



SBL UPDATE

Guide Updates

Effective December 15, the following [Multifamily Seller/Service Guide](#) updates impact Small Balance Loan (SBL) underwriting:

SBL Borrower Principals with Control

We've updated [Chapter 8SBL.13](#) and [9SBL.2\(c\)](#) to expand the minimum experience requirements for Borrower Principals with Control. These updates support our recent expansion of SBL Link Loan qualifications to include 2- to 4-unit non-contiguous properties (under certain circumstances). Please note: The expanded definition for minimum experience applies to all SBL loans, not just Link Loans.

Insurance Requirements for SBL Mortgages

[Chapter 31.1\(b\)](#) has been updated to require SBL mortgages to comply with the following:

- The All-Risk insurance requirements in Section 31.5
- The Business Income/Rental Value Insurance requirements in Section 31.6
- The flood insurance requirements in Section 31.8

Seller/Service providers are not permitted to approve coverage that differs from the above.

Seismic Risk Assessment Requirements

We've updated our Seismic Risk Assessment requirements to:

- Revise Seismic Risk Factors for consistency between all offering types
- Clarify Peak Ground Acceleration (PGA) calculation inputs
- Clarify requirements for the release of earthquake insurance

The following have been updated: [64SBL](#), [8SBL.14](#), [31.9](#), [62SBL.4](#), [62SBL.5\(a\)](#) and [Form 1104 - SBL Physical Risk Report](#) to reflect all the above changes.

Programmatic Exceptions Update

Along with the Guide updates, we've modified Exception 25 to reflect the expanded minimum borrower baseline experience requirement that was rolled out with the Link Loan expansion. Please note: The expanded definition for minimum experience applies to all SBL loans, not just Link Loans.

- **Exception #25:** *Sponsorship doesn't meet minimum experience requirement. - At the time of Seller Application, at least one Borrower Principal with Control of the Borrower has ownership and control in either (i) a minimum of three (3) MF properties, with at least one for a minimum of the preceding two years or (ii) at least one multifamily property for the five preceding years (iii) at least 10 units that consist of properties containing at least two units each for a minimum of the preceding two years.*

12/16/2022

Must be accompanied by exception 6 if waiving the 0.05x adder to the baseline DSCR.

Please use the updated [Programmatic Exceptions List](#) and [Prescreen Exception Request Form](#) going forward.

Happy Holidays!

Thank you for your partnership throughout 2022. We truly couldn't have done it without you. We wish you happy holidays and a safe and healthy new year!



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