Multifamily Securitization Forbearance Report

Data as of December 28, 2020

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Report Highlights

- Master servicers on Freddie Mac securitized loans have reported 1,187 current forborne loans totaling $7.6 billion as of December 28. This equates to 2.3% of the outstanding securitized unpaid principal balance (UPB) and 4.6% of the total Freddie Mac securitized loan population by loan count.
- In December, there was a net decrease of 24 loans in forbearance, with 43 loans terminating forbearance and 19 new loans in forbearance.
- A majority of loans, 80.7% by loan count and 83.7% by UPB, whose forbearance period ended in December or earlier, are currently making payments or have fully repaid their forborne payments.
- There are 71 forborne loans that are in special servicing, and 101 forborne loans that are delinquent. Of these delinquent loans, 58 are in special servicing and 43 are not. The total balance of delinquent forborne loans is $367 million.
- A higher percentage of the forborne loans are Small Balance Loans (SBL), at 74.4% by loan count, but 30.9% by UPB. Since these properties have fewer units, each tenant experiencing stress has a larger impact on the overall property performance.
- Of the total $7.6 billion of forborne loans, 11.1% by UPB are student housing and 11.9% are seniors housing facilities.
- Forbearance requests are distributed across the country in 39 states and the District of Columbia. The top states are New York, Texas, California, Maryland and Florida.
- Only 1.7% of all the forborne loans have maturity dates before 2022, indicating the forbearance repayment requirements are not expected to impact balloon risk significantly.
- Per new guidance published in December, new and supplemental forbearance requests will now be accepted through March 31, 2021. The previous deadline was December 31, 2020.

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 pretty consistently below 900,000. However, there are recent signs of this rate accelerating; the number of claims in the week ending January 9 was 965,000 – the highest since mid-August. Meanwhile, continued unemployment claims across all federal and state assistance programs remain elevated at 18.4 million.

The unemployment rate remained flat for December 2020 following seven consecutive months of decline, and currently sits at 6.7% as of December – much lower than April's peak of 14.7%, but still far above the pre-pandemic rate of 3.5%. However, there was a net loss of 140,000 jobs in December, primarily the result of the leisure and hospitality sector shedding 498,000 jobs.

The number of COVID-19 cases across the country has spiked in the last three months which has slowed the economic recovery. Consequently, the jobless rate remains high, which may impact tenants' ability to pay rent without sufficient government support.

The National Multifamily Housing Council reported that, by the end of December, 93.8% of renters made a full or partial rent payment, which is on par with the prior month but about a percentage point below the rates in September and August.[1]

On December 27, a new COVID-19 stimulus package, known as the Coronavirus Response and Relief Supplemental Appropriations Act, 2021, was passed into law. The bill includes another round of stimulus checks and $25 billion in aid to state and local governments for rental assistance programs. In addition, the Centers for Disease Control and Prevention eviction moratorium that was originally slated to end in December has been extended through the end of January.[2] This new bill revives hope of a continued economic recovery, as many economists worried that the economy could slide into a deeper recession without additional aid. Although the impact on the rental market remains unclear, increased aid should mitigate some of the rental payment issues currently experienced by renters and landlords across the country.

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 a forbearance request.

On June 29, 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 borrower

[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.
[2] As of January 20, this has been extended to March 31, 2021.

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.

Master servicers of Freddie Mac loans have reported 1,187 forborne loans for a total of $7.6 billion outstanding UPB, or roughly 2.3% of total securitized loan UPB and 4.6% of the total number of loans.

Servicers will review updated financials provided by the borrower to determine 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.

