

The Small Balance Loan (SBL) offering continues to gain momentum, expanding and building our market share. As we look forward to increased volume and velocity in the coming weeks and months, we have some enhancements and updates to share with you, which we believe will assist you in processing the business and working with the Freddie Mac SBL team.

These updates and documents can be found on the Originate and Underwrite -- SBL Lenders page at the following URL: http://www.freddiemac.com/multifamily/seller_servicer/uw/sbl.html

If you have any questions on the attached, please contact your relationship manager.

SBL Offering Enhancements, Resources and Tools

1. One-Eighth Increments on Premium Buy-Up

SBL Seller/Service providers may now adjust their premium buy-up in 1/8 increments to be more competitive to win business and for additional premium capture. These changes are reflected in the Loan Submission Template (LST).

2. Capturing or Passing-Through Price Reductions *(Please contact your relationship manager with any questions.)*

Effective immediately, when the SBL Seller/Service provider does not pass-through mortgage-rate reductions to the borrower due to low loan-to-value, higher debt-coverage-ratio or yield maintenance prepayment, Freddie Mac and the SBL Seller/Service provider will share the premium when the Seller/Service provider's buy-up is between 2 and 3 percent. If the premium is not an even amount, the SBL Seller will receive the extra basis point. When the SBL Seller/Service provider's premium is over 3 percent, Freddie Mac will capture any additional mortgage premium.

3. Elimination of the Wood-Damaging Pest Inspection

Effective immediately, Freddie Mac will no longer require a wood-damaging pest inspection as contained in the SBL Addendum Section 14.5 e. "Wood-damaging insects" of Chapter 14, "Property Condition Report Requirements." Freddie Mac will continue to require, if available, a certification from the Property's current pest control provider stating that there is no evidence of wood-damaging insect infestation and that the Property is regularly inspected and/or treated to prevent wood-damaging insect infestation.

4. Elimination of the Seismic Inspection

Effective immediately, Freddie Mac has modified our seismic inspection requirements to streamline our process and make it more consistent with other lenders in the market. We have shifted from requiring a Probable Maximum Loss (PML) on properties located in Zones 3 and 4 to the Peak Ground Acceleration (PGA) approach currently used in the industry. Additionally, we are waiving the Seismic Risk Assessment (SRA), unless the property is located in an area in which there is at least a 10 percent probability that the PGA will be greater than or equal to 0.15g in a 50-year period and any of the following high risk characteristics are present at the property, triggering a Level 1 SRA:

- Any property with a Certificate of Occupancy (CO) issued prior to 1980 with residential units above ground floor retail;
- Any property with a CO issued prior to 1980 with tuck-under parking;
- Any wood-framed building built prior to 1950, or
- Unreinforced masonry construction of any era.

5. Inputting Mortgage Information and Rate Stack

We are simplifying the mortgage coupon input and calculation of the rate stack. The SBL Seller/Service provider **no longer needs to use the premium calculator** to generate the buy-up premium or mortgage rate stack.

The input screen below indicates the system enhancements and simplification that should be implemented immediately.

B. LOAN TERMS	
QUOTE SCENARIO #1 (MAIN)	1st Mortgage Perm
Loan Amount:	\$1,500,000
Note Type	Fixed
Hedge Protection	N/A
Final Float	Fixed-to-Float
Lien position	1
Total Term (mos)	240
Final Float Term (mos)	180
Amortization Schedule(mos)	0
Interest-Only Term (in mos)	12
Amort. Schedule after IO Term (mos)	360
Prepay Term (mos)	
Prepay Type (if "Other", elaborate in narrative)	5-4-3-2-1, then 1%
Yield Maintenance with Treasuries Plus:	N/A
	1st Mortgage Perm
Applicable Index Type	5-yr UST
Index Rate (%)	3.000%
Stress Rate	0.000%
Net Spread to Freddie Mac (%)	0.000%
Servicing fee (%)	0.650%
Gross spread (%)	0.650%
Underwritten Note Rate (%)	3.650%
Max Capped Note Rate (%)	0.000%
Interest Calculation:	Actual/360
Delivery Type	Standard Delivery
ERL Funding Timing	N/A
Buy-Down (Fees In) in Dollars	
Buy-Up (Fees Out) in Percentage	2.0%

Now free-form text; you can enter correct floating period (for Hybrid ARMs)

Enter final coupon MINUS .65% (for servicing)

Always 0% going forward. See last callout text.

Always enter .65%. Freddie Mac will calculate additional servicing for you if buy-up is taken that way.

Enter Seller portion of buy-up (i.e., 3% buy-up is entered as 2.5%).

6. Pipeline Manager Tool

- a. **The Tool** (Please contact Steve Malloy with any questions at 703-714-3506 or steven_malloy@freddiemac.com.)

All SBL Seller/Servicers are required to use the SBL Pipeline Manager tool to submit and update their loan pipeline and status information. The application is posted for download/registration for all SBL Seller/Servicer personnel. Training was conducted the week of January 26-30, 2015, and a user manual is now posted on the Freddie Mac SBL Materials page under “Resources.”

