Multifamily Securitization Forbearance Report

Data as of July 27, 2020

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Report Highlights

- Master servicers on Freddie Mac securitized loans have reported 1,252 forborne loans totaling $7.8 billion. This equates to 2.6% of the outstanding securitized unpaid principal balance (UPB) and 5.2% of the total Freddie Mac securitized loan population.
- As of June 29, Freddie Mac updated the forbearance relief program to include three supplemental options that may be appropriate for servicers to use to assist qualified borrowers currently in forbearance and still facing significant hardships from the pandemic. Learn more here.
- There are 84 loans or roughly 12% by UPB that have a request for additional relief either approved or in process.
- A higher percentage of the forborne loans are Small Balance Loans (SBL), at 76% by loan count, but 32% by UPB. Since these properties have fewer units, each tenant experiencing stress has a larger impact on small property operators.
- In July, there was a net increase of 63 loans in forbearance, down from the increase of 178 in June.
- Of the total $7.8 billion of forborne loans, 9.6% are student housing and 11.2% are seniors housing facilities.
- Prior to the COVID-19 crisis, the multifamily market was on solid ground and the credit quality of those forborne loans was relatively strong. Of the forborne loans, 73% have a debt service coverage ratio (DSCR) above 1.25x. Meanwhile, roughly 97% of forborne loans have a mark-to-market loan-to-value (LTV) ratio of less than or equal to 80%.
- The vast majority of forborne loans would need to sustain an effective gross income drop in excess of -10% in order to fall below a 1.00x DSCR.
- Forbearance requests are distributed across the country in 40 states and the District of Columbia. The top states are New York, Texas, California, Maryland and Florida.
- Just over one-half of securitized pools have at least one loan forborne.
- About 10% of all the forborne loans have maturity dates before 2024. The remaining 90% of the forborne loans do not mature until 2024 or later.

The COVID-19 pandemic continues to have a profound economic impact across the country. Weekly jobless claims have moderated from their mid-March high of 6.6 million down to 1.19 million for the week ending August 1, while continuing unemployment claims remain elevated at 31.3 million. The unemployment rate in July was 10.8%, down over the past few months from April's high of 14.7%.

Every state has started to reopen, but recent upticks in the number of COVID-19 cases across the country still threaten the near-term vitality of the macroeconomy. July's unemployment numbers show that people continue to return to work, but the jobless rate remains high, which may impact tenants' ability to pay rent without sufficient government support.

Forbearance and July Rent Payments

The National Multifamily Housing Council (NMHC) reports very encouraging rent payment numbers for the month of July. By the end of July, 95.7% of renters made a full or partial rent payment, which is down slightly from June's rate of 95.9%. However, the payment rate in July was higher than in April and May of this year, where 94.6% and 95.1% of renters, respectively, made a full or partial payment.[1] The strong rent payment numbers can be partially attributed to robust unemployment benefits at the state and federal level, flexible payment options on the part of property operators, and renters generally prioritizing rent payments. While uncertainty abounds regarding the future of the federal stimulus efforts and unemployment benefits, strong July rent collections indicate that rental delinquency is not a widespread issue, at least among institutional-grade, market-rate apartments.

Borrowers requesting forbearance must provide evidence of financial hardship pertaining to COVID-19 as well as a delinquency and forbearance report. Once the request is approved, the forbearance period will cover up to three consecutive monthly payments. On June 29, Freddie Mac updated its forbearance relief program to provide servicers with additional relief options for those qualified borrowers who currently have forbearance in place and continue to be impacted by the effects of the pandemic, referred to as Forbearance 2.0 in this report. Previously, the borrower was required to repay the forborne loan payments in no more than 12 equal monthly installments after the forbearance period. Under the new supplemental options, for a borrower whose property is still materially adversely affected by the effects of the pandemic, a servicer may determine that one of three options would be appropriate: the option to delay the start of the repayment period following forbearance; an extension of the repayment period; or an extension of the forbearance period with an optional extended repayment period. Servicers will review updated financials provided by the borrower to determine whether any of the options are appropriate. In some cases, however, none of the options may be feasible and those borrowers will be referred to a special servicer.

[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.