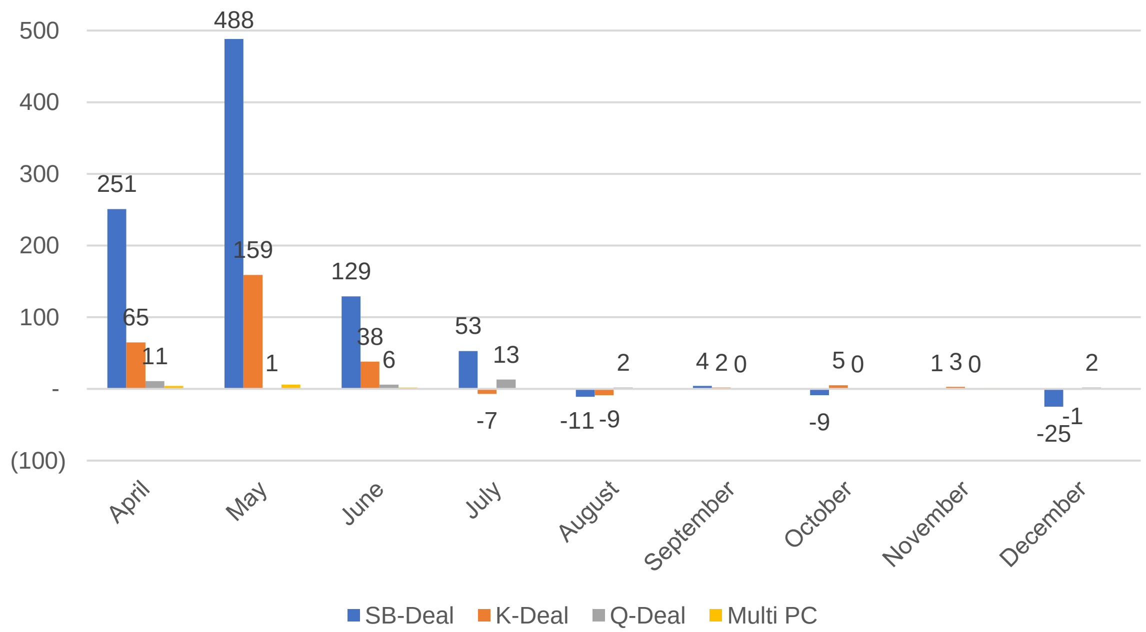
Forbearance Loan Characteristics

Basic Characteristics

As of December 28, the master servicers reported 1,187 forborne Freddie Mac securitized loans, or roughly 4.6% of our total securitized loan population. This equates to $7.6 billion of outstanding UPB and represents 2.3% 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 December, 43 loans terminated their forbearance and 19 new loans entered forbearance. This net change of -24 loans can be obtained from summing the December 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 December is relatively small at around $6.4 million, whereas the average loan size in the overall securitized portfolio is $12.8 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	256	883	35	13
	Total Loans	14,448	9,234	1,469	590
	Percent of Loans Forborne	1.8%	9.6%	2.4%	2.2%
UPB	Forborne Loans	$4.5B	$2.3B	$144M	$583M
	Total Loans	$292B	$23.8B	$3.7B	$10.4B
	Percent of Loans Forborne	1.5%	9.9%	3.9%	5.6%

Source: Freddie Mac

Roughly 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 217 different pooled securitizations (excluding Multi PC℠ transactions), representing 46.7% of all securitized pool deals. However, that percentage is skewed heavily toward SB-Deals; 90.0% of all SB-Deals® have at least one forborne loan compared with 37.3% 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 4.8% of the total pool by loan count and 4.6% 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	$852	62.7%	67.8%	SB68	192	$528	20.3%	27.8%
KX04FL	8	$123	12.5%	30.4%	SB18	24	$44	16.7%	26.0%
KF19	12	$184	16.7%	29.7%	SB9	93	$242	16.1%	25.0%
KF41	9	$259	22.2%	24.9%	SB63	179	$495	14.5%	20.6%
KS06	41	$552	24.4%	18.6%	SB60	214	$591	18.7%	19.2%
KX01	7	$114	14.3%	16.8%	SB30	95	$217	14.7%	19.2%
KLU2	6	$288	16.7%	15.6%	SB28	103	$198	19.4%	17.5%
KX03	29	$415	17.2%	15.4%	SB52	189	$477	17.5%	17.3%
KF26	9	$189	11.1%	12.6%	SB20	80	$184	12.5%	17.1%
KX04FX	31	$410	16.1%	11.0%	SB22	56	$143	16.1%	16.4%
KF15	15	$241	6.7%	10.4%	SB11	23	$39	13.0%	16.3%
KF30	9	$166	11.1%	10.0%	SB61	210	$565	12.9%	15.5%
KF56	18	$619	11.1%	10.0%	SB33	79	$153	16.5%	15.3%
KF08	7	$152	14.3%	9.9%	SB45	122	$296	14.8%	15.0%
KX03SL	11	$27	9.1%	9.4%	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 1.7% of forborne loans have a maturity date before 2022, while 7.2% have maturity dates between 2022 and 2023, for a total of 8.9% maturing before 2024. This compares with 14.8% for loans not in forbearance. 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 confirm that (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.

There are 1,288 loans that took forbearance in September 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 December or earlier. There are 132 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 are 101 forborne loans reported as 90+ days delinquent. Of those, 25 loans are in special servicing.

There were 120 loans granted, or in the process of obtaining, supplemental relief through Forbearance 2.0.[5] This represents 9.3% of loans, or 13.7% of UPB, that ended their forbearance period and were granted or are working on additional relief. These loans are still captured in the forbearance population for reporting purposes since they have not terminated their forbearance obligations.

There are 101 loans for $367 million that started forbearance in September or earlier and are considered 90+ days delinquent[6] as of the determination date used to populate the December trustee reports.[7] This represents 7.8% by loan count of the forborne population and 4.4% by UPB, and is the second consecutive month of a sizable increase in delinquent loans (from 40 in October and 72 in November). These 101 loans in December 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.

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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 one K-Deal loan 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.

