# Multifamily Securitization Forbearance Report

## Data as of June 25, 2020

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**Report Highlights**

- Master servicers on Freddie Mac securitized loans have reported 1,189 forborne loans totaling $7.9 billion. This equates to 2.6% of the outstanding securitized unpaid principal balance (UPB) and 5% of the total Freddie Mac securitized loan population.
- As of June 29, Freddie Mac has updated the forbearance relief program to include three options that may be appropriate for servicers to use to assist borrowers currently in forbearance and still facing significant hardships from the pandemic. Learn more here.
- A higher percentage of the forborne loans are Small Balance Loans (SBL), at 75% by loan count, but 30% by UPB. Since these properties have fewer units, each tenant experiencing stress has a larger impact on small property operators.
- In June, there was a net increase of 178 loans, down from the increase of 679 in May.
- Of the total $7.9 billion of forborne loans, 8.6% are student housing and 10.4% 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 loans requesting forbearance, 76% have a pre-crisis debt service coverage ratio (DSCR) above 1.25x. Meanwhile, roughly 97% of forborne loans have a pre-crisis 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 for requests are New York, Texas, Florida, Maryland and Georgia.
- Just over one-half of securitized pools have at least one loan forborne.
- About 11% of all the forborne loans have maturity dates before 2024. The remaining 89% 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 1.5 million for the week ending June 20. Continuing unemployment claims are beginning to recede from their peak of 24.9 million in the week ending May 9, but still stand at an incredible 20.5 million – more than three times higher than the Great Recession's peak. The unemployment rate in May was 13.3%, which is a modest decrease from April's figure of 14.7%. This decline shocked most economists, who forecasted that May's unemployment rate would exceed 19%.

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. May's unemployment numbers show that some people are returning to work, but the jobless rate remains high, which may impact tenants' ability to pay rent without sufficient government support.

### Forbearance and May Rent Payments

**Borrowers can request forbearance, which allows them to defer paying mortgage payments.**

The National Multifamily Housing Council (NMHC) reports very encouraging rent payment numbers so far for the month of June. By June 20, 92.2% of renters made a full or partial rent payment, which, quite surprisingly, is on par with the rate recorded in June 2019. The rate in June 2020 was noticeably higher than in April or May of this year, where 89.2% and 90.8% 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, with particularly strong federal support of $600 per week through the end of July. While there continue to be delays in getting unemployment benefits to those in need, the strong June rent collections percentage indicates that most renters who can afford to pay their rents are doing so.

Borrowers requesting forbearance must provide evidence of financial hardship pertaining to COVID-19 as well as a delinquency 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 borrowers who currently have forbearance in place and continue to be impacted by the effects of the pandemic. 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 provisions, 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 materials provided by the borrower to determine whether any of the options is appropriate. In some cases, however, none of the options may be feasible.

### Forbearance Loan Characteristics

*Basic Characteristics*

As of June 25,[2] the master servicers reported 1,189 forborne Freddie Mac securitized loans, or roughly 5% of our total securitized loan population. This equates to about $7.9 billion of outstanding

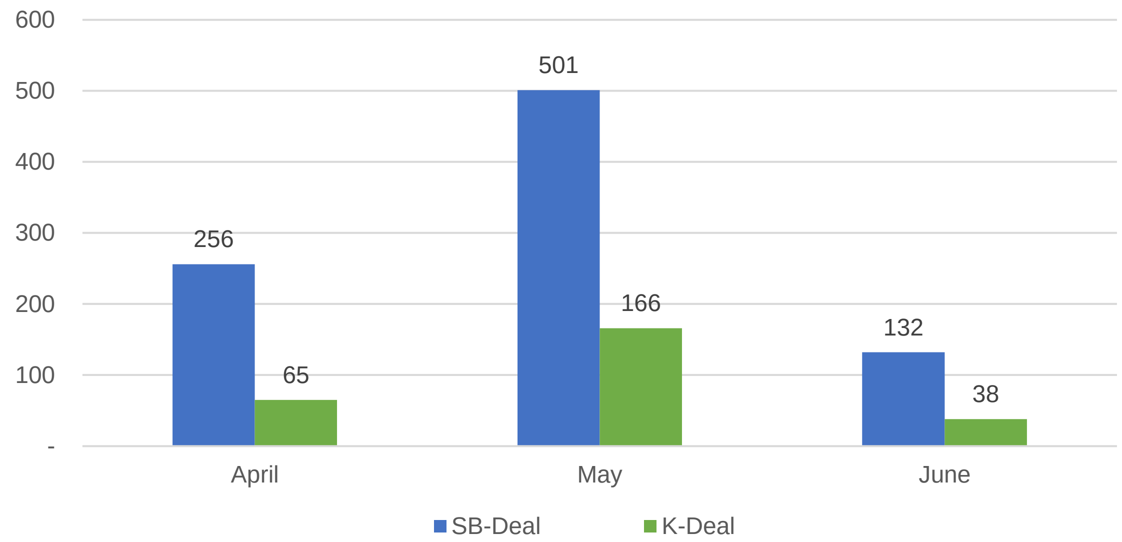
[1] This reporting is specific to properties using property management software and likely is most relevant to larger, institutional-type properties, whereas smaller multifamily properties may have different results.
[2] This date references the loans in forbearance as of the security payment date of June 25.