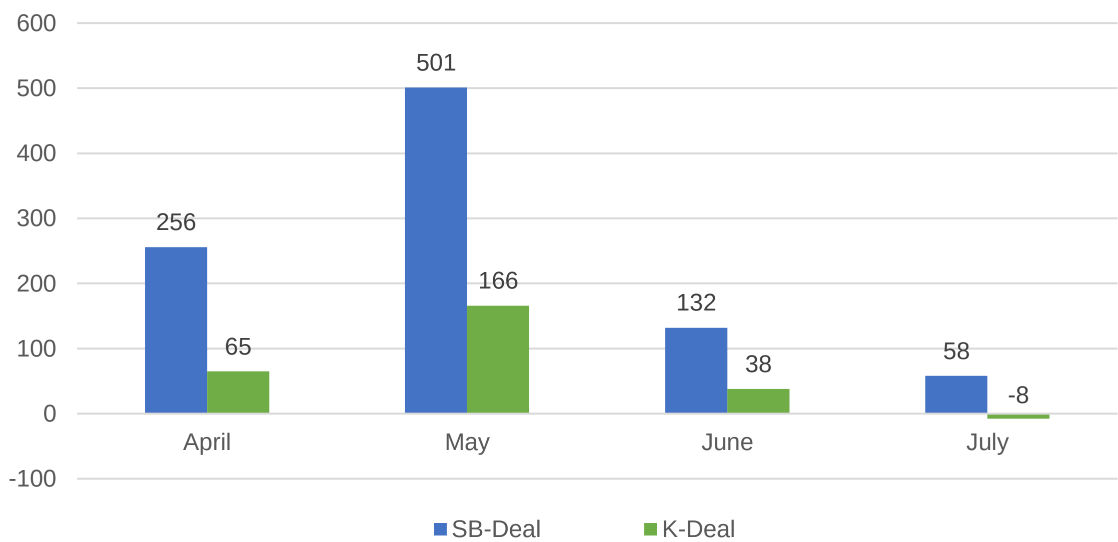
Forbearance Loan Characteristics

Basic Characteristics

Master servicers of Freddie Mac loans have reported 1,252 forborne loans for a total of $7.8 billion outstanding UPB, or roughly 2.6% of total securitized loan UPB and 5.2% of total loans.

As of July 27,[2] the master servicers reported 1,252 forborne Freddie Mac securitized loans, or roughly 5.2% of our total securitized loan population. This equates to about $7.8 billion of outstanding UPB and represents 2.6% of our total securitized UPB. A net total of 63 new forborne loans have been added since June. This monthly net increase is substantially smaller than in June, when 178 loans were added.[3] This data is sourced from our four master servicers, including Freddie Mac, and encompasses only loans that have been approved for forbearance and does not include loans for which the forbearance has terminated or are delinquent.

Exhibit 1: Monthly Change in K-Deal® and SB-Deal® Forbearance Loans



Source: Freddie Mac. Excludes Multi PC and Q-Deals

The average UPB of forborne loans in July is relatively small at around $6.2 million, whereas the average loan size in the overall securitized portfolio is $12.6 million. This is partially 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 hourly paid workers and hit harder by nonessential business closures.

[2] This date references the loans in forbearance as of the security payment date of July 27.
[3] We use the term 'net total' because some loans from April and May have been removed, while others have been added.

Exhibit 2: Forbearance Loans Deal Breakout

	K-Deal	SB-Deal	Q-Deal	Multi PC
Forborne Loans (Count)	261	947	32	12
Total Loans (Count)	13,430	8,821	1,196	450
Percent of Loans Forborne	1.9%	10.7%	2.7%	2.7%
Forborne Loans (Outstanding UPB)	$4.6B	$2.5B	$122M	$547M
Total Loans (Outstanding UPB)	$266.8B	$22.7B	$2.9B	$8.2B
Percent of Loans Forborne	1.7%	11.1%	4.1%	6.7%

Source: Freddie Mac

Forbearance 2.0

There are 84 forborne loans from April taking Forbearance 2.0, with a higher concentration of additional relief provision among SB loans.

For those 600 loans that took forbearance as of April 1,[4] the three-month forbearance program came to an end in July, at which point the borrower would have been required to resume monthly debt service payments along with one-twelfth of the forborne debt service amount. In late June, Freddie Mac introduced Forbearance 2.0 which allows, at the servicers' discretion, borrowers who were still experiencing hardship the opportunity to adjust their forbearance period and/or payback period. We saw 84 loans, the majority of which are SBL and totaling $351 million, granted or requesting additional relief. This represents 14% of all April forborne loans and 11.6% of the forborne UPB. These loans are still captured in the forbearance population for reporting purposes since they have not terminated their forbearance obligations.

