Multifamily Securitization Forbearance Report

Data as of February 25, 2021

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Report Highlights

- Master servicers on Freddie Mac securitized loans have reported 1,180 forborne loans totaling $7.5 billion as of February 25. This equates to 2.2% of the outstanding securitized unpaid principal balance (UPB) and 4.5% of the total Freddie Mac securitized loan population by loan count.
- In February, there was a net increase of one loan in forbearance, with 15 loans terminating forbearance and 16 new loans in forbearance.
- A higher percentage of the forborne loans are Small Balance Loans (SBL), at 74.7% by loan count, but 31.2% by UPB.
- A majority of loans, 77.4% by loan count and 86.9% by UPB, whose forbearance period ended in February or earlier, are currently making payments or have fully repaid their forborne payments.
- There are 80 forborne loans that are in special servicing: 68 in SB-Deals®, 11 in K-Deals®, and one in a Q-Deal℠. This population of forborne loans in special servicing represents 0.3% of all securitized loans, with the SB-Deal® portion representing 0.7% of all SB-Deal loans.
- 93 forborne loans are delinquent, representing $332 million in UPB (0.1% of total securitized UPB).
- Of the population currently in forbearance that is not delinquent, there are 118 loans that have been granted, or in the process of obtaining, supplemental forbearance relief, including 32 K-Deal® loans, 82 SB-Deal loans, one Q-Deal loan and three Multi PC℠ loans.
- Of the total $7.5 billion of forborne loans, 11.2% by UPB are student housing and 12.2% are seniors housing facilities.
- Only 1.6% of all the forborne loans mature in 2021, indicating the forbearance repayment requirements are not expected to impact balloon risk significantly.
- Per new guidance published in March, new forbearance and supplemental relief requests will now be accepted through June 30, 2021.

Economic and Multifamily Impact Overview

COVID-19 continues to have a profound economic impact across the country. Weekly initial jobless claims have declined substantially from their mid-March 2020 high of 6.6 million down to 745,000 as of the week ending February 27. However, it is worth noting that this number is still very high relative to the two years prior to the pandemic, when the weekly number of initial claims never exceeded 250,000.

The number of COVID-19 cases across the country continued to decline in February, while the rate of vaccination is steadily increasing. These are encouraging signs that provide hope for the multifamily industry and the broader economy; however, the jobless rate remains elevated, which may impact tenants' ability to pay rent without sufficient government support.

The unemployment rate fell to 6.2% in February 2021 – much lower than April's peak of 14.7%, but still far above the pre-pandemic rate of 3.5%. Regarding rent collections, the National Multifamily Housing Council reported that by the end of February, 93.5% of renters made a full or partial rent payment, which is up slightly from January but 1.6 percentage points below the rate in February 2020.[1]

The American Rescue Plan Act of 2021 was signed into law on March 11, 2021 and provides $1.9 trillion of support for the U.S. economy, including $26 billion in rental assistance. Many industry stakeholders believe and hope that this bill will provide critical support for the rental market through direct grants and stimulus checks.

Forbearance Overview

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. Once the request is approved, the forbearance period will cover up to three consecutive monthly payments. Per new guidance released in March, borrowers now have until June 30, 2021 to submit an initial forbearance request with the latest start date of June 1, 2021.

On June 29, 2020, Freddie Mac updated its forbearance relief program to provide servicers with supplemental relief options (referred to as Forbearance 2.0 in this report), which now also have a requested deadline of June 30. This applies to qualified borrowers who currently have forbearance in place and continue to be impacted by the pandemic, and who have a reasonably foreseeable recovery of performance to that existing prior to the impacts of COVID-19.

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.

[1] This reporting is specific to properties using property management software and likely is most relevant to larger, institutional-type properties, whereas smaller multifamily properties may have different results.

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.

Master servicers of Freddie Mac loans have reported 1,180 forborne loans for a total of $7.5 billion outstanding UPB, or roughly 2.2% of total securitized loan UPB and 4.5% of the total number of loans.

