all tenants. For properties in all other markets, Top, Standard or Small Markets, the borrower must provide advance site inspection notifications to a minimum of 10 units. If a property has 10 or less units, the borrower must provide notification to all tenants.

### **Due to the shutdown orders, what did you miss the most about summertime in Chicago?**

I missed attending street festivals, walking along the Chicago River at lunch time and weekend running on the lakefront. Every month is festival month in Chicago because of the city's diversity. The festivals and events celebrate food, music, culture, art and history. Some of my favorites include Fiesta Del Sol in the Pilsen neighborhood, Taste of Greektown and October Fest in Lincoln Square.

I'm also an avid runner and always look forward to running various races in the spring and summer, such as the Shamrock Shuffle in late March and the Rock and Roll Half Marathon in July. After running the Chicago Marathon in 2018 for the third time, I traded long distance training for an easier 30- to 45-minute run on most mornings.

### **Sox or a Cubs fan?**

I'm a White Sox fan and not just because I live on the southwest side of the city. There are plenty of Cubs fans that live south of Madison Avenue, which is billed as the equator of Chicago. By far, Chicago has more Cubs fans, which I believe is largely due to the greater TV coverage on WGN-TV. I root for Chicago baseball and I was just as happy the Cubs won in 2016 after their 108-year drought as I was when the Sox swept the Houston Astros in the 2005 World Series. However, you will never catch me wearing Cubby blue! It was exciting to see both teams make the playoffs this past season even if they didn't advance beyond the first round. The future looks bright for Chicago baseball once again.



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8200 Jones Branch Drive, McLean, VA 22102