There are 12 loans 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.[5] The current or less-than-30-day population includes those that have ended forbearance and are making their respective payments, both the forborne payment and regular monthly payment. There are nine loans for $25 million that started forbearance in April but had no extension in process or approved and did not pay the July debt service plus one-twelfth of the forborne payment as of the determination date used to populate the July trustee reports. However, due to reporting timing, we anticipate this number will change but would not be captured until next month's reporting.

[4] This total may not match the April forbearance report due to delay in timing and canceled forbearance requests. This also includes two loans that had forbearance approved as of March.
[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.

Exhibit 3: Forbearance Update for April or Earlier Forborne Population

		Terminated	Ext. Approved	Ext. in Process	Current or <30 day	Delinquent	Total
Count	K-Deal	6	0	6	90	2	104
	SB-Deal	6	14	62	390	7	479
	Q-Deal	0	0	2	11	0	13
	PC	0	0	0	4	0	4
	Total	12	14	70	495	9	600
UPB ($ Millions)	K-Deal	$71	$0	$113	$1,552	$6	$1,742
	SB-Deal	$24	$31	$195	$919	$19	$1,188
	Q-Deal	$0	$0	$13	$37	$0	$50
	PC	$0	$0	$0	$52	$0	$52
	Total	$95	$31	$320	$2,561	$25	$3,032

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

With the bulk of loans in the current or less-than-30-day delinquent bucket, we take a closer look at what makes up that category. Exhibit 4 shows the majority, 88.6% by loan count or 93.4% by UPB, of those loans are current, meaning they are making their scheduled debt service payment and one-twelfth of the forborne payment. Only three loans either have not yet paid but are less than 10 days delinquent, or the payment was not yet due by the determination date for the Trustee reports. The rest made their payments but were less than 30 days late.

Exhibit 4: Forbearance Update for April Forborne Population

		Current	Payment Not Yet Due or Less Than 10 Days Delinquent	Payment Late but Less Than 30 Days	Total
Count	K-Deal	85	3	2	90
	SB-Deal	341	0	49	390
	Q-Deal	9	0	2	11
	PC	4	0	0	4
	Total	439	3	53	495
UPB ($ Millions)	K-Deal	$1,495	$25	$33	$1,552
	SB-Deal	$814	$0	$105	$919
	Q-Deal	$31	$0	$6	$37
	PC	$52	$0	$0	$52
	Total	$2,392	$25	$144	$2,561

Source: Freddie Mac. May not sum to total due to rounding.

Students and Seniors Housing

Given the nature of the pandemic, not every segment of the population has been affected equally. Exhibit 5 breaks out the product type by student housing and seniors housing – two of the hardest hit asset classes. Of the $7.8 billion in forborne loans, 9.6% are student housing and 11.2% are seniors housing facilities.

Many universities cancelled in-person classes for the spring semester and some have not yet determined whether they will open for the fall semester. The College Crisis Initiative reports that only 3.4% of colleges currently with a plan for the fall semester anticipate that classes will be fully in person while 60.5% of colleges are planning on at least some component of online learning. As a result, many student apartments have been vacated. Of the total student housing loan population,[6] 6.7% are forborne, or roughly $743 million by UPB. Seniors housing facilities are also being closely monitored because of the vulnerability of those residents. There were 51 seniors housing loans forborne in July, or roughly $868 million, for 5.6% of the total population of Freddie Mac Seniors Housing loans.

Exhibit 5: Forbearance Loans by Product Type

	Student	Seniors
Forborne Loans (Count)	40	51
Total Loans (Count)	613	729
Percent of Loans Forborne	6.5%	7.0%
Forborne Loans (Outstanding UPB)	$743M	$868M
Total Loans (Outstanding UPB)	$11.1B	$15.6B
Percent of UPB Forborne	6.7%	5.6%

