Multifamily Securitization Forbearance Report

Data as of July 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 on Freddie Mac securitized loans have reported 367 forborne loans totaling $2.8 billion as of July 25. This equates to 0.8% of the outstanding securitized unpaid principal balance (UPB) and 1.4% of the total Freddie Mac securitized loan population by loan count.
- In July, there was a net decrease of 446 loans in forbearance, with 450 loans terminating forbearance and four new loans in forbearance.
- Like in June, the net decrease in forborne loans was substantial. This is due to a large number of loans making their final forbearance payments in July, consistent with their forbearance agreement repayment terms.
- A high proportion of loans, 87.7% by loan count and 93.3% by UPB, whose forbearance period ended in July or earlier, are currently making payments or have fully repaid their forborne payments.
- There are 88 forborne loans that are in special servicing: 71 in SB-Deals®, 16 in K-Deals® and one in a Q-Deal℠.
- 95 forborne loans are delinquent, representing $348 million in UPB (0.1% of total securitized UPB).
- Of the population currently in forbearance that is not delinquent, there are 106 loans that have been granted, or are in the process of obtaining supplemental forbearance relief, including 28 K-Deal loans, 71 SB-Deal loans, three Q-Deal loans and three Multi PC® loans.
- 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 has consistently reported that rental collection rates during the pandemic lag behind pre-pandemic levels. By the end of July 2021, they estimate that 94.9% of renters made a full or partial rent payment, which is down 170 basis points (bps) from July 2019 and also down 70 bps from June 2021.[1]

Lower collection rates and monthly rental rates among new and renewal leases 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, 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

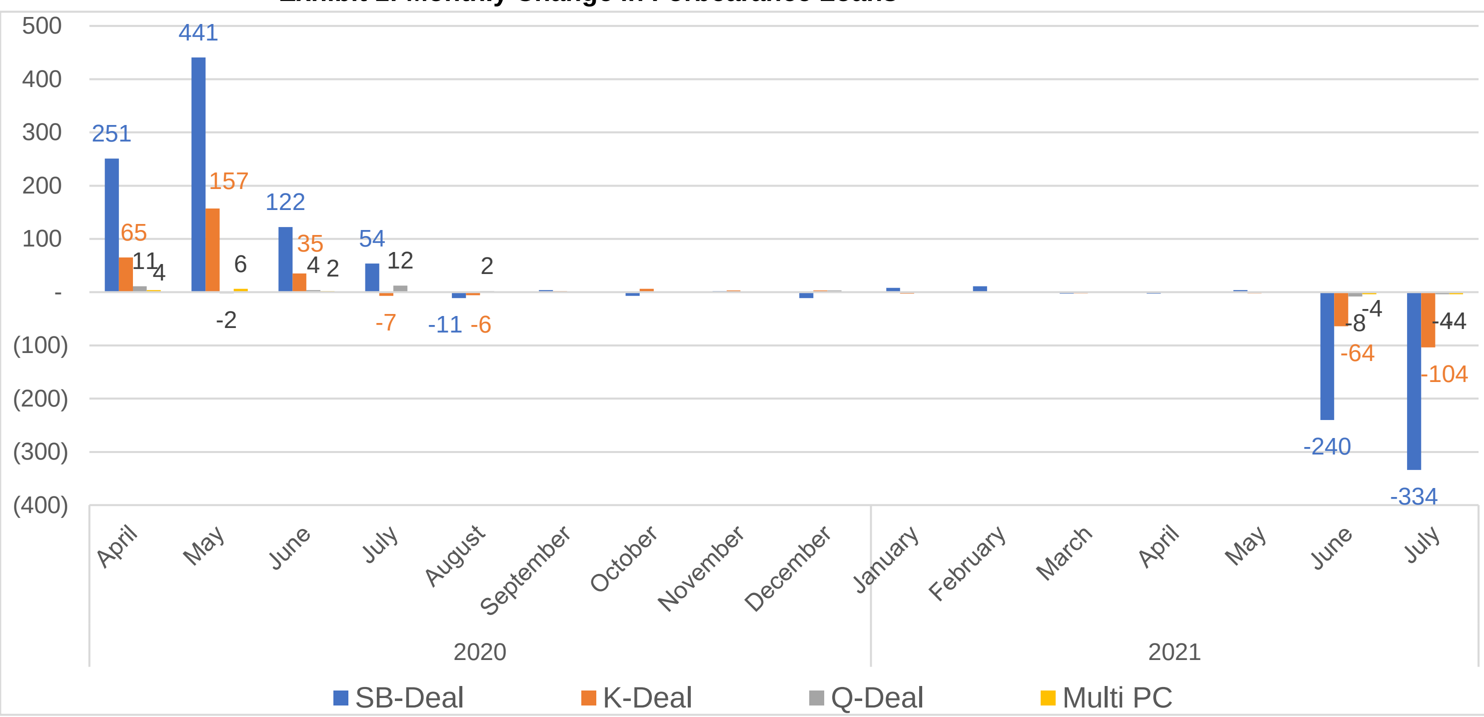
Master servicers of Freddie Mac loans have reported 367 forborne loans for a total of $2.8 billion outstanding UPB, or roughly 0.8% of total securitized loan UPB and 1.4% of the total number of loans.

