



SMALL BALANCE LOAN UPDATE

Year-End Delivery Clarification

We will be accepting full underwriting packages from lenders beyond the earlier stated date of December 1 if the package is slated to close by year-end. Full underwriting packages will be accepted 10 business days prior to the lender's required commitment date. Please note – if the full underwriting package fails submission, the submission date will be considered the date the complete package is properly accepted.

DMS Upload Reminder

After an underwriting package has been checked in, Freddie Mac does not receive an alert when new or updated items are uploaded to the Document Management System (DMS). Please notify your appropriate Freddie Mac underwriter if a time-sensitive document is uploaded. This will help us eliminate confusion, as well as any unnecessary delays.

IO for All Markets

Please keep in mind that recent changes in the SBL program do not prohibit interest-only (IO) loans that are program compliant. We continue to offer IO as follows in the SBL [term sheet](#):

Full-Term Interest-Only (IO) Adjustments	Full-Term IO or Full-Term IO during Fixed-Rate Period of Hybrid ARM	
	Add to the Baseline	Maximum LTV
Top and Standard SBL Markets	0.15x	65%
Small and Very Small SBL Markets	0.10x	60%

Maximum available Partial IO Period for Small and Very Small SBL Markets is limited to:

- 0 years on 5-year term
- 1 year for a 7-year term
- 2 years for a 10-year term/20-year hybrid

The Hybrid Stress Test and Rent-Regulated Properties

Our hybrid loans for properties with greater than or equal to 50% rent stabilized units must pass the Hybrid Stress Test in New York state, including NYC, Yonkers and any other jurisdiction that implements rent stabilization within the state. **This requirement does not apply to fixed-rate loans or rent-regulated deals in any other states or jurisdictions outside of New York.**

Prescreening Cash-Out Refinance Loans

Prescreens on cash-out refinance loans are only required for deals owned for less than three years. Please read the following for prescreen requirement updates including the new ownership guidance.

Prescreens with Freddie Mac production staff are required before placing a transaction under application or into the [Pipeline Management Tool](#) (PMT) for the following cash-out refinance loans **that have been owned for less than three years** with cash-out >15% (based on the SBL Refinance Analysis) as follows:

- Top Markets: >75% LTV or <1.25x DCR
- Standard Markets: >75% LTV (minimum 1.25x DCR will apply)

For deals that no longer need to be prescreened, cash out and value growth must still be supported by the OptigoSM lender's analysis and easily identified within the mortgage transaction narrative.

Please note that there are no changes to LTV/DCR for cash-out refinances in Small and Very Small Markets.

Multifamily Executive Article featuring Catherine & Meg

Check out the recent article published in the [Multifamily Executive](#) featuring Catherine Evans, vice president of underwriting, and Meg McElgunn, senior director of production & sales. They discuss SBL's financing options for owners and operators of small apartment buildings and why it's making a difference.

[Read the Article](#)



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