Multifamily Securitization Forbearance Report

Data as of March 25, 2022

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Report Highlights

- Master servicers on Freddie Mac securitized loans have reported 161 forborne loans totaling $1.5 billion as of March 25, 2022. This equates to 0.6% of the total Freddie Mac securitized loan population by loan count and 0.4% of the outstanding securitized unpaid principal balance (UPB).
- In March, 17 loans terminated their forbearance agreement and one new loan took forbearance. Since the December 2021 report, 86 loans terminated their forbearance and four loans entered into a new forbearance.
- The vast majority of loans, 94.4% by loan count and 92.4% by UPB, whose forbearance period ended in March 2022 or earlier, are currently making payments or have fully repaid their forborne payments.
- There are 56 forborne loans that are in special servicing (<0.1% of total securitized UPB) while 38 forborne loans are delinquent (<0.1% of total securitized UPB).
- Of the population currently in forbearance that is not delinquent, 48 loans have been granted supplemental forbearance relief.
- Although new forbearance and supplemental relief requests were previously slated to terminate in September 2021, updated guidance has removed the end date, allowing eligible borrowers to enter into new agreements until such time as Freddie Mac communicates additional guidance establishing an end date.
- To date, 1,418 loans have gone through or are currently in the forbearance program. A total of 1,281 loans (90.3%) terminated their forbearance, completely paid off the loan balance (including their forborne amounts), or are still in their initial or supplemental forbearance period and making their payments.
- Since relatively few loans are in forbearance and only four loans have started a new forbearance agreement in the past three months, we anticipate that this will be our final forbearance report.

Forbearance Overview

Throughout the COVID-19 pandemic, many multifamily properties across the country have recorded rental collection rates that are below pre-pandemic levels which has impacted cash flows, 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 September 2021, eligible borrowers do not currently have a deadline for which 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.

All data presented in this report reflects forbearance data as of March 2022, unless otherwise noted. Since relatively few loans are in forbearance and only four loans have started a new forbearance agreement in the past three months, we anticipate that this will be our final forbearance report. However, we may revisit this publication if the number of forborne loans increases materially.