Source: Freddie Mac

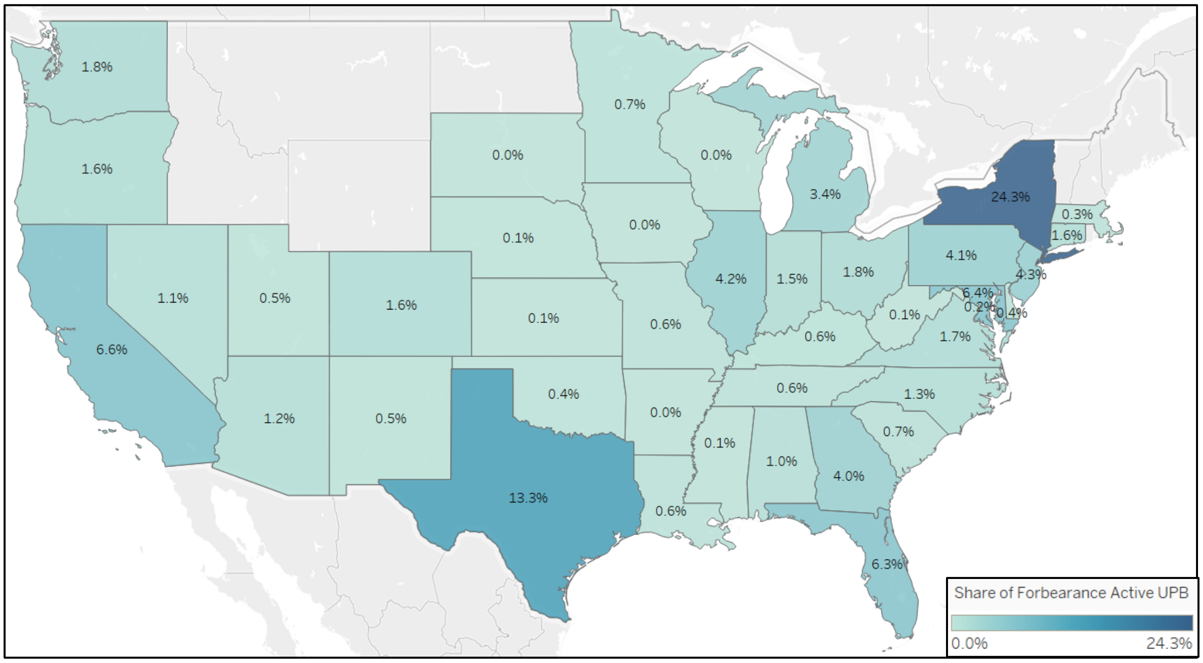
Prevalence by State

Forborne loans are distributed geographically throughout 40 states and the District of Columbia. Exhibit 6 maps the distribution of forborne loans by state; the aggregate sums to 100%. The top five states out of all forbearance requests are New York (24.3%), Texas (13.3%), California (6.6%), Maryland (6.4%) and Florida (6.3%). The top metro areas by percentage of UPB are New York City (26.4%), Baltimore (4.5%), Houston (4.2%), Los Angeles (4%) and Chicago (3.8%). New York City remains at the top of the metro area partially due to the impact of commercial income, especially in the SBL universe. Specifically, forborne SB-Deal loans received 6.3% of their income from commercial income, compared with only 4.1% of income for all other SB-Deal loans. Although this disparity is small, the relationship is statistically significant, signifying that commercial income composition is positively correlated with probability of forbearance in New York City.

The map below considers UPB instead of loan count, which underrepresents states with a high percentage of SB-Deal loans. For example, 29.2% of forborne loans are in New York, but the state only represents 24.3% of forborne loans by UPB. New York has an unusually high percentage of forborne SB-Deal loans at 87.4%, and since SBLs tend to be much smaller than other securitized loans, that only represents 48.5% of forborne UPB in New York.

[6] Student housing is defined as a property having at least 50% of units or beds leased by students.

Exhibit 6: Percentage of Forborne Loans by UPB by State Out of All Forbearance Requests

