



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](#).

New Affordability Test

For all loans taken under application on or after **December 21, 2020**, the newly released Affordability Test (version dated December 4, 2020) will be used to determine the percentage of a property's units that meet [FHFA's 2021 mission-driven requirements](#). You can find the latest version of the [Affordability Test](#), along with other related resources, on the [Affordability webpage](#).

For all loans taken under application before **December 21, 2020**, we will use the previous Affordability Test at Pricing Confirmation, as long as the deal is submitted to Small Balance Loan (SBL) Underwriting within the allotted 35-business days. If the loan is submitted after the 35-business day time frame, the SBL coupon will default to the higher of 1) the grid and Affordability Test at time of application, or 2) the current grid and Affordability Test.

Reminder: All deals taken Under Application must be entered into the Pipeline Management Tool (PMT) within one business day of the application date. Freddie Mac SBL reserves the right to update coupon rates on loans that are entered late into PMT.

Approval Conditions for Exception Requests

In an effort to improve timing to turn draft commitment letters on deals submitted to Freddie Mac, approval conditions not addressed in exception

requests upon submission of deals will fail check-in and will be sent back to the lender to resolve the issue(s) before re-submission can occur. If the lender feels justified in not meeting an approval condition in the exception request, please reach out to your Freddie Mac production liaison for discussion and approval well before desired deal submittal date to avoid having the deal fail check-in.

Inspection Scheduling

Due to challenges presented by inspection rent rolls not being received in a timely manner and to eliminate the additional time required to follow up, effective immediately we are implementing the following change to regain efficiency in the inspection scheduling process. Freddie Mac will **not** participate in the inspection if the lender has not uploaded a rent roll to the Document Management System (DMS) within the required time frame as per the *Multifamily Seller/Service Guide Chapter 8 SBL.15*: ***“At least two Business Days prior to the scheduled site inspection, the Seller must deliver a rent roll dated within seven Business Days to Freddie Mac.”***

Reminder: Guide Bulletin and Programmatic Exceptions & Credit Risks

Effective with the Guide, [Chapter 9SBL.2\(c\)2](#), that was published this week, we've 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. We've also updated Credit Risk #16 to remove the reference to the Loan Agreement.

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

Small Talk

Each week we're welcoming any questions from you 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 [Jake Simpson](#). Jake is a production analyst in the Northeast region.

What is your 2021 New Year resolution?

I think New Year resolutions are strange karma for me. My resolution for 2020 was to stay in/eat at home more often. We all know how that one turned out... maybe for 2021 it should be to win the lottery

What is your favorite holiday tradition?

I always love the last night of Hanukkah. My family tends to go all out with the latkes and jelly-filled doughnuts (pro tip: Krispy Kreme's jelly-to-doughnut ratio is a perfect science).



Jake Simpson

How is the Northeast handling requests to underwrite commercial income in the New York MSA given pending restrictions put in place and uncertainty (i.e., no indoor dining, potential lockdowns, etc.)?

While there haven't been any recent changes to the commercial income guidance, this continues to be a frequently discussed topic in the Northeast due to the volume of mixed-use assets located in our top markets. Since the start of the pandemic, we have been cautious around financing mixed-use properties. Consideration is still being given on an exception basis to essential businesses and/or credit tenants, including supermarkets, pharmacies, medical offices, take-out restaurants, etc. As always, verification that the commercial tenant has been open and operational throughout the pandemic and proof of steady rent collections continue to be required conditions.

If my deal is a Cash-Neutral refi and is being underwritten to 65% LTV/1.40x DSCR, can the P&I Debt Service Reserve (DSR) be reduced to six months without a formal prescreen/exception?

This deal may qualify for an automatic six-month DSR reduction, however there are a few boxes that need to be checked.

Per the most recent COVID-19 DSR Update, you would be able to proceed without a required prescreen/exception if your deal also meets the following criteria:

- Located in a top/standard market (NYC boroughs and Yonkers excluded)
- Residential unit count is greater than 20 units
- The property has no underwritten commercial income
- Trailing six-month rental collections have remained consistent

If one of the above parameters is not met, the loan will default to a 12-month P&I DSR. That being said, an exception may be requested under the standard prescreen/exception process and discussed with the regional SBL teams.

Please refer to the COVID-19 Debt-Service Reserve [guidance](#) and reach out to your regional production teams for any questions!

Happy Holidays

Thank you for your partnership through this rollercoaster year. We truly couldn't have done it without you all. We wish you happy holidays and a safe and healthy new year.





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