**Master servicers of Freddie Mac loans have reported 1,189 forborne loans for a total of $7.9 billion outstanding UPB, or roughly 2.6% of total UPB and 5% of total loans.**

UPB and represents 2.6% of our total securitized UPB. This data is sourced from our master servicers, including Freddie Mac, and encompasses only loans that have been approved for forbearance.

Almost all forborne loans in May and April are still in forbearance; of the 1,011 forborne loans in the May report, 1,005 are still forborne, and of the 336 forborne loans in the April report, 319 are still forborne.[3] A net total of 178 new forborne loans have been added since May, totaling $1.5 billion.[4] This monthly net increase is substantially smaller than it was in May, when 679 loans were added.

**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 June is relatively small at around $6.6 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 non-essential business closures.

[3] In the April Forbearance report, Freddie Mac reported loans that had been in process but not yet approved. Some of the loans not captured in May but included in April were removed due to withdrawn or denied requests, or those still in the process of being approved and not yet picked up in May due to the reporting change. From May to June, there were seven forbearance requests that were terminated or cancelled.

[4] 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)** | 269 | 889 | 19 | 12 |
| **Total Loans (Count)** | 13,346 | 8,740 | 1,229 | 434 |
| **Percent of Loans Forborne** | 2.0% | 10.2% | 1.5% | 2.8% |
| **Forborne Loans (Outstanding UPB)** | $4.9B | $2.3B | $98M | $547M |
| **Total Loans (Outstanding UPB)** | $264.7B | $22.5B | $3.1B | $8.1B |
| **Percent of Loans Forborne** | 1.9% | 10.4% | 3.2% | 6.8% |

Source: Freddie Mac

Within the SBL universe, many factors contribute to the likelihood of a property taking forbearance. For example, analysis of SBL properties in New York City shows that properties with a high percentage of commercial income were more likely to take forbearance. 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.

### *Students and Seniors Housing*

Given the nature of the pandemic, not every segment of the population has been affected equally. Exhibit 3 breaks out the product type by student housing and seniors housing – two of the hardest hit asset classes. Of the $7.9 billion in forborne loans, 8.6% are student housing and 10.4% 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. As a result, many student apartments have been vacated. Of the total student housing loan population[5], 6.2% are forborne, or roughly $681 million by UPB. Seniors housing facilities are also being closely monitored because of the vulnerability of those residents. There were 43 seniors housing loans forborne in June, or roughly $821 million, for 5.3% of the total population of Freddie Mac Seniors Housing Loans.

**Exhibit 3: Forbearance Loans by Product Type**

| | Student | Seniors |
|---|---|---|
| **Forborne Loans (Count)** | 37 | 45 |
| **Total Loans (Count)** | 611 | 728 |
| **Percent of Loans Forborne** | 6.1% | 6.2% |
| **Forborne Loans (Outstanding UPB)** | $681M | $821M |
| **Total Loans (Outstanding UPB)** | $11.0B | $15.5B |
| **Percent of UPB Forborne** | 6.2% | 5.3% |