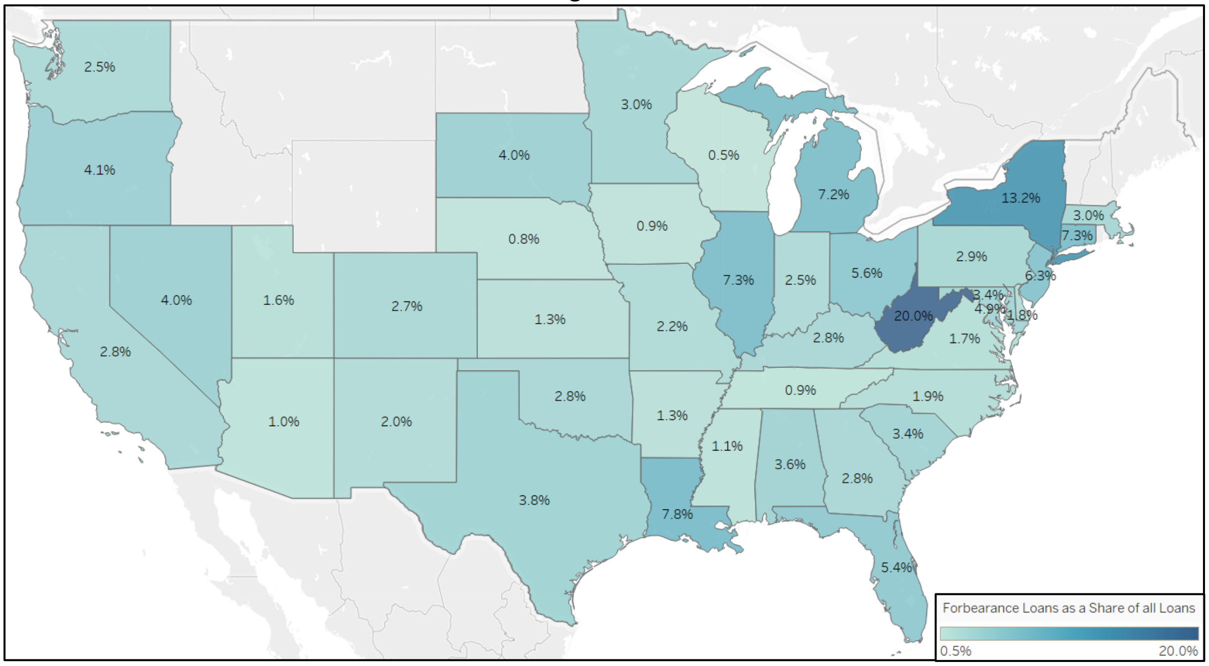


Source: Freddie Mac. Note: Alaska and Hawaii are not pictured because they do not have any loans in forbearance at this time.

New York, Texas, California, Maryland and Florida are the top five states with loans in forbearance.

The high percentage of forbearance loans in some of these states is not surprising given their large population. In general, a higher percentage of our business is in highly populated states. When we factor in the percentage of forbearance loans to the total population of loans by state, we see in Exhibit 7 a slightly different story. While New York continues to see a high share of forborne loans to total loans in the state at 13.2%; Texas, Florida, Maryland and California see a lower percentage relative to business done there. However, in places like West Virginia, Louisiana and Connecticut, we see a higher percentage of forborne loans relative to the volume of business. This can be attributed to lower deal volume in some of those places, such as West Virginia, which has only 20 securitized loans, and indicates that more populated states are not necessarily experiencing more stress from the pandemic.

Exhibit 7: Forbearance Loans as a Percentage of Loans Financed in the State



Source: Freddie Mac. Note: Alaska and Hawaii are not pictured because they do not have any loans in forbearance at this time.

Credit Quality

Credit quality of the loans requesting forbearance is illustrated in the following Exhibits, broken out by SB-Deals® and K-Deals®. It captures the mark-to-market DSCR and LTV.[7] As the forbearance program is in its fifth month, we anticipate some credit metrics to start reflecting DSCRs and LTVs with updated financials or updated mark-to-market values since the pandemic began. This will lead to a mix of pre-crisis and updated credit metrics across the population of forborne loans. As a result, we see a slight shift in July of more loans below the 1.25x DSCR.

Roughly 73% of forborne loans have DSCRs above 1.25x while 96.7% of forborne loans have LTVs less than or equal to 80%.

Overall, we see 73.2%, by UPB, of forborne loans have DSCRs greater than 1.25x, and 96.7% with LTVs less than or equal to 80%. We can see some impact to updated DSCRs and LTVs as loan characteristics are updated throughout the year. However, the majority of the population continues to see tight credit quality: only 1.4% of forborne loans have DSCRs below 1.25x and LTVs greater than 80%. While these values largely reflect market conditions before COVID-19, they provide some color around the strength of the loans going into the crisis. Due to the relatively strong debt coverage and value of these loans, it would take a large shock to values and cash flows for the majority of these loans to be in danger of default.

In order to fall under a 1.00x DSCR — the point at which property income does not cover monthly debt expenses — those loans would need to experience an average drop in effective gross income of -19.8%. Only 6.3% of these loans are close to the borderline, with a drop less severe than -5% needed, but the vast majority are at least a drop of -10% away, as seen in Exhibit 8.

