Multifamily Securitization Forbearance Report

Data as of March 25, 2021

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Report Highlights

- Master servicers on Freddie Mac securitized loans have reported 1,171 forborne loans totaling $7.4 billion as of March 25. This equates to 2.2% of the outstanding securitized unpaid principal balance (UPB) and 4.5% of the total Freddie Mac securitized loan population by loan count.
- In March, there was a net decrease of nine loans in forbearance, with 11 loans terminating forbearance and two new loans in forbearance.
- A higher percentage of the forborne loans are Small Balance Loans (SBL), at 74.7% by loan count, but 31.2% by UPB.
- A majority of loans, 76.1% by loan count and 85.7% by UPB, whose forbearance period ended in March or earlier, are currently making payments or have fully repaid their forborne payments.
- There are 89 forborne loans that are in special servicing: 72 in SB-Deals®, 16 in K-Deals® and one in a Q-Deal℠. This population of forborne loans in special servicing represents 0.3% of all securitized loans, with the SB-Deal® portion representing 0.8% of all SB-Deal loans.
- 106 forborne loans are delinquent, representing $441 million in UPB (0.1% of total securitized UPB).
- Of the population currently in forbearance that is not delinquent, there are 117 loans that have been granted, or are in the process of obtaining, supplemental forbearance relief, including 31 K-Deal® loans, 80 SB-Deal loans, three Q-Deal loans and three Multi PC℠ loans.
- Of the total $7.4 billion of forborne loans, 11.3% by UPB are student housing and 12.3% are seniors housing facilities.
- Only 1.6% of all the forborne loans mature in 2021, indicating the forbearance repayment requirements are not expected to impact balloon risk significantly.
- Per new guidance published in March, new forbearance and supplemental relief requests will now be accepted through June 30, 2021.

Economic and Multifamily Impact Overview

COVID-19 continues to have a profound economic impact across the country, although the economic outlook is improving. Weekly initial jobless claims have declined substantially from their mid-March 2020 high of 6.6 million down to 728,000 as of the week ending March 27, 2021. This rate dropped considerably in early April 2021, with only 576,000 initial claims filed in the week ending April 10.

The unemployment rate fell to 6.0% in March 2021 – much lower than the peak of 14.7% in April 2020, but still far above the pre-pandemic rate of 3.5%. There were 916,000 jobs gained in March, which is much higher than expectations (675,000 jobs). In addition, retail sales surged 9.8% month over month in March, which beat the rate of 6.1% predicted by economists.

Regarding rent collections, the National Multifamily Housing Council reported that by the end of March, 95.9% of renters made a full or partial rent payment, which is up 2.4 percentage points from January but down 1.3 percentage points from March 2020.[1]

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 March, borrowers now have until June 30, 2021 to submit an initial forbearance request with the latest start date of June 1, 2021.

On June 29, 2020, 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 June 30, 2021. This applies to qualified borrowers who currently have forbearance in place, who continue to be impacted by the pandemic, and who have a reasonably foreseeable path to returning the property performance to pre-COVID-19 levels.

Previously, the borrower was required to repay the forborne loan payments in no more than 12 equal monthly installments after the forbearance period. Under Forbearance 2.0, for a qualified borrower whose property is still materially adversely affected by the pandemic, a servicer may determine that one of three options would be appropriate:

1. Delaying the start (but not the end) of the repayment period by three months following the end of the forbearance period
2. Extending the repayment period by three or six months
3. Extending the forbearance period by three months with an optional extended repayment period up to 24 months

Servicers will review updated financials provided by the borrower to recommend to the lender whether one of the options is appropriate. In some cases, however, none of the options may be feasible and those loans will be referred to a special servicer for an alternative resolution.

[1] This reporting is specific to properties using property management software and likely is most relevant to larger, institutional-type properties, whereas smaller multifamily properties may have different results.