Forbearance Loan Characteristics

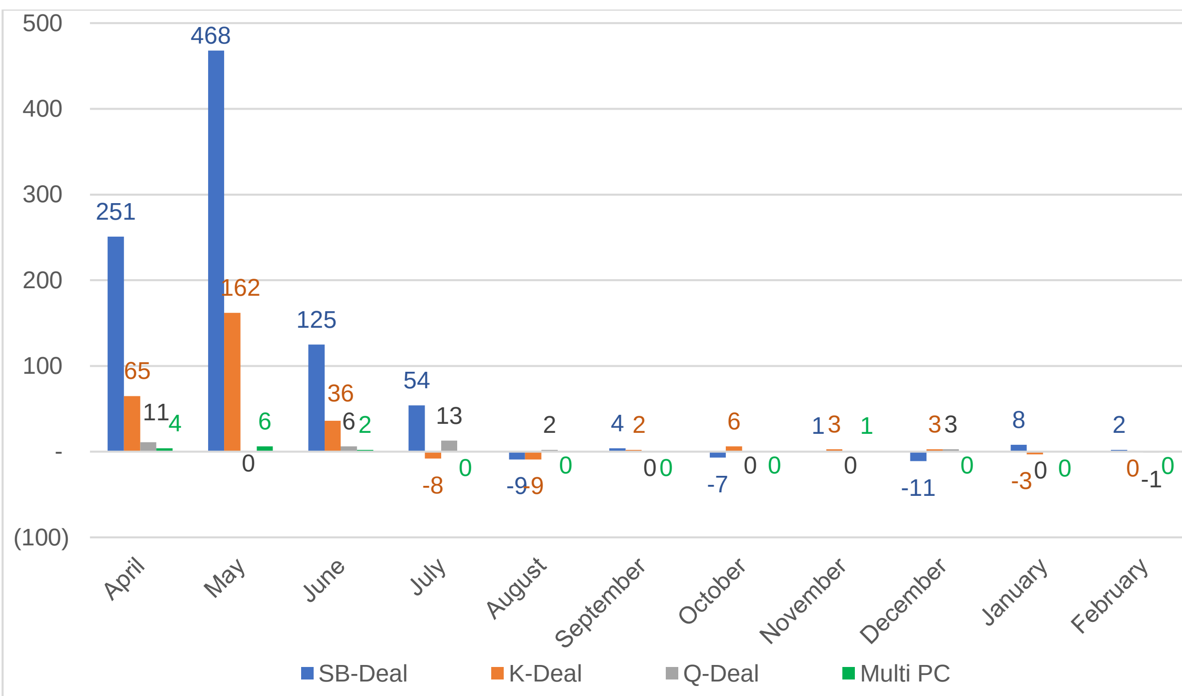
Basic Characteristics

As of February 25, master servicers reported 1,180 forborne Freddie Mac securitized loans, or roughly 4.5% of our total securitized loan population. This equates to $7.5 billion of outstanding UPB and represents 2.2% of our total securitized UPB. Of the 1,180 forborne loans, 38 loans are still in their forbearance period and are therefore not obligated to make debt service or forbearance payments at this time.

This data is sourced from our four master servicers, including Freddie Mac, and encompasses only loans that have been approved for forbearance. It does not include loans for which forbearance has terminated. Terminated refers to loans that have repaid all forborne amounts in full either during the three-month forbearance period or after the forbearance period and are no longer considered forborne loans.

Exhibit 1 shows the monthly change for the volume of forborne loans. In February, 15 loans terminated their forbearance and 16 new loans entered forbearance. This net change of one loan can be obtained by summing the February values in Exhibit 1.

Exhibit 1: Monthly Change in Forbearance Loans



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

The average UPB of forborne loans in February is relatively small at around $6.4 million, whereas the average loan size in the overall securitized portfolio is $13.0 million. This is largely due to a higher percentage of SB-Deal loans requesting forbearance, as seen in Exhibit 2. Each unit in properties with small balance loans represents a greater proportion of overall cash flows, which would have a greater impact on the borrower's ability to make mortgage payments if tenants were unable to pay rent. The SBL program also typically finances properties with fewer amenities, making them more affordable to tenants that are more likely to be economically impacted by the pandemic.