Forbearance Loan Characteristics

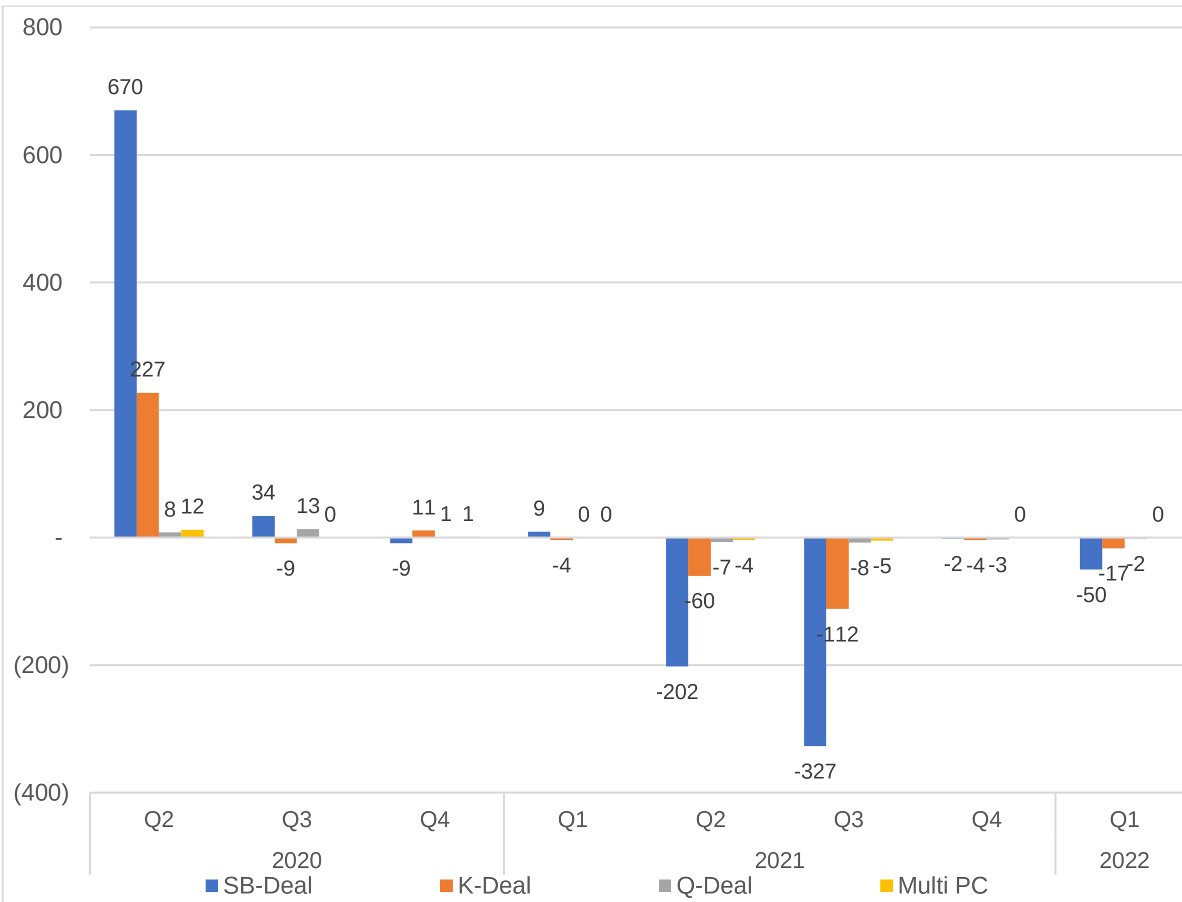
Basic Characteristics

Master servicers of Freddie Mac loans have reported 161 forborne loans for a total of $1.5 billion outstanding UPB, or roughly 0.6% of the total number of securitized loans and 0.4% of the total securitized loan UPB.

As of March 25, master servicers reported 161 Freddie Mac securitized loans that are either in their forbearance period or repayment period[1], representing roughly 0.6% of our total securitized loan population. This equates to $1.5 billion of outstanding UPB and represents 0.4% of our total securitized UPB. Of the 161 forborne loans, only two loans are still in their forbearance period and those borrowers are therefore not obligated to make debt service or forbearance payments at this time.

Exhibit 1 shows the quarterly change for the volume of forborne loans, measured using monthly data at the end of the quarter. In December 2021 (end of 2021 Q4), there were 230 forborne loans.[2] There were 161 forborne loans reported in March (end of 2022 Q1), indicating a net change of -69 loans over the quarter. This change can be obtained by summing the 2022 Q1 values in Exhibit 1.

Exhibit 1: Quarterly Change in Forbearance Loans



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

[1] Twenty-two 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.
[2] This excludes loans that have completely paid off as of March 2022.

Exhibit 2 provides a snapshot of loans still in forbearance as of March 2022, showing that most forborne loans are in SB-Deals®. Of the 161 forborne loans in March, 76% are SB-Deal loans which make up roughly 23% of the forborne UPB.

Exhibit 2: Forbearance Loans by Deal

		K-Deal®	SB-Deal®	Q-Deal℠	Multi PC®
Count	Forborne Loans	32	123	2	4
	Total Loans	15,203	9,699	1,144	1,054
	Percent of Loans Forborne	0.2%	1.3%	0.2%	0.4%
UPB	Forborne Loans	$701M	$342M	$15.7M	$409M
	Total Loans	$321B	$25.0B	$2.8B	$20.2B
	Percent of Loans Forborne	0.2%	1.4%	0.6%	2.0%

Source: Freddie Mac

Forbearance 2.0

There are 38 forborne loans reported as delinquent. Of those, 34 loans are in special servicing.

