Multifamily Securitization Forbearance Report

Data as of December 27, 2021

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Report Highlights

- Master servicers on Freddie Mac securitized loans have reported 243 forborne loans totaling $2.1 billion as of December 27. This equates to 0.9% of the total Freddie Mac securitized loan population by loan count and 0.6% of the outstanding securitized unpaid principal balance (UPB).
- In December, nine loans terminated their forbearance agreement and no new loans took forbearance. Since the August 2021 report, 78 loans terminated their forbearance and 17 loans entered into a new forbearance.
- The vast majority of loans, 94.2% by loan count and 94.3% by UPB, whose forbearance period ended in December 2021 or earlier, are currently making payments or have fully repaid their forborne payments.
- There are 74 forborne loans that are in special servicing (0.1% of total securitized UPB) while 48 forborne loans are delinquent (0.1% of total securitized UPB).
- Of the population currently in forbearance that is not delinquent, 93 loans have been granted supplemental forbearance relief.
- Although new forbearance and supplemental relief requests were previously slated to terminate in September 2021, updated guidance has removed the end date allowing eligible borrowers to enter into new agreements until such time as Freddie Mac communicates additional guidance establishing an end date.
- Going forward, we will release these forbearance reports on a quarterly basis using the most recent month of data; therefore, all figures in this paper reflect December 2021 data unless otherwise noted.

Forbearance Overview

Throughout the COVID-19 pandemic, many multifamily properties across the country have recorded rental collection rates that are below pre-pandemic levels which has impacted cash flows, causing some property operators to face difficulties in meeting their debt service obligations. To address this unexpected turbulence in the market, Freddie Mac created a temporary forbearance program to help property operators who have been adversely affected.

Borrowers requesting an initial forbearance of three months must make a written request and provide a delinquency and forbearance report demonstrating the effect of the national COVID-19 emergency on the property's operation and performance. In addition, loans may not have been 30 days or more past due in monthly payment of interest, principal (if applicable), and deposits for Impositions and Reserves (if applicable) prior to the Forbearance Period commencement date. Once the request is approved, the forbearance period will cover up to three consecutive monthly payments. Per guidance released in September 2021, eligible borrowers do not currently have a deadline for which to submit an initial forbearance request.

Freddie Mac's forbearance program also includes supplemental relief options, referred to as Forbearance 2.0 in this report. This additional relief applies to qualified borrowers who currently have forbearance in place, who continue to be impacted by the pandemic and who have a reasonably foreseeable path to returning the property performance to pre-COVID-19 levels.

Previously, the borrower was required to repay the forborne loan payments in no more than 12 equal monthly installments after the forbearance period. Under Forbearance 2.0, for a qualified borrower whose property is still materially adversely affected by the pandemic, a servicer may determine that one of three options would be appropriate:

1. Delaying the start (but not the end) of the repayment period by three months following the end of the forbearance period
2. Extending the repayment period by three or six months
3. Extending the forbearance period by three months with an optional extended repayment period up to 24 months

Servicers will review updated financials provided by the borrower to recommend to the lender whether one of the options is appropriate. In some cases, however, none of the options may be feasible and those loans will be referred to a special servicer for an alternative resolution.

All data presented in this report reflects forbearance data as of December 2021, unless otherwise noted. This report marks the first one under our new quarterly release schedule, wherein we still focus on monthly data but will only release a new report once every three months instead of once every month. Each quarterly release will use the most recent month of data (i.e., March, June, September and December) rather than summarizing findings from the three prior months.

Master servicers of Freddie Mac loans have reported 243 forborne loans for a total of $2.1 billion outstanding UPB, or roughly 0.9% of the total number of securitized loans and 0.6% of the total securitized loan UPB.