Source: Freddie Mac

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

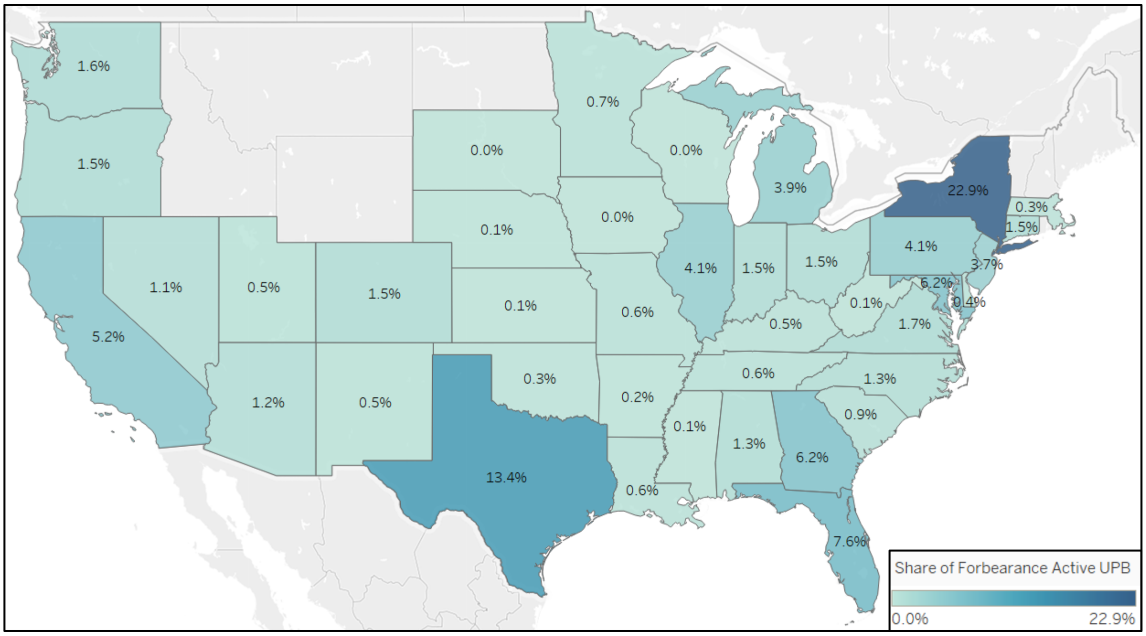
*Prevalence by State*

Forborne loans are distributed geographically throughout 40 states and the District of Columbia. Exhibit 4 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 (22.9%), Texas (13.4%), Florida (7.6%), Maryland (6.2%) and Georgia (6.2%). The top metro areas by percentage of UPB are New York City (24.6%), Atlanta (5.8%), Baltimore (4.4%), Houston (4%) and Chicago (3.7%).

The map below considers UPB instead of loan count, which underrepresents states with a high percentage of SB-Deal loans. For example, 28% of forborne loans are in New York, but the state only represents 22.9% of forborne loans by UPB. New York has an unusually high percentage of forborne SB-Deal loans at 89.8%, and SBLs tend to be much smaller than other securitized loans.