- b. **View-only Access**

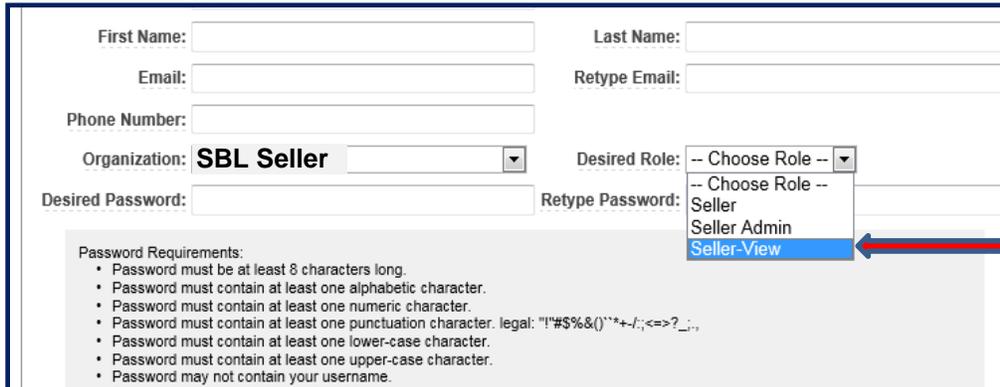
Freddie Mac SBL Production is pleased to announce that the Pipeline Manager tool now allows for a *view-only* access to your pipeline information. This special release is to facilitate the provision of information to internal and select external individuals. Effective immediately, each SBL Seller/Servicer can provide view-only credentials to their pipeline information to individuals inside their organization and authorized persons with their B-piece buyer.

The procedure to provide view access credentials is the same as approving any other individual to access and use the SBL Pipeline Manager tool. The administrator should provide the link to the SBL Pipeline Manager tool and instruct the individuals to request “Seller-View” as the desired role. Once the administrator is prompted, they should approve or modify the requested access to “Seller-View” as shown in the example of the administrator’s screen below.

Also, current users with full-edit ability can be changed to view-only access. Anyone registered as “Seller Admin” can change the user’s assigned role. Seller Admins can make this change in the User Management screen within the tool.

The SBL Pipeline Manager tool can be found on the SBL Materials page under “Resources” or at the following FI Consulting link: <https://sbl.ficonsulting.com/>

Administrator Screen:



The screenshot shows a registration form with the following fields and options:

- First Name:
- Last Name:
- Email:
- Retype Email:
- Phone Number:
- Organization: **SBL Seller** (dropdown menu)
- Desired Role: -- Choose Role -- (dropdown menu with options: Seller, Seller Admin, Seller-View)
- Desired Password:
- Retype Password:

Password Requirements:

- Password must be at least 8 characters long.
- Password must contain at least one alphabetic character.
- Password must contain at least one numeric character.
- Password must contain at least one punctuation character. legal: "!#\$%&()*+,-./:;<=>?_.,
- Password must contain at least one lower-case character.
- Password must contain at least one upper-case character.
- Password may not contain your username.

PLEASE NOTE: FREDDIE MAC HAS ACCESS TO ALL INDIVIDUALS WITH ACCESS TO THE PIPELINE MANAGEMENT TOOL, SO PLEASE DO NOT EXTEND CREDENTIALS BEYOND THOSE REQUIRED TO VIEW THE INFORMATION.

SBL Multifamily Seller/Service Guide Addendum Changes

Chapter 10: Fundamentals of Mortgages, Mortgage Origination and Credit Underwriting

Additions to Chapter 10 are to define the characterization and nature of SBL mortgage purchase transactions and to define the purchase amount. This language is consistent with other Freddie Mac mortgage purchase requirements between the Seller and Freddie Mac.

Form 1104, SBL Physical Risk Report – Version 2.7

An updated version of *Form 1104, Version 2.7*, has been published. The Form has been revised to:

- Section IV: Provide an area for consultants to identify Critical and Priority Repairs in the Radon section.
- Section V: Provide an area to display the Critical and Priority Repairs identified for Radon in Section IV.

SBL Team

New SBL team additions:

Production

- **Christina House, SBL Project Manager**
Christina came to the SBL team in December 2014 to manage offering enhancements, expansions and other SBL projects. Christina may be reached at 703-714-2621 or christina_house@freddiemac.com.
- **Marc Batchelor, SBL Production Manager, Southeast Region**
Marc joined Freddie Mac in January 2015. Please contact Marc should you have production and screening questions for loans in the Mid-Atlantic and Southeast areas. He may be reached at 703-714-2617 or marc_batchelor@freddiemac.com.

Asset Management & Operations (AMO)

- **Jay Kirsch, SBL Relationship Management Manager**
Jay is the point of contact for AMO training and asset management-related questions. He may be reached at 703-714-3414 or jay_kirsch@freddiemac.com.

Underwriting

- **Gerry Lam, Senior Underwriter, Western Region**
Gerry recently started in our Irvine office, focusing on underwriting and inspecting SBL transactions for the Western Region. Gerry may be reached at 949-705-4626 or gerald_lam@freddiemac.com.
- **Jeffrey Jackson, Underwriter, Western Region**
Also working in the Irvine office, Jeffrey started in late November 2014 focusing on SBL underwriting and property inspections. Jeffrey may be reached at 949-705-4624 or jeffrey_jackson@freddiemac.com.
- **Bobby Martin, Underwriting Associate, McLean Headquarters**
Bobby is a recent addition to our McLean underwriting team. He may be reached at 703-714-2908 or robert_martin@freddiemac.com.

Important Reminders

SBL Seller/Service Contact Information:

Please send us any updated SBL contacts to ensure we can provide important and relevant communication to the SBL teams in your firm. Please send information to Christina House at christina_house@freddiemac.com or if you have questions, please call her at 703-714-2621.

Exception Requests *(Please call your relationship manager with any questions.)*

Effective January 2015, all requests for exceptions to program requirements, Seller/Service Guide and SBL Addendum requirements must be provided prior to submission of the ERLA request or the Full Underwriting Package using the SBL Exception Request Form now available on the SBL Materials page under "Resources."