

Multifamily Securitization Forbearance Report

Data as of May 25, 2021

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Report Highlights

- Master servicers on Freddie Mac securitized loans have reported 1,144 forbore loans totaling \$7.3 billion as of May 25. This equates to 2.0% of the outstanding securitized unpaid principal balance (UPB) and 4.3% of the total Freddie Mac securitized loan population by loan count.
- In May, there was a net decrease of nine loans in forbearance, with 20 loans terminating forbearance and 11 new loans in forbearance.
- A higher percentage of the forbore loans are Small Balance Loans (SBL), at 74.7% by loan count, but 31.2% by UPB.
- A high proportion of loans, 84.2% by loan count and 86.7% by UPB, whose forbearance period ended in May or earlier, are currently making payments or have fully repaid their forbore payments.
- There are 90 forbore loans that are in special servicing: 72 in SB-Deals®, 17 in K-Deals® and one in a Q-DealSM. This population of forbore loans in special servicing represents 0.3% of all securitized loans, with the SB-Deal portion representing 0.8% of all SB-Deal loans.
- 118 forbore loans are delinquent, representing \$767 million in UPB (0.2% of total securitized UPB).
- Of the population currently in forbearance that is not delinquent, there are 118 loans that have been granted, or are in the process of obtaining, supplemental forbearance relief, including 32 K-Deal loans, 80 SB-Deal loans, three Q-Deal loans and three Multi PC® loans.
- Of the total \$7.3 billion of forbore loans, 11.5% by UPB are student housing and 12.4% are seniors housing facilities.
- Only 3.9% of all the forbore loans mature in 2021 or 2022, indicating the forbearance repayment requirements are not expected to impact balloon risk significantly.
- Per new guidance published in June, new forbearance and supplemental relief requests will now be accepted through September 30, 2021.

Forbearance Overview

During the COVID-19 pandemic, rampant job losses acutely affected renters and their ability to pay rent. The National Multifamily Housing Council has consistently reported that rental collection rates during the pandemic lag behind pre-pandemic levels. By the end of May 2021, they estimate that 94.6% of renters made a full or partial rent payment, which is down 2 percentage points from May 2019.¹ This level of disparity has been persistent during the pandemic.

Lower collection rates and monthly rental rates among new and renewal leases have impacted cash flows across the country, causing some property operators to face difficulties in meeting their debt service obligations. To address this unexpected turbulence in the market, Freddie Mac created a temporary forbearance program to help property operators who have been adversely affected.

Borrowers requesting an initial forbearance of three months must make a written request and provide a delinquency and forbearance report demonstrating the effect of the national COVID-19 emergency on the property's operation and performance. Once the request is approved, the forbearance period will cover up to three consecutive monthly payments. Per [new guidance](#) released in June 2021, borrowers now have until September 30, 2021 to submit an initial forbearance request.

Freddie Mac's forbearance program also includes [supplemental relief options](#), referred to as Forbearance 2.0 in this report. This additional relief applies to qualified borrowers who currently have forbearance in place, who continue to be impacted by the pandemic, and who have a reasonably foreseeable path to returning the property performance to pre-COVID-19 levels.