**New York, Texas, Maryland, Florida and Georgia are the top five states with forbearance requests.**

**Exhibit 4: Percentage of Forborne Loans by UPB by State Out of All Forbearance Requests**



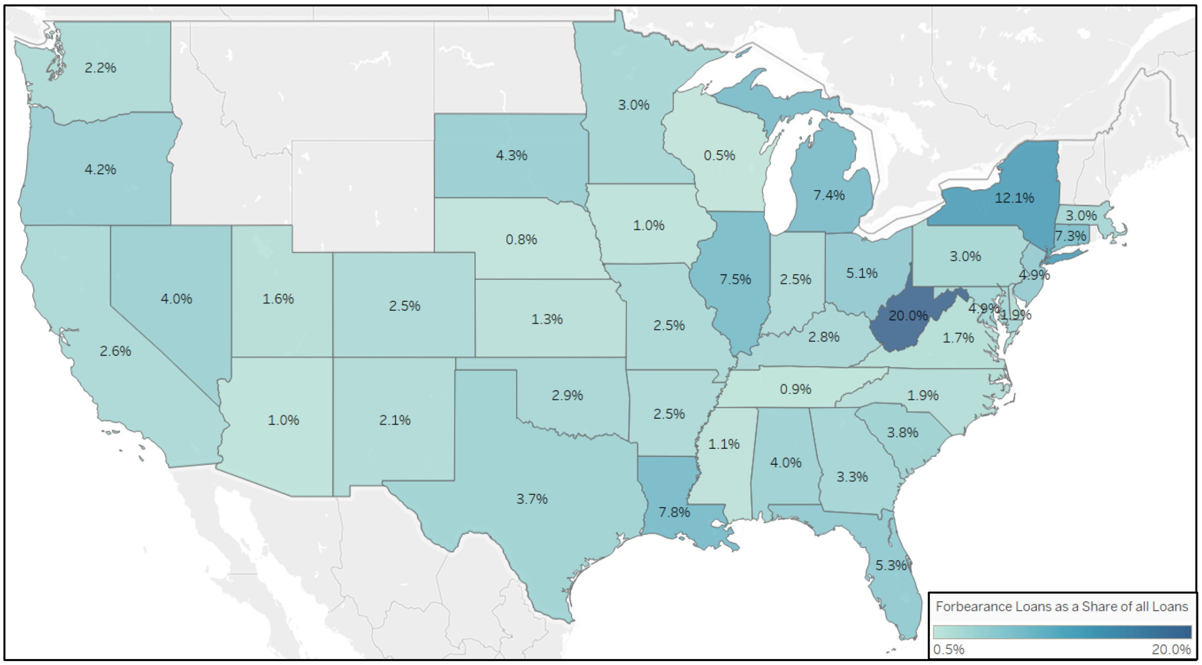

Source: Freddie Mac. Note: Alaska and Hawaii are not pictured because they do not have any loans in forbearance at this time

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 5 a slightly different story. New York continues to see a high share of forborne loans to total loans in the state at 12.1%, which is a marked increase from May when the rate was only 9.1%.

Texas, Florida, Maryland and California see a lower percentage relative to business done there. However, in places like West Virginia, Louisiana and Illinois, 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 5: Forbearance Loans as a Percentage of Loans Financed in the State**

**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.**




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 four Exhibits, broken out by SB-Deals and K-Deals. It captures the reported DSCR, prior to the COVID-19 crisis, and mark-to-market LTV.[6] These Exhibits are designed to show the credit quality of loans leading up to the COVID-19 crisis and is not representative of their updated cash flows submitted in the forbearance process.

**Roughly 76% of forborne loans have pre-crisis DSCRs above 1.25x while roughly 97% of forborne loans have pre-crisis LTVs less than or equal to 80%.**

Overall, we see 75.5%, by UPB, of forborne loans have DSCRs greater than 1.25x, and 97% with LTVs less than or equal to 80%. Only 1.3% 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 — the 1,079 loans that are currently above a 1.00x DSCR would need to experience an average drop in effective gross income of -20.2%. Only 6.4% 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 6.

[6] The DSCR for a property is calculated using the most recent reported income pre-crisis over the current debt service, accounting for either IO 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 6: Income Drop Needed to Lower DSCR to Below 1.00x for Forbearance Loans**

| Effective Gross Income Change | Loan Count | Percentage of Total |
|---|---|---|
| **Under -5%** | 69 | 6.4% |
| **-5% to -10%** | 123 | 11.4% |
| **-10% to -20%** | 369 | 34.2% |
| **-20% to -30%** | 353 | 32.7% |
| **More than -30%** | 165 | 15.3% |

Source: Freddie Mac

### *Credit Quality – SB-Deals*

For SB-Deals, roughly 75% of forborne loans by UPB have DSCRs greater than 1.25x, and around 7% have DSCRs less than 1.00x. At the same time, almost all SB-Deal forborne loans, 97%, have LTVs equal to or less than 80%.[7] Only 15 loans have an LTV above 80% and DSCR below 1.25x.

**Exhibit 7: Percent of Forbearance Loans by Pre-Crisis 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)** | 66 | 165 | 266 | 302 | 90 |
| **% of SB Forborne Loans by Count** | 7.4% | 18.6% | 29.9% | 34.0% | 10.1% |
| **Forborne Loans (UPB)** | $158 | $436 | $750 | $769 | $223 |
| **% of SB Forborne Loans by UPB** | 6.8% | 18.6% | 32.1% | 32.9% | 9.6% |

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

**Exhibit 8: Percent of Forbearance Loans by Pre-Crisis LTV for SB-Deals ($ in Millions)**

| | LTV | | | | |
|---|---|---|---|---|---|
| | **>100%** | **80-100%** | **70-80%** | **50-70%** | **<50%** |
| **Forborne Loans (Count)** | 0 | 32 | 388 | 415 | 54 |
| **% of SB-Deal Forborne Loans by Count** | 0.0% | 3.6% | 43.6% | 46.7% | 6.1% |
| **Forborne Loans (UPB)** | $0 | $70.3 | $988 | $1,103 | $175 |
| **% of SB-Deal Forborne Loans by UPB** | 0.0% | 3.0% | 42.3% | 47.2% | 7.5% |

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

[7] 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, roughly 26% of forborne loans have DSCRs at or below 1.25x and 13.2% 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% of loans with LTV below 80%. Only two loans have DSCR below 1.25x and LTVs above 80%.