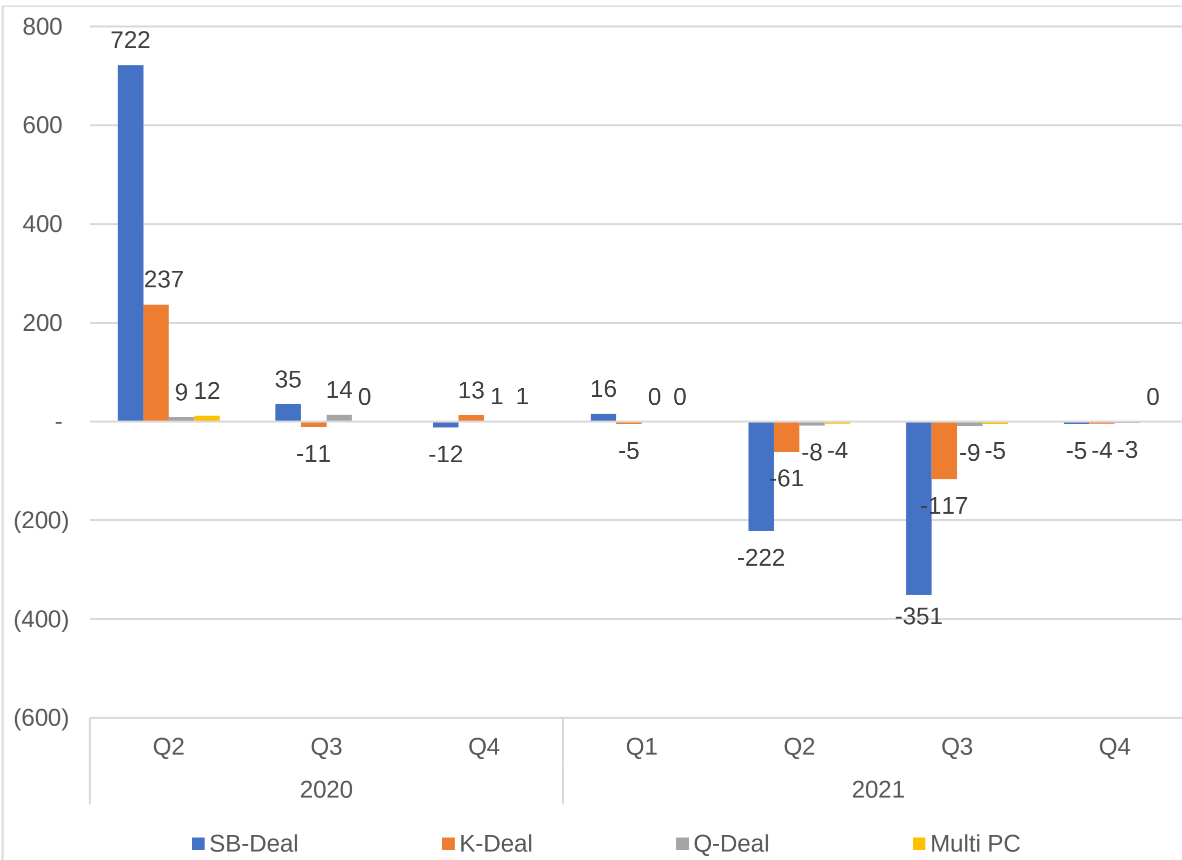
Forbearance Loan Characteristics

Basic Characteristics

As of December 27, master servicers reported 243 Freddie Mac securitized loans that are either in their forbearance period or repayment period[1], representing roughly 0.9% of our total securitized loan population. This equates to $2.1 billion of outstanding UPB and represents 0.6% of our total securitized UPB. Of the 243 forborne loans, only three loans are still in their forbearance period and those borrowers are therefore not obligated to make debt service or forbearance payments at this time.

Exhibit 1 shows the quarterly change for the volume of forborne loans, measured using monthly data at the end of the quarter. In September 2021 (end of Q3), there were 255 forborne loans indicating that there was a net change of -12 loans compared with 243 forborne loans reported in December (end of Q4). This change can be obtained by summing the 2021 Q4 values in Exhibit 1.

Exhibit 1: Quarterly Change in Forbearance Loans



Source: Freddie Mac. Excludes loans that have paid off.

[1] Nineteen of the loans in this population are not in Freddie Mac's COVID-19 forbearance program anymore but are instead in a separate forbearance program administered by a special servicer. Because a portion of the forborne amounts originally came from the COVID-19 forbearance program, we still include them in our forbearance loan population.

Exhibit 2 provides a snapshot of loans still in forbearance as of December 2021, showing that most forborne loans are in SB-Deals®. Of the 243 forborne loans in December, 75% are SB-Deal loans which make up roughly 24% of the forborne UPB.

Exhibit 2: Forbearance Loans by Deal

		K-Deal®	SB-Deal®	Q-Deal℠	Multi PC®
Count	Forborne Loans	52	183	4	4
	Total Loans	15,237	9,704	1,235	961
	Percent of Loans Forborne	0.3%	1.9%	0.3%	0.4%
UPB	Forborne Loans	$1.1B	$488M	$17.9M	$410M
	Total Loans	$320B	$24.9B	$3.2B	$17.9B
	Percent of Loans Forborne	0.4%	2.0%	0.6%	2.3%

Source: Freddie Mac

Forbearance 2.0

There are 48 forborne loans reported as delinquent. Of those, 46 loans are in special servicing.

There are 1,171 loans that took forbearance between April 2020 and September 2021 whose three-month forbearance period ended in December 2021 or earlier, broken out in Exhibit 3. As the three-month forbearance program came to an end for those loans, the borrower would have been required to resume monthly debt service payments along with a monthly payment of one-twelfth of the forborne debt service amount, unless the forbearance was terminated or the borrower was approved for additional relief through Forbearance 2.0.