Forbearance Loan Characteristics

Basic Characteristics

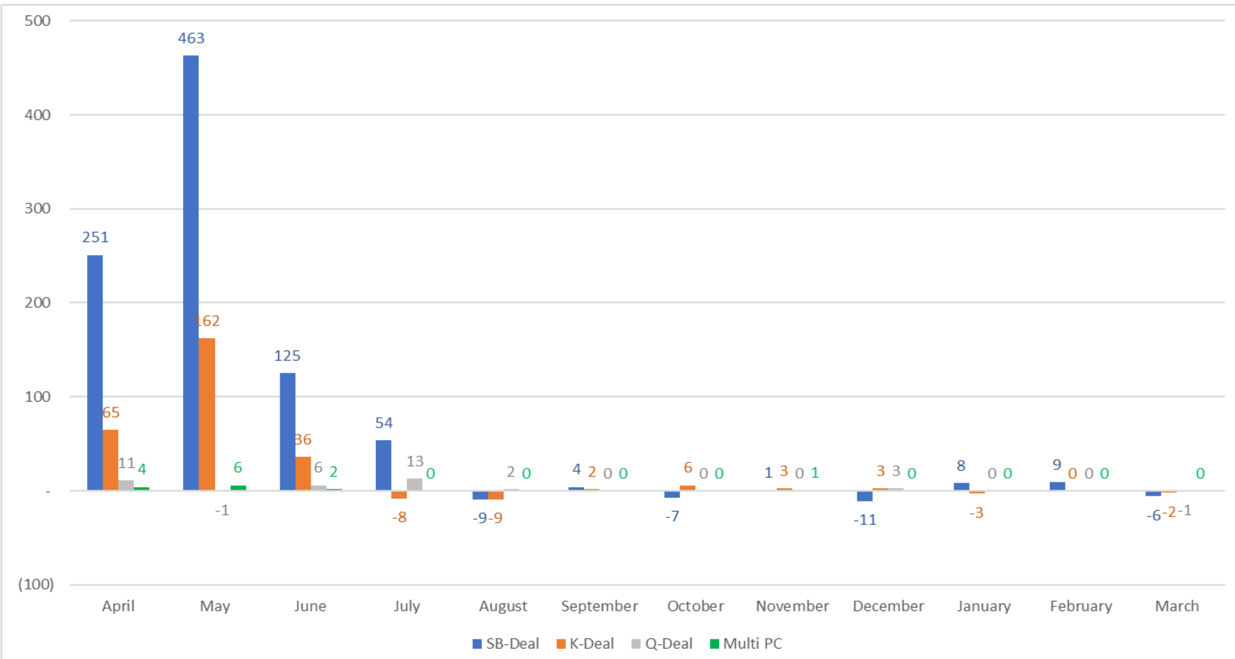
As of March 25, master servicers reported 1,171 forborne Freddie Mac securitized loans[2], or roughly 4.5% of our total securitized loan population. This equates to $7.4 billion of outstanding UPB and represents 2.2% of our total securitized UPB. Of the 1,171 forborne loans, 27 loans are still in their forbearance period and those borrowers are therefore not obligated to make debt service or forbearance payments at this time.

Master servicers of Freddie Mac loans have reported 1,171 forborne loans for a total of $7.4 billion outstanding UPB, or roughly 2.2% of total securitized loan UPB and 4.5% of the total number of loans.

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 March, 11 loans terminated their forbearance and two new loans entered forbearance. This net change of nine loan can be obtained by summing the March 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 March is relatively small at around $6.3 million, whereas the average loan size in the overall securitized portfolio is $13.0 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 SBLs represents a greater proportion of overall cash flows, which would have a greater impact

[2] Three 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.

on the borrower's ability to make mortgage payments if tenants were unable to pay rent. 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	251	875	32	13
	Total Loans	14,717	9,356	1,370	695
	Percent of Loans Forborne	1.7%	9.4%	2.3%	1.9%
UPB	Forborne Loans	\$4.4B	\$2.3B	\$130M	\$583M
	Total Loans	\$299B	\$24.1B	\$3.4B	\$13.1B
	Percent of Loans Forborne	1.5%	9.6%	3.9%	4.4%