**Exhibit 9: Percent of Forbearance Loans by Pre-Crisis 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 | 45 | 82 | 70 |
| **% of K-Deal Forborne Loans by Count** | 14.5% | 12.3% | 16.7% | 30.5% | 26.0% |
| **Forborne Loans (UPB)** | $650 | $625 | $803 | $1,992 | $841 |
| **% of K-Deal Forborne Loans by UPB** | 13.2% | 12.7% | 16.4% | 40.6% | 17.1% |

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

**Exhibit 10: Percent of Forbearance Loans by Pre-Crisis LTV for K-Deals ($ in Millions)**

| | LTV | | | | |
|---|---|---|---|---|---|
| | **>100%** | **80-100%** | **70-80%** | **50-70%** | **<50%** |
| **Forborne Loans (Count)** | 1 | 7 | 52 | 150 | 59 |
| **% of K-Deal Forborne Loans by Count** | 0.4% | 2.6% | 19.3% | 55.8% | 21.9% |
| **Forborne Loans (UPB)** | $6 | $136 | $987 | $3,295 | $488 |
| **% of K-Deal Forborne Loans by UPB** | 0.1% | 2.8% | 20.1% | 67.1% | 9.9% |

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*

SBL 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 11. Fixed-rate loans and hybrid loans do not differ significantly in terms of forbearance, perhaps because hybrid loans are still in their fixed-rate period, given the newness of the SBL program.

**Exhibit 11: SB Forbearance Loans by Product Type**

| | Fixed-Rate | | | Hybrid | | |
|---|---|---|---|---|---|---|
| | 5-Year | 7-Year | 10-Year | 5-Year | 7-Year | 10-Year |
| **Forborne Loans (Count)** | 38 | 48 | 277 | 375 | 55 | 96 |
| **Total Loans (Count)** | 331 | 520 | 3,033 | 3,104 | 665 | 1,078 |
| **Percent of Loans Forborne** | 11.5% | 9.2% | 9.1% | 12.1% | 8.3% | 8.9% |
| **Forborne Loans (Outstanding UPB)** | $110M | $125M | $641M | $1.1B | $145M | $208M |
| **Total Loans (Outstanding UPB)** | $843M | $1.5B | $7.7B | $8.1B | $1.8B | $2.5B |
| **Percent of Loans Forborne** | 13.1% | 8.3% | 8.4% | 13.7% | 7.8% | 8.3% |

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)[8], 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, 28% of SB-Deal loans meet the 20% VLI-affordability threshold, compared with 21.6% 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 227 different pooled securitizations (excluding Multi PC transactions), representing 53% of all securitized pool deals. However, that percentage is skewed heavily toward SB-Deals; 93% of all SB-Deals have at least one forborne loan compared with 46% 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 4.4% of the total pool by loan count and deal UPB. Exhibit 12 breaks out the top 15 of each of the K-Deals and SB-Deals by percent of forborne loans.

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

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

**Exhibit 12: 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 | 57 | $891 | 52.6% | 63.8% | SB9 | 105 | $279 | 16.2% | 25.1% |
| KLU1 | 16 | $710 | 18.8% | 22.8% | SB6 | 38 | $103 | 15.8% | 24.9% |
| KF19 | 14 | $205 | 7.1% | 19.0% | SB18 | 31 | $60 | 16.1% | 23.7% |
| KX01 | 7 | $115 | 14.3% | 16.8% | SB33 | 89 | $171 | 18.0% | 19.0% |
| KLU2 | 6 | $289 | 16.7% | 15.6% | SB30 | 100 | $238 | 15.0% | 18.7% |
| KF41 | 11 | $288 | 9.1% | 14.8% | SB28 | 105 | $203 | 19.0% | 16.3% |
| KF26 | 9 | $189 | 11.1% | 12.6% | SB20 | 92 | $219 | 12.0% | 15.9% |
| KS06 | 41 | $556 | 12.2% | 12.6% | SB11 | 24 | $40 | 12.5% | 15.9% |
| KX03 | 29 | $417 | 13.8% | 12.3% | SB26 | 65 | $167 | 15.4% | 14.5% |
| KJ23 | 26 | $150 | 7.7% | 9.9% | SB22 | 64 | $163 | 15.6% | 13.9% |
| KJ07 | 13 | $68 | 15.4% | 9.3% | SB25 | 81 | $159 | 11.1% | 11.2% |
| KF56 | 20 | $689 | 10.0% | 9.0% | SB14 | 77 | $212 | 10.4% | 10.3% |
| KX03FL | 9 | $166 | 11.1% | 8.9% | SB39 | 74 | $197 | 9.5% | 10.1% |
| K731 | 53 | $1,199 | 5.7% | 8.8% | SB44 | 91 | $265 | 11.0% | 10.0% |
| KF08 | 8 | $179 | 12.5% | 8.6% | SB23 | 71 | $175 | 9.9% | 9.9% |