There are 71 forborne loans that are in special servicing, 58 of which are currently delinquent. The vast majority of these loans (63) are SB-Deal loans, however, even within the SB universe, special servicing is rare. Indeed, 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	Delinquent	Total
Count	K-Deal	42	31	1	207	8	**289**
	SB-Deal	89	79	5	694	87	**954**
	Q-Deal	1	2	0	24	6	**33**
	Multi PC	0	2	0	10	0	**12**
	Total	**132**	**114**	**6**	**935**	**101**	**1,288**
UPB (in Millions)	K-Deal	$804	$678	$4.7	$3,557	$140	**$5,183**
	SB-Deal	$240	$207	$11.9	$1,877	$207	**$2,543**
	Q-Deal	$0.7	$11.7	$0	$91.5	$20.2	**$124**
	Multi PC	$0	$238	$0	$308	$0	**$547**
	Total	**$871**	**$1,135**	**$16.6**	**$5,834**	**$367**	**$8,397**

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. Three loans in the Current of <30 Day category are between 30 and 59 days late but are not considered delinquent.

72.6% by loan count and 69.5% 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 72.6% of forborne loans or 69.5% 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, 88 of those loans were status B in December, 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 three loans with status A and three loans with status 1). This represents around 6.8% of loans whose forbearance ended in December or earlier, which is down from last month's rate of 9.4%.

In the past few months, we have seen a high transition rate of status B loans to current, although the rate is moderating. Among loans that were status B in November, 34.8% moved to current status by December. This pace of conversion is encouraging but lags the last few months; among status B loans in October, 58.9% were current in November, while 43.8% of September status B loans moved to current in October.

An unusually high number of recent status B loans moved to delinquent status in December. Specifically, 28.1% of Status B loans in November became delinquent in December, which is higher than the previous month's rate of 17.4%. However, it is important to note that the overall delinquency remains low; of all forborne loans that had their forbearance period end in September or earlier, just 7.8% were delinquent. Similarly, the forborne delinquency rate when compared with all active securitized loans is only 0.4%. The vast majority of loans in delinquency are SB-Deal loans, with only 13.9% 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 70.4% of loans by count or 71.3% of loans by UPB whose forbearance period ended in September or earlier. When terminated loans are included, the population of loans that are currently making payments or have repaid all their forborne payments is 80.7% by loan count and 83.7% by UPB.[8] Both of these rates are in line with November's report.

Only 3.3% of loans had their forbearance period extended three months, while 0.4% delayed the start to the forbearance repayments (but are currently making the regularly scheduled debt service payments). Meanwhile only six loans (0.6%) have additional relief in process but were not finished by the determination date.

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	204	3	1	11	2	18
	SB-Deal	612	82	5	55	2	22
	Q-Deal	18	6	0	0	1	1
	Multi PC	7	3	0	0	0	2
	Total	**841**	**94**	**6**	**66**	**5**	**43**
UPB (in Millions)	K-Deal	$3,527	$30.1	$4.7	$338	$25.4	$315
	SB-Deal	$1,654	$223	$11.9	$141	$5.4	$60.1
	Q-Deal	$82.0	$9.6	$0	$0	$7.9	$3.8
	Multi PC	$246	$62.1	$0	$0	$0	$238
	Total	**$5,509**	**$325**	**$16.6**	**$479**	**$39**	**$617**

Source: Freddie Mac. May not sum to total due to rounding. This population represents the forborne loan population that had September 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 $7.6 billion in forborne loans, 11.1% are student housing properties and 11.9% 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. According to data from RealPage, average December occupancy for student housing properties across the country is down about -3.4 percentage points year over year, while effective rent is down about -2.6%.[10]

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[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.
[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.
[10] Based on Freddie Mac's tabulations of RealPage data.

The forbearance population will likely remain elevated in the coming months. However, the population has been slowly shrinking in the past few months, and with new stimulus recently passed that includes rental assistance, the multifamily market should be on more firm footing.

Seniors housing facilities are also being closely monitored because of the vulnerability of those residents. The National Investment Center for Senior Housing and Care (NIC) recently released their Market Performance Report for the fourth quarter, in which they found 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. The current occupancy rate is the lowest on record, and NIC expects that occupancy rates will fall even further in the first quarter. However, annual rent growth is still positive as of the fourth quarter at 1.5%.

There were 56 seniors housing loans forborne as of December, or roughly $903 million in terms of UPB, for 5.5% of the total population of Freddie Mac Seniors Housing Loans.

Exhibit 6: Forbearance Loans by Product Type

		Student	Seniors
Count	Forborne Loans	46	56
	Total Loans	603	761
	Percent of Loans Forborne	7.6%	7.4%
UPB	Forborne Loans	$842M	$903M
	Total Loans	$11.2B	$16.4B
	Percent of UPB Forborne	7.5%	5.5%

Source: Freddie Mac

Summary

December is the third consecutive month where the total number of forborne loans decreased, and this level of decrease (24 loans) is the largest since the inception of the COVID-19 forbearance program. Labor market conditions are substantially better compared with earlier in the pandemic, but December's job losses are a potential sign for concern. As renters remain out of work, this will cascade down to renter and landlord finances. However, the passage of new stimulus is a bright spot in the economic recovery and should help renters stay current or catch up on rent, although many will undoubtedly still struggle. Despite the decreasing number of forborne loans, we still anticipate the forbearance population will remain elevated since loans, by design, stay in forbearance until all payments are made, which is generally at least a year.