



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.

December Tips & Tricks

The Small Balance Loan (SBL) team has put together [December Tips & Tricks](#), outlining some helpful information for our SBL Optigo® lender network. We hope this “cheat sheet” will help our collective teams get to the SBL closing table more efficiently!

New Fields in PMT

This week, we added three new fields into the Pipeline Management Tool (PMT).

- Link Loans – **YES/NO** flag has been added to the ‘Property Detail’ tab. Choosing **YES** will apply the appropriate adder to the rate when calculating the final coupon.
- Cash Out – **YES/NO** flag has been added to the ‘Loan Terms’ tab. A selection must be made for refinances.
- Lender Fee Cert – Formerly the ‘Broker Fee’ tab, now has a drop-down at the beginning to choose whether a deal is **DIRECT/BROKER**. The brokerage firm and broker will only be required if **BROKER** is selected on this page.

As a reminder, the Lender Fee Cert is required on all deals by the time of submission of the underwriting package. Incomplete or inaccurate information could delay the receipt of the deal confirmation email.

Programmatic Exceptions and Credit Risk Update

We have removed Exception #4, Loan > \$6 million has a property with a DCR < 1.25x, as this no longer is an exception and does not require a prescreen. Loans between \$1 million and \$7.5 million will have the same base DSCR.

Effective with the Guide Bulletin publication on Tuesday, December 15, we are clarifying the borrower principal ownership and control updates we made to Section 9SBL.2(c)2 in the September 30, 2020 Bulletin as follows:

- For each option, the borrower principal must meet the requirements at the time of Seller Application
- For each option, if there are multiple borrower principals with control, at least one borrower principal with control of borrower must meet the requirements
- For the first option, the borrower principal's control of a multifamily property for the preceding five years is no longer limited to the subject property, but can include any multifamily property

We've updated Credit Risk #16 to remove the reference to the Loan Agreement.

Please refer to the updated [Programmatic Exceptions List](#) and [Credit Risks & No Path Forward Aid](#).

Reminder: Year-end Cutoffs

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.

Package Submission: Full underwriting packages submitted before 3:00 p.m. local time will be considered a submission of the same business day. Packages submitted after 3:00 p.m. local time will be considered a submission of the next business day. As a reminder, the 12-day turnaround does not start until the package has been checked in and pricing has been confirmed; this will typically occur within 48 hours. If the package does not pass check-in, the clock will not start until the lender receives a confirmation email from the Freddie Mac underwriting analyst confirming an expected DCL date.

Small Talk

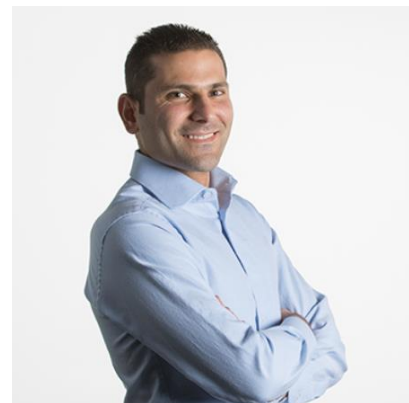
Each week we're welcoming any questions from you, our Optigo lenders, in the Small Talk series. As we receive questions, a selected member of our team will answer in the following week's SBL Update with their fresh perspective. Please continue to submit any questions to sbl_weekly_questions@freddiemac.com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

This week we're featuring [John Maalouf Kassouf](#). John is an underwriting manager in the Central region.

If my deal is 65% LTV/LTC, do I still need to provide a draft settlement statement to prove out closing costs?

If closing costs are material to the sizing of the loan, evidence of closing costs must be provided. This includes:

- Acquisition deals that are sized to max proceeds including up to 3% closing cost build up.
- Refinance deals where the closing costs are utilized to determine that the loan is cash neutral. As a reminder, evidence of completed capital expenditures must also be provided with the package submission per the [SBL Refinance Analysis](#).



John Maalouf Kassouf

	Refinance Example 1	Refinance Example 2
Proposed Loan Amount:	\$2,900,00	\$2,900,000
Existing Mortgage Amount:	\$2,725,000	\$2,725,000
COVID-19 DSR:	\$150,000	\$150,000
Closing Costs:	\$0	\$29,000
Net Cash Out/(In)	\$25,000	\$(4,000)

If closing costs are not verified, they cannot be included. This is illustrated in Example 1 which results in a net cash-out of \$25,000 requiring a sizing adjustment; increase to DSCR minimum by 0.10x and decrease to maximum LTV by 5%. In example 2, satisfactory evidence of closing costs is provided. This in turn results in a cash-in of \$4,000 with no DCR/LTV adjustment required.

How have you managed through the pandemic in Texas?

Early on, my father came to visit for what was initially intended to be a couple weeks but turned out to be three months before he could return home. We enjoyed each other's company, with the added bonus that he apparently has hidden culinary talents. I was very fortunate to indulge in daily home-cooked meals.

I'm also a member of a dance studio (Studio 22) that, like many other businesses, was impacted by shutdowns. In July, the studio re-opened at limited capacity with strict safety protocols. Being an experienced salsa dancer, I stumbled across a style I had not previously been exposed to known as West Coast Swing. This genre includes music by artists such as Ed Sheeran, Marshmello, Dua Lipa, Shawn Mendes and Keith Urban, to name a few. As with most partner dance styles, there are rules to be followed starting with a proper connection, compression and leverage, yet it allows for ample artistic interpretation. I was immediately hooked! As with sizing a loan, the lead can adjust the leverage and compression of the connection with his dance partner – it's all about communication. On average, I now train this dance style 4-5 hours a week – time well spent. When I'm not negotiating, reviewing or approving SBL loans, you can bet your pretty penny I'll be on the ballroom dance floor. I hope all of you have also found ways to safely remain active.

Can you rush my loan if it needs to close on Christmas Eve?

With year-end quickly approaching, we have a large number of loans in house. Our teams are hard at work to get your loans processed in a timely fashion. In order to accomplish that goal and optimize resources, we rely on your teams to be responsive in providing any outstanding items and answers to questions. In absence of all the required information, our ability to be flexible is limited and we will not be able to move forward with the loan. Santa also has prior arrangements and will not make it to the closing table. Thank you in advance for your cooperation and understanding. Be well, and happy holidays!



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