Exhibit 2: Forbearance Loans by Deal

		K-Deal®	SB-Deal®	Q-Deal℠	Multi PC℠
Count	Forborne Loans	253	881	33	13
	Total Loans	14,569	9,299	1,402	674
	Percent of Loans Forborne	1.7%	9.5%	2.4%	1.9%
UPB	Forborne Loans	$4.4B	$2.3B	$131M	$583M
	Total Loans	$296B	$23.9B	$3.5B	$12.6B
	Percent of Loans Forborne	1.5%	9.8%	3.7%	4.6%

Source: Freddie Mac

Nearly half of all securitized, pooled deals have at least one loan that has been granted forbearance.

Forbearance of Securitized Deals

The forborne loan population is dispersed across 212 different pooled securitizations (excluding Multi PC transactions), representing 45.2% of all securitized pool deals. However, that percentage is skewed heavily toward SB-Deals; 86.6% of all SB-Deals have at least one forborne loan compared with 35.4% of all K-Deals. We continue to see a higher concentration among SB-Deals since an outsized portion of renters in these properties have been economically impacted by the pandemic. On average, the percentage of forborne loans within a securitized deal is 5.0% of the total pool by loan count and 4.8% by deal UPB. Exhibit 3 breaks out the top 15 of each of the K-Deals and SB-Deals by percent of forborne loans.

Exhibit 3: Percentage of Forbearance by Deal

K-Deal	Total Loan Count	Total UPB ($ Millions)	% Forbearance (by Count)	% Forbearance (by UPB)	SB-Deal	Total Loan Count	Total UPB ($ Millions)	% Forbearance (by Count)	% Forbearance (by UPB)
KS03	51	$849	62.7%	67.8%	SB68	186	$514	20.4%	28.2%
KX04FL	8	$123	12.5%	30.4%	SB18	22	$41	18.2%	27.9%
KF19	12	$183	16.7%	29.7%	SB9	82	$216	17.1%	26.0%
KF41	9	$258	22.2%	24.8%	SB63	175	$481	14.3%	20.7%
KX01	6	$97	16.7%	19.7%	SB11	21	$32	14.3%	19.5%
KS06	41	$551	24.4%	18.6%	SB60	211	$585	19.0%	19.4%
KF26	8	$133	12.5%	18.0%	SB30	94	$215	14.9%	19.3%
KLU2	6	$288	16.7%	15.6%	SB52	187	$473	18.2%	18.4%
KX03	29	$414	17.2%	15.4%	SB28	100	$194	20.0%	18.0%
KF15	11	$190	9.1%	13.1%	SB20	77	$174	11.7%	16.9%
KX04FX	31	$409	16.1%	11.0%	SB33	75	$141	17.3%	16.5%
KP05	13	$126	7.7%	10.3%	SB22	56	$142	16.1%	16.4%
KF56	18	$619	11.1%	10.0%	SB45	118	$285	16.1%	16.3%
KF30	9	$166	11.1%	10.0%	SB32	119	$250	16.0%	15.0%
KF08	7	$152	14.3%	9.9%	SB61	205	$555	12.2%	14.8%

Source: Freddie Mac. Deals with fewer than five outstanding loans were excluded from the table above.

Forborne loans generally mature later than loans not in forbearance. Only 1.6% of forborne loans mature in 2021, while 7.0% have maturity dates in 2022 or 2023, for a total of 8.7% maturing before 2024. This compares with 13.4% for loans not in forbearance.[2] Given these findings, we do not expect the forbearance pay-back requirements to impact balloon risk significantly.