[7] The DSCR for a property is calculated using the most recent reported income over the current debt service, accounting for either interest-only or fully amortizing loans. The LTV for a loan is calculated using estimated cap rates, except for loans originated in 2019 or after, which uses the underwritten LTV.

Exhibit 8: Income Drop Needed to Lower DSCR to Below 1.00x for Forbearance Loans

The vast majority of forborne loans would need to sustain an effective gross income drop in excess of -10% in order to fall below a 1.00x DSCR.

Effective Gross Income Change	Loan Count	Percentage of Total
Under -5%	70	6.3%
-5% to -10%	156	14.0%
-10% to -20%	383	34.3%
-20% to -30%	331	29.6%
More than -30%	178	15.9%

Source: Freddie Mac

Credit Quality – SB-Deals

For SB-Deals, roughly 71.7% of forborne loans by UPB have DSCRs greater than 1.25x, and 9.5% have DSCRs less than 1.00x. At the same time, almost all SB-Deal forborne loans, 96%, have LTVs equal to or less than 80%.[8] Only 18 loans have an LTV above 80% and DSCR below 1.25x.

Exhibit 9: Percent of Forbearance Loans by DSCR for SB-Deals ($ in Millions)

	DSCR				
	<1.00x	**1.00x-1.25x**	**1.25x-1.50x**	**1.50x-2.00x**	**>2.00x**
Forborne Loans (Count)	90	184	266	319	88
% of SB Forborne Loans by Count	9.5%	19.4%	28.1%	33.7%	9.3%
Forborne Loans (UPB)	$230	$481	$750	$820	$233
% of SB Forborne Loans by UPB	9.1%	19.1%	29.8%	32.6%	9.3%

Source: Freddie Mac, most recently reported DSCRs. May not sum to 100% due to rounding.

Exhibit 10: Percent of Forbearance Loans by LTV for SB-Deals ($ in Millions)

	LTV				
	>100%	**80-100%**	**70-80%**	**50-70%**	**<50%**
Forborne Loans (Count)	0	48	410	433	56
% of SB-Deal Forborne Loans by Count	0.0%	5.1%	43.3%	45.7%	5.9%
Forborne Loans (UPB)	$0	$100	$1,065	$1,164	$184
% of SB-Deal Forborne Loans by UPB	0.0%	4.0%	42.4%	46.3%	7.3%

Source: Freddie Mac. LTV computed using estimated cap rates except for loans originated in 2019 or after, which uses the underwritten LTV. May not sum to 100% due to rounding.

[8] Mark-to-market value is net operating income (NOI) divided by cap rate. The NOI is the most recently reported on the property before requesting forbearance. For loans where that is not the most recent quarter, rent is trended to the current quarter with metro-level rent trends. Cap rate is the original property cap rate, adjusted for metro-level cap rate trends since the loan's funding date.

Credit Quality – K-Deals

Across K-Deals, 28.6% of forborne loans have DSCRs at or below 1.25x and 13.6% have DSCRs at or below 1.00x. In general, K-Deal loans tend to have slightly lower DSCRs among forborne K-Deal loans compared with SB-Deal loans. For individual tenants who cannot pay rent, the effect on the cash flow of a larger property is less than that of a smaller property. For example, while an SBL may have a relatively strong DSCR, these properties have fewer tenants, so if some cannot pay their rent, the property owner would expect a greater impact to their cash flows and may request forbearance before any signs of stress on the cash flows; hence a higher percentage of strong DSCR SBLs requesting forbearance.

By comparison, for a K-Deal loan, the number of tenants per property is much higher. If a handful of tenants are unable to pay rent, there would be less of an impact on the cash flows and it is less likely the borrower would need to request forbearance. Despite the slightly lower DSCR among K-Deal loans, the LTV remains strong, at 97.4% of loans with LTV below 80%. Only two loans have DSCR below 1.25x and LTVs above 80%.

Exhibit 11: Percent of Forbearance Loans by DSCR for K-Deals ($ in Millions)

	DSCR				
	<1.00x	1.00x-1.25x	1.25x-1.50x	1.50x-2.00x	>2.00x
Forborne Loans (Count)	39	33	47	76	66
% of K-Deal Forborne Loans by Count	14.9%	12.6%	18.0%	29.1%	25.3%
Forborne Loans (UPB)	$620	$685	$1,079	$1,432	$754
% of K-Deal Forborne Loans by UPB	13.6%	15.0%	23.6%	31.3%	16.5%

Source: Freddie Mac, most recently reported DSCRs. May not sum to 100% due to rounding.