Source: Freddie Mac

Forbearance of Securitized Deals

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

The forborne loan population is dispersed across 211 different pooled securitizations (excluding Multi PC transactions), representing 44.0% of all securitized pool deals. However, that percentage is skewed heavily toward SB-Deals; 85.5% of all SB-Deals have at least one forborne loan compared with 34.8% 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 impacted by the pandemic. On average, the percentage of forborne loans within a securitized deal is 5.1% of the total pool by loan count and 4.8% 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	48	\$836	66.7%	68.8%	SB68	186	\$513	20.4%	28.2%
KF19	9	\$143	22.2%	38.0%	SB18	22	\$41	18.2%	27.9%
KX04FL	8	\$123	12.5%	30.4%	SB9	79	\$210	16.5%	26.1%
KF41	9	\$258	22.2%	24.8%	SB63	174	\$480	14.4%	20.8%
KX01	5	\$84	20.0%	22.6%	SB30	92	\$209	15.2%	19.8%
KS06	41	\$550	24.4%	18.6%	SB60	208	\$576	19.2%	19.7%
KF26	8	\$133	12.5%	18.0%	SB11	21	\$32	14.3%	19.5%
KLU2	6	\$288	16.7%	15.6%	SB28	97	\$187	20.6%	18.6%
KX03	29	\$413	17.2%	15.4%	SB52	187	\$473	17.6%	18.2%
KF15	11	\$190	9.1%	13.1%	SB33	74	\$138	17.6%	16.9%
KP05	12	\$115	8.3%	11.3%	SB20	77	\$174	11.7%	16.9%
KX04FX	31	\$409	16.1%	11.0%	SB22	56	\$142	16.1%	16.4%
KF08	6	\$137	16.7%	10.9%	SB45	117	\$284	15.4%	15.6%
KF56	18	\$619	11.1%	10.0%	SB32	116	\$244	16.4%	15.4%
KF30	9	\$165	11.1%	10.0%	SB61	197	\$532	12.2%	15.2%

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 1.6% of forborne loans mature in 2021, while 7.0% have maturity dates in 2022 or 2023, for a total of 8.6% maturing before 2024. This compares with 12.7% 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 determine whether (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 path to returning the property performance to pre-COVID-19 levels. The selection of which option ultimately is at the discretion of the lender, through the master servicer.

There are 1,277 loans that took forbearance in between April and December 2020, whose three-month forbearance period ended in March 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 supplemental relief was approved.

There are 129 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).[3]

There were 117 loans granted, or in the process of obtaining, supplemental relief through Forbearance 2.0,[4] including 31 K-Deal loans, 80 SB-Deal loans, three Q-Deal loans and three Multi PC loans. This equates to 9.2% of the forborne population by loan count and 13.7% by UPB. These loans are still captured in the forbearance population for reporting purposes since they have not terminated their forbearance obligations.

There are 106 forborne loans reported as delinquent. Of those, 81 loans are in special servicing.

There are 106 loans for $441 million that started forbearance in December or earlier and are considered delinquent[5] as of the determination date used to populate the March trustee reports.[6] These 106 loans in March had no supplemental relief in process or approved and did not resume or continue payment of the scheduled debt service plus one-twelfth of the forborne payment. This population represents 8.3% by loan count of the forborne population and 5.2% by UPB.

Relative to the entire population of active securitized loans, the forborne delinquency rate is only 0.1% by UPB. In addition, the vast majority of loans in delinquency are SB-Deal loans, with only 14 loans coming from all other types of securitized deals. Even though there have been four new delinquent K-Deal loans this month, the rate of K-Deal delinquency is still less than 0.1%.

There are 89 forborne loans that are in special servicing, 81 of which are currently delinquent. The vast majority of loans in special servicing are SB-Deal loans (72), however, even within the SB universe, special servicing is rare; only 0.8% of all SB-Deal loans are in special servicing.

[3] 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.
[4] This does not include delinquent loans.
[5] Delinquent loans include loans that are 60 or more days late on debt service payments.
[6] 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	46	31	0	202	13	**292**
	SB-Deal	82	79	1	685	92	**939**
	Q-Deal	1	2	1	28	1	**33**
	Multi PC	0	3	0	10	0	**13**
	Total	129	115	2	925	106	**1,277**
UPB (in Millions)	K-Deal	$928	$638	$0	$3,461	$228	**$5,255**
	SB-Deal	$226	$214	$5.7	$1,843	$210	**$2,499**
	Q-Deal	$0.7	$11.7	$12.6	$102	$3.4	**$130**
	Multi PC	$0	$275	$0	$308	$0	**$583**
	Total	**$1,154**	**$1,139**	**$18.3**	**$5,714**	**$441**	**$8,467**

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

76.1% by loan count and 85.7% by UPB of forborne loans whose forbearance period has ended are currently making their debt service and forbearance repayments or have completely repaid their forborne payments.

