Multifamily Securitization Forbearance Report

Data as of August 25, 2021

Research
Steve Guggenmos
(571) 382-3520
steve_guggenmos@freddiemac.com

Sara Hoffmann
(571) 382-5916
sara_hoffmann@freddiemac.com

Kevin Burke
(571) 382-4144
kevin_burke@freddiemac.com

Investor Relations
Luba Kim-Reynolds
(212) 418-8879
luba_kim-reynolds@freddiemac.com

Report Highlights

- Master servicers of Freddie Mac securitized loans have reported 304 forborne loans totaling $2.3 billion as of August 25. This equates to 0.6% of the outstanding securitized unpaid principal balance (UPB) and 1.1% of the total Freddie Mac securitized loan population by loan count.
- In August, 63 loans terminated their forbearance agreement, and no new loans took forbearance – a first for the COVID-19 forbearance program.
- A high proportion of loans, 89.6% by loan count and 91.7% by UPB, whose forbearance period ended in August or earlier, are currently making payments or have fully repaid their forborne payments.
- There are 83 forborne loans that are in special servicing: 72 in SB-Deals®, 10 in K-Deals® and one in a Q-Deal℠.
- 83 forborne loans are delinquent, representing $283 million in UPB (0.1% of total securitized UPB).
- Of the population currently in forbearance that is not delinquent, there are 105 loans that have been granted, or are in the process of obtaining, supplemental forbearance relief.
- Per guidance published in June, new forbearance and supplemental relief requests will now be accepted through September 30, 2021.

Forbearance Overview

During the COVID-19 pandemic, rampant job losses acutely affected renters and their ability to pay rent. The National Multifamily Housing Council estimates that, by the end of August 2021, 93.7% of renters made a full or partial rent payment, which is down 210 basis points from August 2019 and also down 80 basis points from July 2021.[1] These lower collection rates have impacted cash flows across the country, causing some property operators to face difficulties in meeting their debt service obligations. To address this unexpected turbulence in the market, in March 2020 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 June 2021, borrowers now have until September 30, 2021 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.

[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

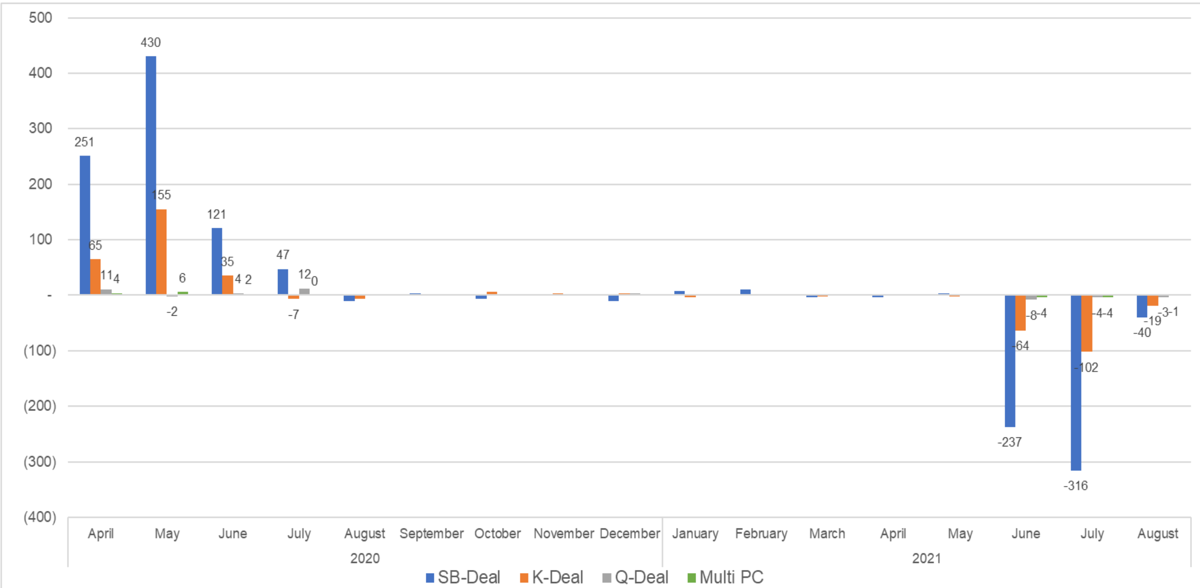
Basic Characteristics

As of August 25, master servicers reported 304 forborne Freddie Mac securitized loans[2], or roughly 1.1% of our total securitized loan population. This equates to $2.3 billion of outstanding UPB and represents 0.6% of our total securitized UPB. Of the 304 forborne loans, only five 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 monthly change for the volume of forborne loans. In August, 63 loans terminated their forbearance (meaning that they repaid all forborne amounts in full) and no new loans entered forbearance. This change of 63 loans can be obtained by summing the August values in Exhibit 1.[3]

Master servicers of Freddie Mac loans have reported 304 forborne loans for a total of $2.3 billion outstanding UPB, or roughly 0.6% of the total securitized loan UPB and 1.1% of the total number of loans.