There are 1,096 loans that took forbearance between April 2020 and December 2021 whose three-month forbearance period ended in March 2022 or earlier, broken out in Exhibit 3. As the three-month forbearance program came to an end for those loans, the borrower would have been required to resume monthly debt service payments along with a monthly payment of one-twelfth of the forborne debt service amount, unless the forbearance was terminated or the borrower was approved for additional relief through Forbearance 2.0.

There are 937 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 48 loans granted supplemental relief through Forbearance 2.0.[4] This equates to 4.4% of the forborne population by loan count and 7.4% by UPB.

There are 38 forborne loans that are delinquent[5] as of the determination date used to populate the March trustee reports[6], representing 2.4% of the forborne population by UPB. In addition, there are 56 forborne loans that are in special servicing, 34 of which are currently delinquent. The vast majority of loans in special servicing are SB-Deal loans (51), however, even within the SB universe, special servicing is very low; only 0.5% of all SB-Deal loans are forborne loans 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. This figure also includes one loan that is real estate owned (REO) and two non-performing matured loans.
[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 3: Forbearance Update

		Terminated	Additional Relief Approved	Additional Relief in Process	Current or <30 Day	Delinquent	Total
Count	K-Deal	235	15	0	13	3	**266**
	SB-Deal	672	30	0	59	33	**794**
	Q-Deal	20	1	0	0	1	**22**
	Multi PC	10	2	0	1	1	**14**
	Total	937	48	0	73	38	**1,096**
UPB (in Millions)	K-Deal	$4,021	$235	$0	$399	$55.4	**$4,711**
	SB-Deal	$1,738	$83.5	$0	$175	$80.6	**$2,077**
	Q-Deal	$54.1	$12.4	$0	$0	$3.3	**$70**
	Multi PC	$308	$231	$0	$136	$42.3	**$717**
	Total	**$6,121**	**$562**	**$0**	**$710**	**$182**	**$7,575**

Source: Freddie Mac. Totals may not sum to total due to rounding. This population represents the forborne loan population that had December 2021 or earlier forborne start dates.

94.4% by loan count and 92.4% by UPB of forborne loans whose forbearance period has ended are currently making their debt service payments and forbearance repayments or have completely repaid their forborne payments.

Of the 1,096 loans that ended their forbearance period in March 2022 or earlier, 73 are current or less than 30 days late (seen in Exhibit 3). This subpopulation has been declining over time but has done so in tandem with a decline in delinquencies and an increase in terminated loans.

Of all non-terminated forborne loans that had their original forbearance period end in March 2022 or earlier, 61.6% are currently paying – meaning that 38.4% are less than 30 days late, delinquent, or in an extended forbearance period and not required to pay at this time. Adding the number of terminated loans, 94.4% by loan count and 92.4% by UPB are paying or have repaid their forborne amount.

Monthly Trends

While our analysis for this report focuses on March 2022 data, forbearance results from January and February provide insight on recent trends.

March's forborne loan tally of 161 is much lower than January's and February's counts of 231 and 177, respectively, reflecting a decreasing forbearance population as more and more loans exit the program. March's delinquent forborne population of 38 is essentially the same as January and February's 37. Three loans took forbearance in January while none did in February. This marks the fifth consecutive month of either zero or single-digit forbearance agreements starts, hinting that this may be the new steady state going forward.

Supplemental forbearance requests are becoming less common. In the entire first quarter of 2022, there were no Forbearance 2.0 requests in process.

Student and Seniors Housing

Given the nature of the pandemic, not every segment of the population has been affected equally. Exhibit 4 breaks out the current forborne population by student housing and seniors housing – two of the hardest hit asset classes.