Forbearance 2.0

In late June 2020, Freddie Mac introduced Forbearance 2.0, which requires the applicable servicer, upon borrower request, to review the unique facts and circumstances with respect to the borrower and property to determine whether (1) COVID-19 continues to be the underlying cause of the impairment of performance, and (2) the supplemental options (to adjust the forbearance period and/or payback period), if any, would provide a reasonably foreseeable recovery of performance of the property to that existing prior to the impacts of COVID-19. The selection of which option ultimately is at the discretion of the lender, through the master servicer.

There are 1,269 loans that took forbearance in between April and November, whose three-month forbearance period ended in February or earlier, broken out in Exhibit 4. 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 supplemental relief was approved.

There are 126 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).[3]

There are 93 forborne loans reported as delinquent. Of those, 75 loans are in special servicing.

There were 118 loans granted, or in the process of obtaining, supplemental relief through Forbearance 2.0,[4] including 32 K-Deal loans, 82 SB-Deal loans, one Q-Deal loan and three Multi PC loans. This equates to 9.3% of the forborne population by loan count and 14.4% by UPB. These loans are still captured in the forbearance population for reporting purposes since they have not terminated their forbearance obligations.

There are 93 loans for $332 million that started forbearance in November or earlier and are considered 90+ days delinquent[5] as of the determination date used to populate the February trustee reports.[6] These 93 loans in February had no supplemental relief in process or approved and did not resume payment of the scheduled debt service plus one-twelfth of the forborne payment. This population represents 7.3% by loan count of the forborne population and 4.0% by UPB. However, relative to the entire population of active securitized loans, the forborne delinquency rate is only 0.1% by UPB. In addition, the vast majority of loans in delinquency are SB-Deal loans, with only 13 loans (14.0%) coming from all other types of securitized deals.

[2] A slight modification in January 2021 to the methodology for the maturity analysis resulted in small differences between this report and previous ones.
[3] 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.
[4] This does not include delinquent loans.
[5] Two SB-Deal loans and one Q-Deal loan were reported as 60-89 days delinquent but are included in our delinquency count.
[6] 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.

There are 80 forborne loans that are in special servicing, 75 of which are currently delinquent. The vast majority of loans in special servicing are SB-Deal loans (68), however, even within the SB universe, special servicing is rare; only 0.7% of all SB-Deal loans are in special servicing.

Exhibit 4: Forbearance Update

		Terminated	Additional Relief Approved	Additional Relief in Process	Current or <30 Day	90+ Days Delinquent	Total
Count	K-Deal	44	31	1	201	9	**286**
	SB-Deal	81	81	1	696	80	**939**
	Q-Deal	1	1	0	25	4	**31**
	Multi PC	0	3	0	10	0	**13**
	Total	**126**	**116**	**2**	**932**	**93**	**1,269**
UPB (in Millions)	K-Deal	$873	$690	$10.1	$3,462	$133	**$5,168**
	SB-Deal	$215	$214	$6.7	$1,876	$183	**$2,495**
	Q-Deal	$10.2	$7.9	$0	$85.2	$16.6	**$120**
	Multi PC	$0	$275	$0	$308	$0	**$583**
	Total	**$1,099**	**$1,187**	**$16.8**	**$5,731**	**$332**	**$8,366**

Source: Freddie Mac. May not sum to total due to rounding. This population represents the forborne loan population that had November or earlier forborne start dates. Note, two K-Deal loans noted as delinquent represent one property that was in special servicing before forbearance.

77.4% by loan count and 86.9% by UPB of forborne loans whose forbearance period has ended are currently making their debt service and forbearance repayments or have completely repaid their forborne payments.

There were 1,269 loans that ended their forbearance period in February or earlier, as seen in Exhibit 4. Of these loans, 932 are current or less than 30 days late (which do not have an amended Forbearance 2.0 agreement or one in process), which can be seen in Exhibit 5 by summing "Current" and "Loan Status A/B/1" columns. Meanwhile, 116 loans have a Forbearance 2.0 amendment. Only 43 loans (3.4%) had their forbearance period extended three months, while six loans (0.5%) delayed the start to the forbearance repayments. Only two loans have additional relief in process but were not finished by the determination date.

