Multifamily Securitization Forbearance Report

Data as of January 25, 2021

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Report Highlights

- Master servicers on Freddie Mac securitized loans have reported 1,179 current forborne loans totaling $7.5 billion as of January 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 January, there was a net decrease of eight loans in forbearance, with 18 loans terminating forbearance and 10 new loans in forbearance.
- A higher percentage of the forborne loans are Small Balance Loans (SBL), at 74.6% by loan count, but 31.0% by UPB.
- A majority of loans, 76.4% by loan count and 80.3% by UPB, whose forbearance period ended in January or earlier, are currently making payments or have fully repaid their forborne payments.
- There are 79 forborne loans that are in special servicing: 70 in SB-Deals®, eight 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 0.8% of all SB-Deal loans.
- Ninety-nine forborne loans are delinquent, representing $377 million in UPB (0.1% of total securitized UPB).
- There were 112 loans granted, or in the process of obtaining, supplemental forbearance relief, including 31 K-Deal® loans, 78 SB-Deal loans, one Q-Deal loan, and two Multi PC℠ loans.
- Of the total $7.5 billion of forborne loans, 11.2% by UPB are student housing and 12.0% are seniors housing facilities.
- Only 2.0% 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 December, new forbearance and supplemental relief requests will now be accepted through March 31, 2021.

Economic and Multifamily Impact Overview

COVID-19 continues to have a profound economic impact across the country. Weekly initial jobless claims have moderated from their mid-March 2020 high of 6.6 million and are now consistently below 900,000. In the week ending January 30, there were 779,000 initial claims which is lower than in any of the previous eight weeks. 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 has declined for most of January but remains high and continues to negatively impact the economy. Consequently, the jobless rate remains high, which may impact tenants' ability to pay rent without sufficient government support. The unemployment rate fell to 6.3% in January 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 January, 93.2% of renters made a full or partial rent payment, which is the lowest rate of the pandemic.[1]

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 December, borrowers now have until March 31, 2021 to submit an initial forbearance request with the latest start date of March 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 request deadline of March 31. 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 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.

[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.

Forbearance Loan Characteristics

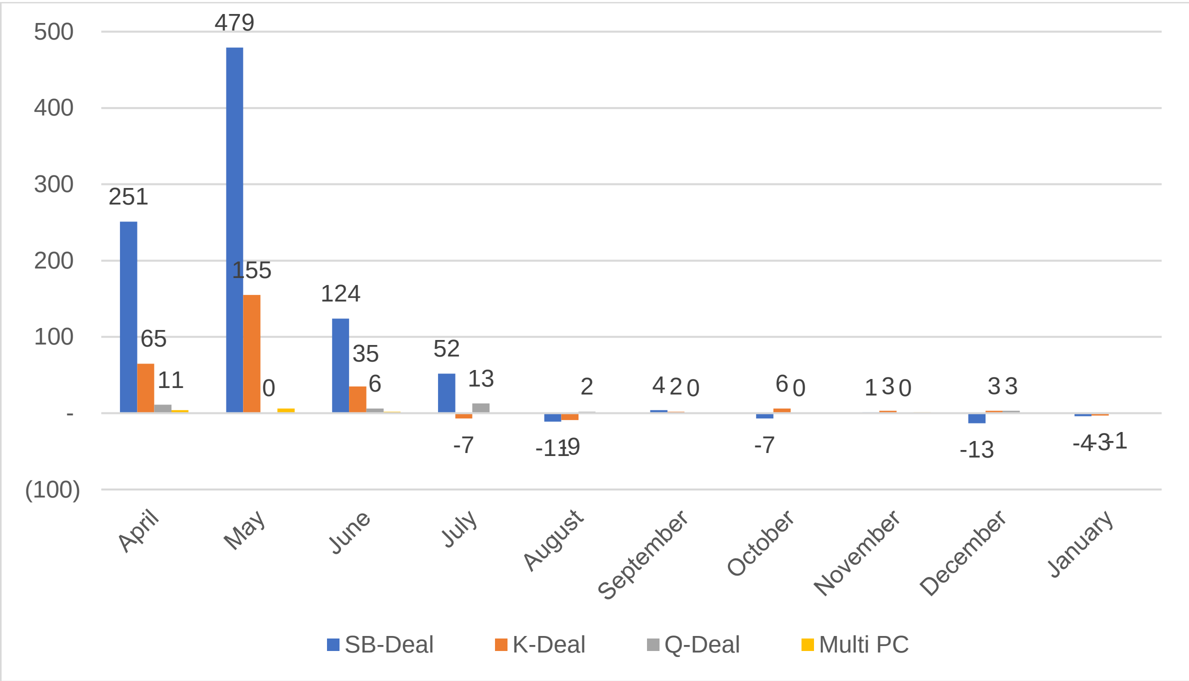
Basic Characteristics

Master servicers of Freddie Mac loans have reported 1,179 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.