Exhibit 12: Percent of Forbearance Loans by LTV for K-Deals ($ in Millions)

	LTV				
	>100%	80-100%	70-80%	50-70%	<50%
Forborne Loans (Count)	1	7	49	143	61
% of K-Deal Forborne Loans by Count	0.4%	2.7%	18.8%	54.8%	23.4%
Forborne Loans (UPB)	$6	$113	$881	$3,038	$531
% of K-Deal Forborne Loans by UPB	0.1%	2.5%	19.3%	66.5%	11.6$

Source: Freddie Mac. LTV computed using estimated cap rates except for loans originated in 2019 or after, which uses the underwritten LTV. May not sum to 100% due to rounding.

Product Type for SBL

SBLs with a 5-year loan term, regardless of whether they are fixed rate or hybrid, were more likely to take forbearance than loans with 7-year and 10-year terms, as seen in Exhibit 13. Fixed-rate loans and hybrid loans do not differ significantly in terms of forbearance percentage, perhaps because hybrid loans are still in their fixed-rate period, given the newness of the SBL program.

Exhibit 13: SB Forbearance Loans by Product Type ($ Millions)

	Fixed-Rate			Hybrid		
	5-Year	7-Year	10-Year	5-Year	7-Year	10-Year
Forborne Loans (Count)	42	48	284	416	60	97
Total Loans (Count)	350	516	3,049	3,117	663	1,121
Percent of Loans Forborne	12.0%	9.3%	9.3%	13.3%	9.0%	8.7%
Forborne Loans (Outstanding UPB)	$126	$125	$666	$1,228	$157	$212
Total Loans (Outstanding UPB)	$914	$1,486	$7,707	$8,132	$1,837	$2,631
Percent of Loans Forborne	13.7%	8.4%	8.6%	15.1%	8.6%	8.0%

Source: Freddie Mac. Loan terms for hybrid refer to the fixed portion of the loan. The table does not include 3-year fixed-rate SBL since the population is very small and was only used for one securitized deal. None of the 3-year fixed-rate loans are forborne.

Affordability Comparison

Forborne loans do not differ significantly from other loans in terms of affordability.

Forborne loans do not differ significantly from other loans in terms of affordability. About 27% of properties have at least 20% of their units affordable to very low-income renters (VLI)[9], regardless of forbearance status. SB-Deal loans tend to be more affordable than K-Deal loans for both forborne and non-forborne loans by a considerable margin. Among forborne loans, 27.5% of SB-Deal loans meet the 20% VLI-affordability threshold, compared with 22.3% of K-Deal loans.

When the threshold is increased to 50% of units being affordable to VLI renters, roughly 17% of properties backing both forborne and non-forborne loans meet the criteria, thus demonstrating that affordability metrics of these two populations generally move in lockstep. This analysis shows that highly affordable properties do not take forbearance at a disproportionate rate.

Forbearance of Securitized Deals

The forborne loan population falls across 226 different pooled securitizations (excluding Multi PC transactions), representing 54% of all securitized pool deals. However, that percentage is skewed heavily toward SB-Deals; 93.3% of all SB-Deals have at least one forborne loan compared with 43.8% 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 affected by the pandemic. On average, the percentage of forborne loans within a securitized deal is 4.5% of the total pool by loan count and deal UPB. Exhibit 14 breaks out the top 15 of each of the K-Deals and SB-Deals by percent of forborne loans.

[9] VLI is defined as households making at or below 50% of the area median income.

Exhibit 14: Percentage of Forbearance by Deal

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

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	57	$890	56.1%	65.3%	SB68	194	$535	20.1%	27.5%
KLU1	16	$710	18.8%	22.8%	SB9	103	$274	16.5%	25.5%
KF19	14	$204	7.1%	19.0%	SB6	38	$103	15.8%	24.9%
KX01	7	$115	14.3%	16.8%	SB18	30	$58	16.7%	24.1%
KLU2	6	$289	16.7%	15.6%	SB30	100	$238	16.0%	19.7%
KX03	29	$417	17.2%	15.4%	SB33	89	$171	19.1%	19.6%
KF41	11	$288	9.1%	14.7%	SB60	218	$602	18.8%	19.1%
KS06	41	$555	14.6%	13.9%	SB63	181	$505	13.3%	18.6%
KF26	9	$189	11.1%	12.6%	SB52	196	$492	18.4%	18.1%
KJ23	26	$150	7.7%	9.9%	SB28	105	$203	20.0%	17.9%
KJ07	13	$68	15.4%	9.3%	SB20	89	$208	12.4%	16.8%
KF56	20	$689	10.0%	9.0%	SB45	130	$311	15.4%	16.6%
K731	53	$1,198	5.7%	8.8%	SB11	24	$40	12.5%	15.9%
KF08	8	$178	12.5%	8.6%	SB61	217	$592	12.9%	15.7%
KF33	13	$368	7.7%	7.6%	SB48	213	$492	13.6%	14.9%