Exhibit 4: Forbearance Loans by Product Type

		Student	Seniors
Count	Forborne Loans	5	11
	Total Loans	510	626
	Percent of Loans Forborne	1.0%	1.8%
UPB	Forborne Loans	$85M	$115M
	Total Loans	$9.9B	$14.2B
	Percent of UPB Forborne	0.9%	0.8%

Source: Freddie Mac

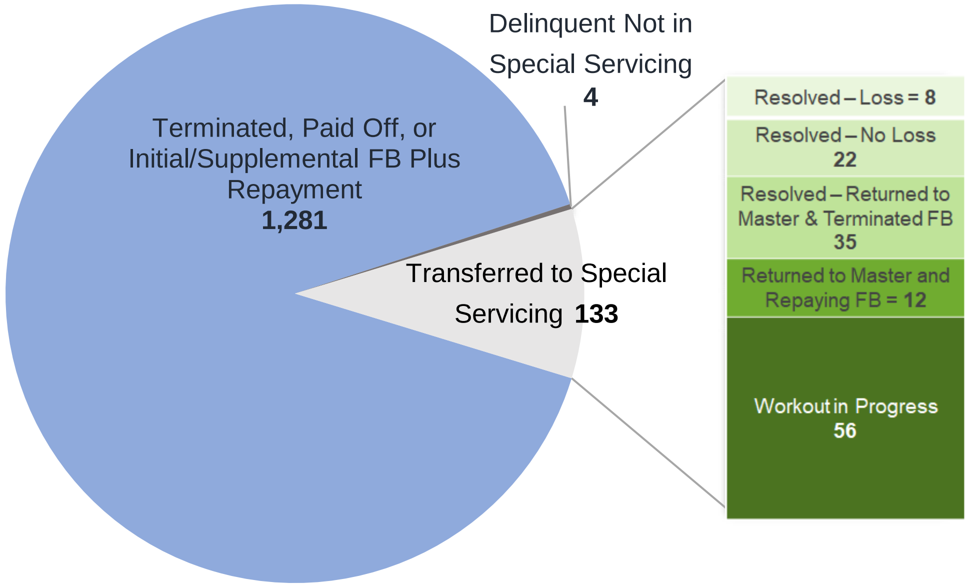
Forbearance Loan Population April 2020 – March 2022

Since the start of the forbearance program in April of 2020, a total of 1,418 loans have gone through or are currently still in the forbearance program, for a total of $9.1 billion. Over the past two years, 1,281 of those loans, or $8.4 billion, terminated their forbearance, completely paid off (including their forborne amounts), or are still in their initial or supplemental forbearance plus repayment period and making their payments. That makes up 90.3% by loan count and 92.8% by UPB of forborne loans that were able to successfully utilize the program and return to paying or completely pay back their forborne amounts.

The remaining 133 loans, or $637 million, were transferred to special servicing during the past two years. Breaking that population down further, 56 loans for $218 million are in the process of a workout, while the remaining 77 loans have finalized their workout. Of those loans that have finalized their workout, 12 loans have been returned to their master servicer either by becoming current or with a modification while 35 have terminated since returning to their master servicer.

The remaining 30 loans, or $95 million, that have finalized their workout have been liquidated from the trust with an average loss severity of 3.4%. The low-loss severity is because only a handful of loans that were liquidated took an actual loss; eight loans, or $20 million in UPB, took a loss for an average loss severity of 12.8%. Therefore, 22 loans have been liquidated without a loss.

Overall, as of March 2022, of all the loans that have been through the COVID-19 forbearance program, only 0.6% of loans, or 0.2% by UPB, took a loss in the past two years.



Note: Loans that terminated forbearance but then went delinquent are captured as "terminated"

Summary

The population of loans with a forbearance agreement is steadily decreasing. While some loans could stay in forbearance repayment until 2024 or possibly even later, we expect that a large majority of loans will exit the program much sooner. In recent months, very few loans have started a new forbearance agreement, and only one new forbearance was started in March. The current landscape of high rents and low vacancy is a boon for property operators generally, although these same factors contribute to many renters facing a growing affordability challenge.