As of January 25, master servicers reported 1,179 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. 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 January, 18 loans terminated their forbearance and 10 new loans entered forbearance. This net change of -8 loans can be obtained from summing the January 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 January is relatively small at around $6.4 million, whereas the average loan size in the overall securitized portfolio is $12.9 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. 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	879	34	13
	Total Loans	14,555	9,270	1,435	639
	Percent of Loans Forborne	1.7%	9.5%	2.4%	2.0%
UPB	Forborne Loans	$4.5B	$2.3B	$141M	$583M
	Total Loans	$295B	$23.9B	$3.6B	$12.0B
	Percent of Loans Forborne	1.5%	9.8%	3.9%	4.8%

Source: Freddie Mac

Forbearance of Securitized Deals

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

The forborne loan population is dispersed across 215 different pooled securitizations (excluding Multi PC transactions), representing 45.7% of all securitized pool deals. However, that percentage is skewed heavily toward SB-Deals; 88.9% of all SB-Deals have at least one forborne loan compared with 36.3% 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 4.9% of the total pool by loan count and 4.7% 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	$851	62.7%	67.8%	SB68	191	$527	20.4%	27.9%
KX04FL	8	$123	12.5%	30.4%	SB18	23	$43	17.4%	26.6%
KF19	12	$183	16.7%	29.7%	SB9	92	$237	16.3%	25.5%
KF41	9	$258	22.2%	24.9%	SB63	178	$488	14.0%	20.4%
KS06	41	$551	24.4%	18.6%	SB60	211	$585	19.0%	19.4%
KX01	7	$114	14.3%	16.8%	SB30	95	$217	14.7%	19.2%
KLU2	6	$288	16.7%	15.6%	SB28	102	$196	19.6%	17.6%
KX03	29	$414	17.2%	15.4%	SB52	188	$475	17.6%	17.3%
KF26	9	$189	11.1%	12.6%	SB33	75	$142	17.3%	16.5%
KF15	14	$224	7.1%	11.2%	SB22	56	$142	16.1%	16.4%
KX04FX	31	$409	16.1%	11.0%	SB11	23	$39	13.0%	16.3%
KP05	13	$126	7.7%	10.3%	SB20	80	$184	11.3%	16.0%
KF56	18	$619	11.1%	10.0%	SB61	208	$562	12.5%	15.2%
KF30	9	$166	11.1%	10.0%	SB45	122	$296	14.8%	15.0%
KF08	7	$152	14.3%	9.9%	SB32	121	$257	15.7%	14.7%

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 2.0% of forborne loans mature in 2021, while 7.0% have maturity dates in 2022 or 2023, for a total of 8.9% maturing before 2024. This compares with 13.9% for loans not in forbearance.[2] Given these findings, we do not expect the forbearance payback requirements to impact balloon risk significantly.

[2] This month, we slightly modified the methodology for the maturity analysis, thus resulting in small differences between this report and previous ones.

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 1,278 loans that took forbearance in October 2020 or earlier.[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 supplemental relief was approved.

Exhibit 4 shows the breakout of forborne loans whose three-month forbearance period came to an end in January or earlier. There are 129 loans, not including loans that have completely paid off, 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).[4]

There were 112 loans granted, or in the process of obtaining, supplemental relief through Forbearance 2.0,[5] including 31 K-Deal loans, 78 SB-Deal loans, one Q-Deal loan and two Multi PC loans. This equates to 8.8% of the forborne population by loan count and 13.8% by UPB. These loans are still captured in the forbearance population for reporting purposes since they have not terminated their forbearance obligations.

There are 99 forborne loans reported as delinquent. Of those, 71 loans are in special servicing.

There are 99 loans for $377 million that started forbearance in October or earlier and are considered 90+ days delinquent[6] as of the determination date used to populate the January trustee reports.[7] This represents 7.7% by loan count of the forborne population and 4.5% by UPB. Unlike the prior two months, there was a small net decrease in the number of delinquent loans. These 99 loans in January 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.

There are 79 forborne loans that are in special servicing, 71 of which are currently delinquent. The vast majority of these loans (70) are SB-Deal loans, however, even within the SB universe, special servicing is rare. Indeed, only 0.8% of all SB-Deal loans are in special servicing.

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[3] This total may not match the past monthly forbearance reports due to delay in timing or canceled forbearance requests.
[4] 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.
[5] This does not include delinquent loans.
[6] Two SB-Deal loans and two K-Deal loans were reported as 60-89 days delinquent but are included in our delinquency count.
[7] 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 4: Forbearance Update

		Terminated	Additional Relief Approved	Additional Relief in Process	Current or <30 Day	Delinquent	Total
Count	K-Deal	40	30	1	203	11	**285**
	SB-Deal	88	77	1	702	81	**949**
	Q-Deal	1	1	0	23	7	**32**
	Multi PC	0	2	0	10	0	**12**
	Total	**129**	**110**	**2**	**938**	**99**	**1,278**
UPB (in Millions)	K-Deal	$796	$671	$25.0	$3,504	$166	**$5,162**
	SB-Deal	$232	$204	$2.7	$1,905	$181	**$2,525**
	Q-Deal	$0.7	$7.9	$0	$81.6	$30.6	**$121**
	Multi PC	$0	$238	$0	$308	$0	**$547**
	Total	**$1,029**	**$1,122**	**$27.7**	**$5,799**	**$377**	**$8,355**

Source: Freddie Mac. May not sum to total due to rounding. This population represents the forborne loan population that had August or earlier forborne start dates. Note, two K-Deal loans noted as delinquent represent one property that was in special servicing before forbearance. Two loans in the Current of <30 Day category are between 30 and 59 days late but are not considered delinquent.