Of all non-terminated forborne loans that had their forbearance period end in February or earlier, 74.9% are currently paying (meaning that 25.1% are less than 30 days late, delinquent or are still in the forbearance period). In terms of UPB, this equates to 84.9%. Adding the number of terminated loans, 77.4% by loan count and 86.9% by UPB are paying or have repaid their forborne amount.

Exhibit 5: Current and Forbearance 2.0 Status

		No Forbearance 2.0			Forbearance 2.0		
		Current	Loan Status A/B/1[7]	Additional Relief Pending	6-month Additional Repayment	Delayed Start	Forbearance Extended
Count	K-Deal	187	14	1	11	2	18
	SB-Deal	543	153	1	56	3	22
	Q-Deal	17	8	0	0	1	0
	Multi PC	10	0	0	0	0	3
	Total	**757**	**175**	**2**	**67**	**6**	**43**
UPB (in Millions)	K-Deal	$3,294	$167	$10.1	$337	$25.3	$328
	SB-Deal	$1,489	$387	$6.7	$140	$9.2	$65.0
	Q-Deal	$63.6	$21.7	$0	$0	$7.9	$0
	Multi PC	$308	$0	$0	$0	$0	$275
	Total	**$5,155**	**$576**	**$16.8**	**$477**	**$42.4**	**$668**

Source: Freddie Mac. May not sum to total due to rounding. This population represents the forborne loan population that had November or earlier forborne start dates and have since ended their initial forbearance three-month term and are not terminated nor delinquent.

Of important note, Exhibit 5 only considers amendment status without regard to where a loan is in the forbearance 2.0 period. For example, there are six loans that currently have a forbearance agreement (that is, have not been terminated) that took the delayed start option. However, all six of these loans are past the delayed start period and are thus obligated to make forbearance payments.

Student and Seniors Housing

Given the nature of the pandemic, not every segment of the population has been affected equally. Exhibit 6 breaks out the product type by student housing and seniors housing – two of the hardest hit asset classes. Of the $7.5 billion in forborne loans, 11.2% are student housing properties and 12.2% are seniors housing facilities.

Yardi Matrix reports that overall enrollment at universities fell by -2.5% in 2020, and that preleasing for student housing in the fall of 2020 was 89% – down five percentage points from 2019 levels. However, rent growth remains positive at 2% year over year as of September 2020. The rate of preleasing for the fall of 2021 is below trend but is expected to significantly rebound in the coming months. Meanwhile, seniors housing has faced heavy headwinds in the past year. Reis reports that vacancy increased to 15.9% in the fourth quarter of 2020, up from 10% at the end of 2019.

[7] Status A is when the payment is not yet due or less than 10 days delinquent. Status B is when payment is late but less than 30 days. Status 1 is when the payment is late by between 30 and 59 days.

The forbearance population will likely remain elevated in the coming months. However, the passage of the new $1.9 trillion stimulus package that includes rental assistance should help the multifamily market get on more firm footing.

Exhibit 6: Forbearance Loans by Product Type

		Student	Seniors
Count	Forborne Loans	46	57
Count	Total Loans	589	755
Count	Percent of Loans Forborne	7.8%	7.5%
UPB	Forborne Loans	$840M	$912M
UPB	Total Loans	$11.0B	$16.4B
UPB	Percent of UPB Forborne	7.6%	5.6%

Source: Freddie Mac

Summary

The population of loans currently with a forbearance agreement remained essentially flat in February. However, the number of loans in forbearance is expected to stay elevated in the near-term since loans, by design, stay in forbearance until all payments are made, which is generally at least a year. For loans that took forbearance in April of 2020, their final repayment date is June of 2021, if they did not take Forbearance 2.0.

In recent months, very few loans have started a new forbearance agreement which is an encouraging sign. Recent economic data shows that labor market conditions are improving but at a slow pace, which could be a cause for concern for the multifamily industry, but not yet a reality reflected in the data. The passage of new $1.9 trillion stimulus should help to jump start the economic recovery and should help renters stay current or catch up on rent, although many will undoubtedly still struggle.