



SBL UPDATE



Jessica Gonzalez
Senior Director
SBL Underwriting & Credit

Our mission of providing liquidity and stability for Small Balance Loans (SBL) remains our focus and will continue to drive our decisions in 2022.

As market conditions continue to improve, we recognize that some previous credit restrictions put in place due to rent stabilization law changes and COVID-19 are no longer necessary. The removal of these credit restrictions will ensure that SBL is competitive in one of the most important markets in need of affordable housing – New York City.

We're excited to announce the changes outlined below, which will help us achieve our goal of providing options to small loan borrowers and will allow our Optigo® lenders to compete more effectively within the NYC market. The changes are effective immediately for all SBL deals that have not rate locked.

RENT STABILIZATION IN NEW YORK

The following credit enhancements have been removed for rent-stabilized deals in New York:

- Hybrid Stress Test – No longer required for properties that solely have greater than 50% rent stabilized units.

February 3, 2022

- Replacement Reserves – The requirement to underwrite replacement reserves to a minimum of \$300/unit is no longer required.

Optigo lenders must continue to closely monitor the condition of rent-stabilized properties as limited rent increases and deregulation options may decrease an owner's incentive to properly maintain a property. NYC resources such as the [Department of Buildings](#) and [Housing Preservation & Development](#) websites must be referenced for potential condition issues. These potential issues, along with other potential items surrounding condition, must be addressed during site inspection, by the engineering report and within the submission of the deal to Freddie Mac.

MARKET OF CONCERN FOR KINGS COUNTY

The Market of Concern designation for Kings County (Brooklyn) has been removed. Removing the designation eliminates the following requirements:

- Decrease the baseline LTV by 5%
- Increase the baseline DSCR of 0.05x
- Additional DSCR adder of 0.05x for properties that have been constructed or substantially renovated in the past three years

Optigo lenders must continue to be mindful of current market conditions in the submarket and should monitor resources such as [Streeteasy.com](#) and [Nooklyn.com](#) for issues such as concessions, vacancies and rent decline. Underwriting should be adjusted accordingly for any conditions observed in the submarket or at the subject property to ensure certainty of execution upon submission of the deal to Freddie Mac.

If you have any questions, please reach out to your Freddie Mac Multifamily representative.