76.4% by loan count and 80.3% 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.

The current or less-than-30-day population makes up 73.4% of forborne loans or 69.4% of UPB. In Exhibit 5, we take a closer look at what makes up that category as well as the breakout of Forbearance 2.0 additional relief. Of the current or less-than-30-day population, 150 of those loans were status B in January, which identifies loans that are late on their payment but not 30 days past due (shown in Exhibit 5 as Loan Status A/B/1, which includes two loans with status 1). This represents around 11.7% of loans whose forbearance ended in January or earlier, which is up from last month's rate of 6.8%.

The overall delinquency remains low; of all forborne loans that had their forbearance period start in October 2020 or earlier, just 7.7% were delinquent. Similarly, the forborne delinquency rate when compared with all active securitized loans is only 0.1% by UPB. The vast majority of loans in delinquency are SB-Deal loans, with only 18.2% coming from all other types of securitized deals.

Loans that are making both their debt service and forbearance repayments are either classified as current or approved for a six-month repayment extension, which allows the borrower to repay the forborne amount over 18 months instead of 12 months. That population makes up 66.4% of loans by count or 68.0% of loans by UPB whose forbearance period ended in January or earlier. When terminated loans are included, the population of loans that are currently making payments or have repaid all their forborne payments is 76.4% by loan count and 80.3% by UPB.[8] Both of these rates are slightly lower than what was reported in November and December of 2020.

Only 3.3% of loans had their forbearance period extended three months, while 0.5% delayed the start to the forbearance repayments (but are currently making the regularly scheduled debt service payments). Meanwhile only two loans have additional relief in process but were not finished by the determination date.

[8] Additional Relief Pending may include loans that have made a payment per their trustee report but are not included in our calculation of loans that are currently making their payments until the pending relief was finalized.

Exhibit 5: Current and Forbearance 2.0 Status

					Forbearance 2.0		
		Current	Loan Status A/B/1[9]	Additional Relief Pending	6-month Additional Repayment	Delayed Start	Forbearance Extended
Count	K-Deal	198	5	1	11	2	17
	SB-Deal	561	141	1	51	3	23
	Q-Deal	17	6	0	0	1	0
	Multi PC	10	0	0	0	0	2
	Total	**786**	**152**	**2**	**62**	**6**	**42**
UPB (in Millions)	K-Deal	$3,406	$97.5	$25.0	$337	$25.4	$309
	SB-Deal	$1,429	$476	$2.7	$128	$9.2	$66.7
	Q-Deal	$72.6	$9.0	$0	$0	$7.9	$0
	Multi PC	$308	$0	$0	$0	$0	$238
	Total	**$5,216**	**$583**	**$27.7**	**$466**	**$42.4**	**$614**

Source: Freddie Mac. May not sum to total due to rounding. This population represents the forborne loan population that had October 2020 or earlier forborne start dates and have since ended their initial forbearance three-month term and are not terminated nor delinquent.

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 12.0% are seniors housing facilities.

Rent and occupancy rates for student housing are not favorable but are not as bad as many industry analysts feared early in the pandemic. Seniors housing, on the other hand, has faced heavy headwinds in the past year. The National Investment Center for Senior Housing and Care (NIC) reports that fourth quarter 2020 seniors housing occupancy was 80.9%, down about 670 bps from the fourth quarter of last year and down 130 bps from last quarter. Reis reports that net absorptions for 2020 came in at -73,000 units – the first negative annual absorption since at least 2013.

There were 56 seniors housing loans forborne as of January, or roughly $902 million in terms of UPB, for 5.5% of the total population of Freddie Mac Seniors Housing Loans.

[9] 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 population has been slowly shrinking in the past few months, and new stimulus packages that include 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	56
	Total Loans	599	762
	Percent of Loans Forborne	7.7%	7.3%
UPB	Forborne Loans	$841M	$902M
	Total Loans	$11.1B	$16.5B
	Percent of UPB Forborne	7.6%	5.5%

Source: Freddie Mac

Summary

January is the fourth consecutive month where the total number of forborne loans decreased, but the rate of decrease is rather small. However, this is expected since loans, by design, stay in forbearance until all payments are made, which is generally at least a year. For the past few months, very few loans are starting a new forbearance agreement which is an encouraging sign. Recent economic data shows that labor market conditions are stagnating which could be a cause for concern for the multifamily industry, but not yet a reality reflected in the data. However, the recent passage of new stimulus and the prospect of additional stimulus are bright spots in the economic recovery and should help renters stay current or catch up on rent, although many will undoubtedly still struggle.