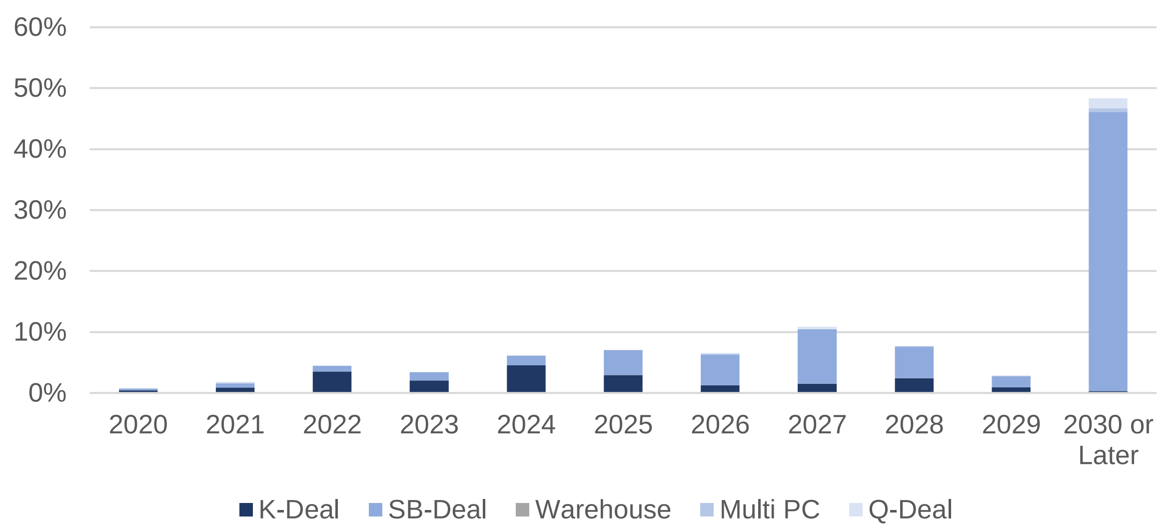
Source: Freddie Mac. Deals with less than five outstanding loans were excluded from the table above.

Maturity Analysis

Most forborne loans have longer maturity terms, as seen in Exhibit 15, which shows the percentage of forborne loans by maturity year. Of the total forborne population, we see a small percentage with maturity dates over the next few years. Around 10.5% of all the forborne loans by loan count have maturity dates before 2024. The remaining 89.5% of the forborne loans will not mature until 2024 or after. From 2024 to 2028, roughly 6% to 7% of forborne loans mature each year, except in 2027 when 10.9% of forborne loans are set to mature. We do not expect the forbearance pay-back requirements to impact balloon risk significantly.

Exhibit 15: Percentage of Forbearance Loans by Maturity Year

We do not expect the forbearance repayment requirements to impact balloon risk significantly.



Source: Freddie Mac

We expect the jobless rate to remain elevated, which could keep forbearance requests up over the next few months.

Summary

The number of forbearances in July continued to increase, albeit at a slower pace compared with the prior few months. While many stay-at-home orders are lifting as the economy reopens, the pandemic continues to restrict nonessential businesses, keeping the unemployment rate elevated which cascades down to renter finances. Furthermore, with the expiration of the enhanced unemployment benefits from the CARES Act at the end of July, there could be further financial pressure on those who no longer qualify for state-level benefits.

Forbearances continue to be more common among SB-Deals, which can be attributed to the increased likelihood that tenants in those properties are more dependent on jobs that are impacted by the pandemic. At the same time, the vast majority of properties have a debt coverage above a 1.00x coverage and an LTV of 80% or below.

The slowing of forbearances provides reason for optimism, but we anticipate the forbearance population will remain elevated as the jobless rate remains high. However, if the government cannot agree to a new stimulus package to help the millions still out of work, there could be additional stress for renters to pay their rent in the coming months.