Of the 1,277 loans that ended their forbearance period in March or earlier (seen in Exhibit 4), 925 are current or less than 30 days late (not including loans with an in-place or pending Forbearance 2.0 agreement), which can be seen in Exhibit 5 by summing “Current” and “Loan Status A/B/1” columns. Meanwhile, 115 loans have a Forbearance 2.0 amendment. Only 45 loans (3.5%) had their forbearance period extended three months, while only five loans (0.4%) delayed the start to the forbearance repayments. Only two loans have additional relief in process but were not finished by the determination date.

Of all non-terminated forborne loans that had their forbearance period end in March or earlier, 73.4% are currently paying (meaning that 26.6% are less than 30 days late, delinquent or are still in the forbearance period). In terms of UPB, this equates to 83.5%. Adding the number of terminated loans, 76.1% by loan count and 85.7% by UPB are paying or have repaid their forborne amount.

Exhibit 5: Current and Forbearance 2.0 Status

		No Forbearance 2.0			Forbearance 2.0		
		Current	Loan Status A/B/1[7]	Additional Relief Pending	6-month Additional Repayment	Delayed Start	Forbearance Extended
Count	K-Deal	194	8	0	11	2	18
	SB-Deal	519	166	1	54	2	23
	Q-Deal	21	7	1	0	1	1
	Multi PC	8	2	0	0	0	3
	Total	**742**	**183**	**2**	**65**	**5**	**45**
UPB (in Millions)	K-Deal	$3,408	$53.5	$0	$336	$25.3	$276
	SB-Deal	$1,415	$427	$5.7	$137	$4.8	$72.2
	Q-Deal	$85.3	$16.7	$12.6	$0	$7.9	$3.8
	Multi PC	$185	$123	$0	$0	$0	$275
	Total	**$5,093**	**$621**	**$18.3**	**$474**	**$37.9**	**$627**

Source: Freddie Mac. May not sum to total due to rounding. This population represents the forborne loan population that had December 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 five loans that currently have a forbearance agreement (that is, have not been terminated) that took the delayed start option. However, all five of these loans are past 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. Of the $7.4 billion in forborne loans, 11.3% are student housing properties and 12.3% are seniors housing facilities.

RealPage reports that pre-leasing in March increased 9.4% from February, which is the largest monthly gain since March 2020. However, the cumulative pre-leasing rate of 49.9% is still weak considering that the rate was in the upper 50% range in both 2019 and 2020. Rents in the student housing industry were completely flat over the year, which is the first time on record that there was no growth (typical year has 2% growth). Meanwhile, seniors housing has faced heavy headwinds in the past year. Reis reports that vacancy increased to 15.9% in the fourth quarter of 2020, up from 10% at the end of 2019.

[7] 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.

Exhibit 6: Forbearance Loans by Product Type

		Student	Seniors
Count	Forborne Loans	46	57
	Total Loans	586	753
	Percent of Loans Forborne	7.8%	7.6%
UPB	Forborne Loans	$839M	$911M
	Total Loans	$11.1B	$16.4B
	Percent of UPB Forborne	7.5%	5.5%

Source: Freddie Mac

The forbearance population will likely remain elevated in the coming months. However, recent economic data shows the economic recovery is picking up steam and should help the multifamily market get on more firm footing.

Summary

The population of loans currently with a forbearance agreement decreased slightly in March due to more loans terminating forbearance than entering into a forbearance agreement. However, the number of loans in forbearance is expected to stay elevated in the near-term since loans, by design, remain classified as "in forbearance" until all payments are made, which is generally at least a year. For loans that took forbearance in April of 2020, their final repayment date is June of 2021, if they did not take Forbearance 2.0.

In recent months, very few loans have started a new forbearance agreement which is an encouraging sign. In addition, several economic indicators recently came in better than expected, including initial jobless claims, employment growth and retail sales. Continued economic growth will surely help renters stay current or catch up on rent, as will the passage of the $1.9 trillion American Rescue Plan. However, the economy is still recovering, and the unemployment rate of lower-income workers remains relatively high, therefore many renters will undoubtedly still struggle.