As of July 25, master servicers reported 367 forborne Freddie Mac securitized loans[2], or roughly 1.4% of our total securitized loan population. This equates to $2.8 billion of outstanding UPB and represents 0.8% of our total securitized UPB. Of the 367 forborne loans, eight loans are still in their forbearance period and those borrowers 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 June, 450 loans terminated their forbearance and four new loans entered forbearance. This net change of 446 loans can be obtained by summing the July values in Exhibit 1.[3]

Exhibit 1: Monthly Change in Forbearance Loans



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

The number of loans currently in forbearance is substantially lower than it was in June due to the high number of July terminations. Of the 1,267 outstanding loans that took forbearance from April

[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.

2020 to July 2021[4], 548 (43.3%) took forbearance in May 2020. Most of these loans have completely repaid their forborne amounts, either early or on time, thus leading to the wave of pay-offs in July – their final month of forbearance repayment. We observed this same phenomenon last month when there was a net decrease of 333 forborne loans.

Of the loans still in forbearance, most are in SB-Deals as seen in Exhibit 2. Across all deal types, the number of forborne loans is expected to continue falling the next few months as more loans reach their final month of forbearance repayment.

Exhibit 2: Forbearance Loans by Deal

		K-Deal®	SB-Deal®	Q-Deal℠	Multi PC®
Count	Forborne Loans	77	269	16	5
	Total Loans	15,182	9,559	1,281	800
	Percent of Loans Forborne	0.5%	2.8%	1.2%	0.6%
UPB	Forborne Loans	$1.6B	$686M	$56.9M	$438M
	Total Loans	$317B	$24.6B	$3.2B	$15.0B
	Percent of Loans Forborne	0.5%	2.8%	1.8%	2.9%

Source: Freddie Mac

23% 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 117 different pooled securitizations (excluding Multi PC transactions), representing 23.2% of all securitized pool deals. However, that percentage is skewed heavily toward SB-Deals; 67.8% of all SB-Deals have at least one forborne loan compared with 12.7% of all K-Deals.

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	48	$831	20.8%	27.7%	**SB26**	55	$138	10.9%	10.4%
KF26	7	$110	14.3%	21.6%	**SB65**	193	$538	8.8%	8.9%
KF41	7	$213	14.3%	19.5%	**SB28**	91	$176	8.8%	8.5%
KF15	10	$177	10.0%	13.9%	**SB52**	180	$449	7.2%	8.4%
KF25	11	$157	9.1%	12.6%	**SB39**	55	$134	7.3%	8.2%
KF19	9	$142	11.1%	11.2%	**SB31**	69	$176	5.8%	7.4%
KJ07	11	$52	18.2%	11.2%	**SB13**	73	$168	5.5%	7.3%
KF32	10	$237	10.0%	7.1%	**SB14**	59	$162	6.8%	7.0%
KJ10	23	$91	4.3%	6.4%	**SB51**	172	$417	7.0%	6.8%
KF56	17	$593	5.9%	6.2%	**SB16**	77	$167	6.5%	6.7%
K731	53	$1,186	1.9%	6.1%	**SB50**	141	$375	7.1%	6.3%
KS06	41	$547	12.2%	6.0%	**SB64**	144	$376	4.9%	6.2%
K018	66	$897	3.0%	5.9%	**SB60**	204	$563	7.8%	6.1%
K054	79	$1,381	2.5%	4.8%	**SB25**	66	$128	6.1%	6.0%
K042	78	$1,305	1.3%	4.7%	**SB46**	147	$396	4.1%	5.8%

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

[4] This includes all loans that have taken forbearance since the inception of the program and that still have a loan balance as of June 2021. We do not consider loans that have taken forbearance that have completely repaid the principal amount as of July 2021.

Forbearance 2.0

There are 1,259 loans that took forbearance between April 2020 and April 2021 whose three-month forbearance period ended in July 2021 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 the borrower was approved for additional relief through Forbearance 2.0.