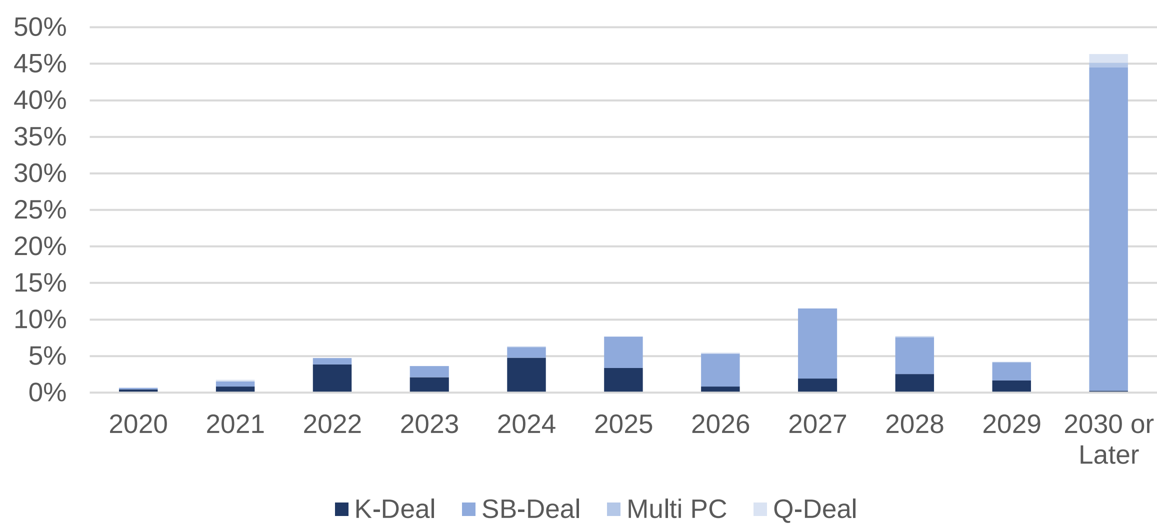
Source: Freddie Mac. Deals with less than five outstanding loans were excluded from the table above.

### *Maturity Analysis*

Most forborne loans have longer maturity terms, as seen in Exhibit 13, 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 11% of all the forborne loans by loan count have maturity dates before 2024. The remaining 89% of the forborne loans will not mature until 2024 or after. We see a slight increase in loans with a maturity year of 2025 and 2027, at 7.7% and 11.5%, respectively, of all forborne loans. We do not expect the forbearance pay-back requirements to impact balloon risk significantly.

**We do not expect the forbearance stipulations to impact balloon risk significantly.**

**Exhibit 13: Percentage of Forbearance Loans by Maturity Year**




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 forbearance requests in June exceeds the number we reported in May, but not by nearly as wide of a margin as from May to April. The reason for borrowers taking forbearance is the same as before: stay-at-home orders and strict restrictions placed on non-essential businesses, both of which have had a profound impact on the economy, which cascades down to renter finances. Lockdowns are starting to be relaxed across the country, which may be one of the reasons behind the smaller monthly increase in forbearance requests. Only time will tell whether states will experience a return to stringent lockdowns and what impact that will have on multifamily forbearance.

Forbearance requests 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 pre-crisis debt coverage above a 1.00x coverage and an LTV of 80% or below.

With states reopening, many workers are returning to work, as is reflected by the encouraging employment numbers for May. However, the economic damage already dealt by the national lockdown is profound, and as a result, the unemployment rate will remain high in the near term.

The slowing of forbearance requests provides reason for optimism, but we anticipate the forbearance population will remain elevated as the jobless rate remains high. With economies reopening and short-term unemployment benefits staying robust, we do not expect the rate of rent payment to deteriorate significantly over the next few months.