Exhibit 1: Monthly Change in Forbearance Loans



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

There was a sizable number of terminations in August, but fewer than in June and July. The prior rate of loans terminating was not sustainable since the forbearance population shrank so much over the summer. In fact, the number of forborne loans is currently about 73% lower than it was in May of 2021.

[2] Six 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.

[3] This net change does not match the change in the number of forborne loans reported last month because we no longer count loans that have completely paid off.

Exhibit 2 provides a snapshot of loans still in forbearance, showing that most forborne loans are in SB-Deals.

Exhibit 2: Forbearance Loans by Deal

		K-Deal®	SB-Deal®	Q-Deal℠	Multi PC®
Count	Forborne Loans	58	229	13	4
	Total Loans	15,270	9,619	1,236	815
	Percent of Loans Forborne	0.4%	2.4%	1.1%	0.5%
UPB	Forborne Loans	$1.2B	$580M	$47.1M	$410M
	Total Loans	$317B	$24.7B	$3.1B	$15.3B
	Percent of Loans Forborne	0.4%	2.3%	1.5%	2.7%

Source: Freddie Mac

There are 83 forborne loans reported as delinquent. Of those, 75 loans are in special servicing.

Forbearance 2.0

There are 1,235 loans that took forbearance between April 2020 and May 2021 whose three-month forbearance period ended in August 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 936 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).[4] There were 105 loans granted, or in the process of obtaining, supplemental relief through Forbearance 2.0,[5] including 29 K-Deal loans, 70 SB-Deal loans, three Q-Deal loans and three Multi PC® loans. This equates to 8.5% of the forborne population by loan count and 13.1% by UPB.

There are 83 forborne loans that are delinquent[6] as of the determination date used to populate the August trustee reports[7], representing 3.5% of the forborne population by UPB. The number of delinquent forborne loans decreased from July and is at its lowest level since November 2020.

There are 83 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 (72), however, even within the SB universe, special servicing is very low; only 0.7% of all SB-Deal loans are in special servicing.

[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] Delinquent loans include loans that are 60 or more days late on debt service payments. This figure also includes three loans that are real estate owned (REO) and one non-performing matured loan.
[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 3: Forbearance Update

		Terminated	Additional Relief Approved	Additional Relief in Process	Current or <30 Day	Delinquent	Total
Count	K-Deal	230	29	0	19	7	**285**
	SB-Deal	681	69	1	84	74	**909**
	Q-Deal	15	3	0	8	2	**28**
	Multi PC	10	3	0	0	0	**13**
	Total	936	104	1	111	83	**1,235**
UPB (in Millions)	K-Deal	$3,871	$583	$0	$470	$109	**$5,033**
	SB-Deal	$1,825	$178	$4.9	$224	$170	**$2,402**
	Q-Deal	$42.5	$24.2	$0	$18.5	$4.4	**$89.6**
	Multi PC	$308	$274	$0	$0	$0	**$582**
	Total	**$6,046**	**$1,059**	**$4.9**	**$713**	**$283**	**$8,106**

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

89.6% by loan count and 91.7% 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.

Of the 1,235 loans that ended their forbearance period in August 2021 or earlier, 111 are current or less than 30 days late (seen in Exhibit 3). An additional 936 loans have terminated their forbearance and 105 loans have been granted or are in the process of obtaining additional relief. In this way, the number of loans that are current or less than 30 days late declined sharply from last month, which is reflective of a large number of loans terminating their forbearance and not an indicator of more loans missing payments (as corroborated by the low delinquency rate).

Of all non-terminated forborne loans that had their forbearance period end in August 2021 or earlier, 56.9% are currently paying, meaning that 43.1% are less than 30 days late, delinquent or are still in the forbearance period. Although this percentage is down slightly over the past few months, the lower payment rate is not reflective of an increase in loans not paying, but instead reflects a rising number of terminated loans removed from this statistic. In other words, the numerator and denominator both dropped drastically and by almost the same amount. Adding the number of terminated loans, 89.6% by loan count and 91.7% by UPB are paying or have repaid their forborne amount.

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 product type by student housing and seniors housing – two of the hardest hit asset classes.

Exhibit 4: Forbearance Loans by Product Type

		Student	Seniors
Count	Forborne Loans	16	19
	Total Loans	565	742
	Percent of Loans Forborne	2.8%	2.6%
UPB	Forborne Loans	$201M	$315M
	Total Loans	$10.9B	$16.4B
	Percent of UPB Forborne	1.9%	1.9%

Source: Freddie Mac

Summary

The population of loans with a forbearance agreement continued to decrease in August, but at a slower pace compared with June and July (which was to be expected given the unsustainable rate of population shrinkage). While some loans will stay in forbearance repayment until 2023 or possibly even later, 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 August – a first for the program. Although some renters may continue to struggle in the near-term, generally the outlook for the industry is positive.