There are 900 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).[5] This month marks the end of the 15-month period starting in May 2020 when a large share of loans entered into a forbearance agreement. For a forborne loan, the first three months refer to the period that the loan is in forbearance, while the subsequent 12 months refers to the repayment period (assuming Forbearance 2.0 is not taken).

There were 106 loans granted, or in the process of obtaining, supplemental relief through Forbearance 2.0,[6] including 28 K-Deal loans, 72 SB-Deal loans, three Q-Deal loans and three Multi PC loans. This equates to 8.4% of the forborne population by loan count and 13.5% by UPB.

There are 89 forborne loans reported as delinquent. Of those, 83 loans are in special servicing.

There are 95 forborne loans that are delinquent[7] as of the determination date used to populate the July trustee reports[8], representing 4.2% of the forborne population by UPB. The number of delinquent forborne loans increased from June, but still remains low compared with the prior few months. Relative to the entire population of active securitized loans, the forborne delinquency rate is only 0.1% by UPB in July.

There are 88 forborne loans that are in special servicing, 76 of which are currently delinquent. The vast majority of loans in special servicing are SB-Deal loans (71), however, even within the SB universe, special servicing is very low; only 0.7% of all SB-Deal loans are in special servicing.

[5] 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.
[6] This does not include delinquent loans.
[7] Delinquent loans include loans that are 60 or more days late on debt service payments.
[8] 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	214	28	0	37	9	**288**
	SB-Deal	665	71	1	108	85	**930**
	Q-Deal	12	3	0	12	1	**28**
	Multi PC	9	3	0	1	0	**13**
	Total	900	105	1	158	95	**1,259**
UPB (in Millions)	K-Deal	$3,588	$622	$0	$802	$155	**$5,168**
	SB-Deal	$1,773	$190	$4.9	$287	$190	**$2,445**
	Q-Deal	$32.9	$24.2	$0	$29.3	$3.4	**$89.8**
	Multi PC	$281	$274	$0	$27.4	$0	**$582**
	Total	**$5,675**	**$1,111**	**$4.9**	**$1,146**	**$348**	**$8,285**

Source: Freddie Mac. Totals may not sum to total due to rounding. This population represents the forborne loan population that had April 2021 or earlier forborne start dates. Note, two K-Deal loans noted as delinquent represent one property that was in special servicing before forbearance.

87.7% by loan count and 93.3% 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.

Of the 1,259 loans that ended their forbearance period in July 2021 or earlier, 158 are current or less than 30 days late (seen in Exhibit 4). This is a steep decline from last month but 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 July 2021 or earlier, 56.8% are currently paying – meaning that 43.2% are less than 30 days late, delinquent or are still in the forbearance period. Although this percentage is down from 79.2% in June, 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, 87.7% by loan count and 93.3% by UPB are paying or have repaid their forborne amount.

The forbearance population declined substantially in July for the second straight month.

Exhibit 5: Current and Forbearance 2.0 Status

		No Forbearance 2.0			Forbearance 2.0		
		Current	Loan Status A/B/1[9]	Additional Relief Pending	6-month Additional Repayment	Delayed Start	Forbearance Extended
Count	K-Deal	36	1	0	10	0	18
	SB-Deal	69	39	1	49	1	21
	Q-Deal	11	1	0	0	1	2
	Multi PC	1	0	0	0	0	3
	Total	**117**	**41**	**1**	**59**	**2**	**44**
UPB (in Millions)	K-Deal	$798	$3.9	$0	$296	$0	$325
	SB-Deal	$203	$84.4	$4.9	$120	$0.9	$69.6
	Q-Deal	$27.0	$2.3	$0	$0	$7.9	$16.4
	Multi PC	$27.4	$0	$0	$0	$0	$274
	Total	**$1,056**	**$90.5**	**$4.9**	**$416**	**$8.8**	**$686**

Source: Freddie Mac. May not sum to total due to rounding. This population represents the forborne loan population that had April 2021 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 currently two forborne loans that were given the delayed repayment start option, but both of these loans are past the end of 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.

Exhibit 6: Forbearance Loans by Product Type

		Student	Seniors
Count	Forborne Loans	22	25
	Total Loans	573	741
	Percent of Loans Forborne	3.8%	3.4%
UPB	Forborne Loans	$334M	$431M
	Total Loans	$11.0B	$16.4B
	Percent of UPB Forborne	3.0%	2.6%

Source: Freddie Mac

[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.

Summary

The population of loans currently with a forbearance agreement decreased substantially in July, just like it did in June. 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, only very few loans have started a new forbearance agreement, which is an encouraging sign and can be attributed in large part to a strong economic recovery and a robust multifamily housing market. Although some renters may continue to struggle in the near-term, generally the outlook for the industry is positive.