There are 931 loans, not including loans that have completely paid off their UPB, that were reported as having terminated forbearance, which indicates that they have repaid all their forborne payments and have no remaining advanced principal and interest payments (P&I).[2] There were 93 loans granted supplemental relief through Forbearance 2.0,[3] including 29 K-Deal® loans, 62 SB-Deal loans, one Q-Deal℠ loan and one Multi PC® loan. This equates to 7.9% of the forborne population by loan count and 9.9% by UPB.

There are 48 forborne loans that are delinquent[4] as of the determination date used to populate the December trustee reports[5], representing 5.0% of the forborne population by UPB. In addition, there are 74 forborne loans that are in special servicing, 46 of which are currently delinquent. The vast majority of loans in special servicing are SB-Deal loans (66), however, even within the SB universe, special servicing is very low; only 0.7% of all SB-Deal loans are forborne loans in special servicing.

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[2] Reporting of these loans will differ across master servicers. Some will report these in the LPU as forborne but current with no advances on P&I, whereas others will remove the forborne modification code.
[3] This does not include delinquent loans.
[4] Delinquent loans include loans that are 60 or more days late on debt service payments. This figure also includes one loan that is real estate owned (REO) and one non-performing matured loan. There is one delinquent loan not included in our report because the forbearance agreement on the loan has been terminated.
[5] Freddie Mac forbearance loans are not considered delinquent while the borrower is subject to and in compliance with the terms of a forbearance agreement. If a borrower fails to comply with the terms of the agreement, however, the loan then is considered delinquent as of the date of the first forborne payment.

Exhibit 3: Forbearance Update

		Terminated	Additional Relief Approved	Additional Relief in Process	Current or <30 Day	Delinquent	Total
Count	K-Deal	224	29	0	20	3	**276**
	SB-Deal	677	62	0	76	42	**857**
	Q-Deal	20	1	0	2	1	**24**
	Multi PC	10	1	0	1	2	**14**
	Total	931	93	0	99	48	**1,171**
UPB (in Millions)	K-Deal	$3,739	$576	$0	$511	$52.0	**$4,877**
	SB-Deal	$1,782	$160	$0	$219	$100.0	**$2,261**
	Q-Deal	$58.9	$12.5	$0	$2.1	$3.3	**$76.8**
	Multi PC	$308	$36.3	$0	$136	$238	**$717**
	Total	**$5,887**	**$785**	**$0**	**$868**	**$392.8**	**$7,933**

Source: Freddie Mac. Totals may not sum to total due to rounding. This population represents the forborne loan population that had September 2021 or earlier forborne start dates.

94.2% by loan count and 94.3% by UPB of forborne loans whose forbearance period has ended are currently making their debt service payments and forbearance repayments or have completely repaid their forborne payments.

Of the 1,171 loans that ended their forbearance period in December 2021 or earlier, 99 are current or less than 30 days late (seen in Exhibit 3). This subpopulation has been declining over time but has done so in tandem with a decline in delinquencies and an increase in terminated loans.

Of all non-terminated forborne loans that had their original forbearance period end in December 2021 or earlier, 71.7% are currently paying – meaning that 28.3% are less than 30 days late, delinquent, or in an extended forbearance period and not required to pay at this time. Adding the number of terminated loans, 94.2% by loan count and 94.3% by UPB are paying or have repaid their forborne amount; both of these rates are record highs.

Monthly Trends

While our analysis for this report focuses on December 2021 data, forbearance results from October and November provide insight on recent trends.

December's forborne loan tally of 243 is lower than October's and November's counts of 273 and 252, respectively, reflecting a decreasing forbearance population as more and more loans exit the program. The delinquent forborne population is experiencing a similar trend, dropping from 65 in October to only 48 by December. Over this three-month period, there have been 17 new loans taking forbearance with all but one doing so in October. Twelve of these loans were associated with a single sponsor.

Supplemental forbearance requests are becoming less common. In December, no Forbearance 2.0 requests were in process and all 102 loans with an existing Forbearance 2.0 agreement had the same status in November, indicating that December did not have any new agreements.[6]

Student and Seniors Housing

Given the nature of the pandemic, not every segment of the population has been affected equally. Exhibit 4 breaks out the current forborne population by student housing and seniors housing – two of the hardest hit asset classes.

[6] These figures include delinquent Forbearance 2.0 loans.

Exhibit 4: Forbearance Loans by Product Type

		Student	Seniors
Count	Forborne Loans	12	19
	Total Loans	547	646
	Percent of Loans Forborne	2.2%	2.9%
UPB	Forborne Loans	$182M	$313M
	Total Loans	$10.4B	$14.3B
	Percent of UPB Forborne	1.7%	2.2%

Source: Freddie Mac

Summary

The population of loans with a forbearance agreement is steadily decreasing. While some loans will stay in forbearance repayment until 2023 or possibly even later, we expect that a large majority of loans will exit the program much sooner. In recent months, very few loans have started a new forbearance agreement, and no new forbearances were started in December. The current landscape of high rents and low vacancy is a boon for property operators generally, although these same factors contribute to many renters facing a growing affordability challenge.