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

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

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

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

Forbearance Loan Characteristics

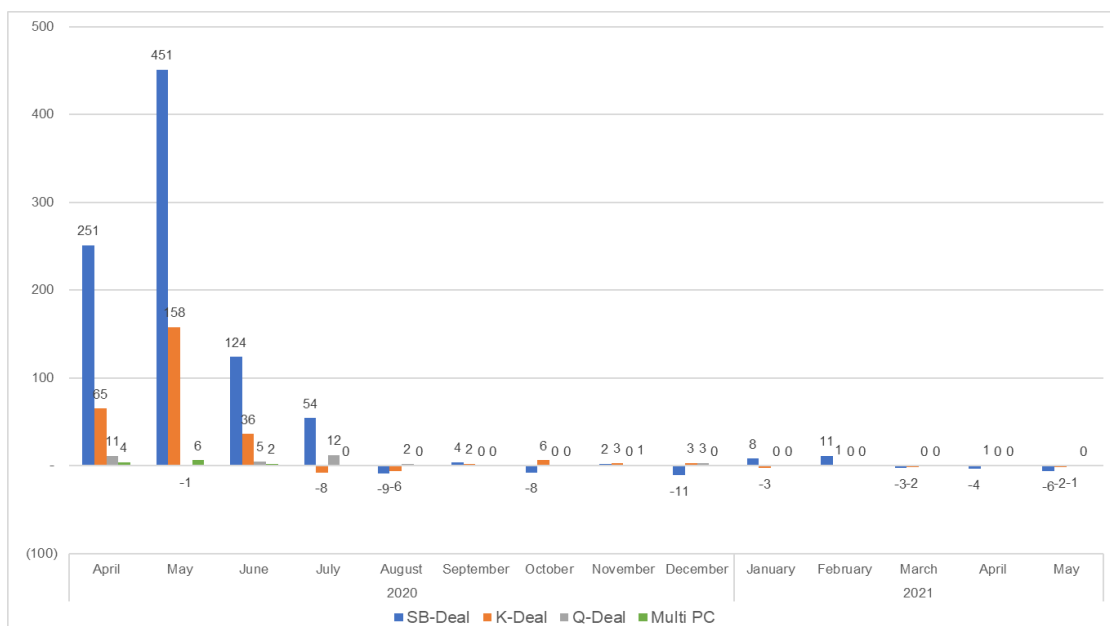
Basic Characteristics

As of May 25, master servicers reported 1,144 forbore Freddie Mac securitized loans², or roughly 4.3% of our total securitized loan population. This equates to \$7.3 billion of outstanding UPB and represents 2.0% of our total securitized UPB. Of the 1,144 forbore loans, 18 loans are still in their forbearance period and those borrowers are therefore not obligated to make debt service or forbearance payments at this time.

This data is sourced from our four master servicers, including Freddie Mac, and encompasses only loans that have been approved for forbearance. It does not include loans for which forbearance has terminated. Terminated refers to loans that have repaid all forbore amounts in full either during the three-month forbearance period or after the forbearance period and are no longer considered forbore loans.

Exhibit 1 shows the monthly change for the volume of forbore loans. In May, 20 loans terminated their forbearance and 11 new loans entered forbearance. This net change of nine loans can be obtained by summing the May values in Exhibit 1.³

Exhibit 1: Monthly Change in Forbearance Loans



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

The average UPB of forbore loans in May is relatively small at around \$6.3 million, whereas the average loan size in the overall securitized portfolio is \$13.3 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 forbore amounts originally came from the COVID-19 forbearance program, we still include them in our forbearance loan population.

³ This net change does not match the change in the number of forbore loans reported last month because we no longer count loans that have completely paid off.

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 who are more likely to be economically impacted by the pandemic.

Exhibit 2: Forbearance Loans by Deal

		K-Deal [®]	SB-Deal [®]	Q-Deal SM	Multi PC [®]
Count	Forborne Loans	248	854	29	13
	Total Loans	15,074	9,489	1,319	751
	Percent of Loans Forborne	1.6%	9.0%	2.2%	1.7%
UPB	Forborne Loans	\$4.3B	\$2.3B	\$118M	\$583M
	Total Loans	\$312B	\$24.4B	\$3.2B	\$14.2B
	Percent of Loans Forborne	1.4%	9.3%	3.7%	4.1%

Source: Freddie Mac

Forbearance of Securitized Deals

The forbore loan population is dispersed across 210 different pooled securitizations (excluding Multi PC transactions), representing 42.4% of all securitized pool deals. However, that percentage is skewed heavily toward SB-Deals; 83.5% of all SB-Deals have at least one forbore loan compared with 33.3% 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 forbore loans within a securitized deal is 5.0% of the total pool by loan count and 4.7% by deal UPB. Exhibit 3 breaks out the top 15 of each of the K-Deals and SB-Deals by percent of forbore loans.

About 42% of all securitized, pooled deals have at least one loan that has been granted forbearance.

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	\$833	66.7%	68.8%	SB18	21	\$39	19.0%	29.7%
KX04FL	7	\$111	14.3%	33.5%	SB68	181	\$497	19.9%	27.7%
KF41	8	\$235	25.0%	27.1%	SB9	77	\$201	16.9%	26.6%
KX01	5	\$84	20.0%	22.6%	SB63	173	\$478	14.5%	20.8%
KF26	7	\$110	14.3%	21.6%	SB60	206	\$567	19.4%	19.9%
KS06	41	\$548	24.4%	18.6%	SB28	96	\$184	20.8%	18.4%
KLU2	6	\$287	16.7%	15.7%	SB52	182	\$460	17.6%	18.3%
KX03	29	\$412	17.2%	15.4%	SB30	87	\$196	13.8%	17.6%
KP05	9	\$86	11.1%	15.1%	SB33	72	\$135	16.7%	16.4%
KF15	11	\$189	9.1%	13.1%	SB45	117	\$283	15.4%	15.6%
KF30	8	\$133	12.5%	12.3%	SB48	199	\$442	14.6%	15.4%
KF25	14	\$177	7.1%	11.3%	SB22	55	\$137	14.5%	14.9%
KF19	9	\$142	11.1%	11.2%	SB26	57	\$144	15.8%	14.6%
KX04FX	31	\$409	16.1%	11.0%	SB32	115	\$241	15.7%	14.5%
KF08	6	\$137	16.7%	10.9%	SB69	172	\$437	12.2%	14.4%

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 3.9% of forbore loans mature in 2021 or 2022. This compares with 6.8% 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

There are 1,276 loans that took forbearance between April 2020 and February 2021 whose three-month forbearance period ended in May 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 forbore debt service amount, unless the forbearance was terminated or the borrower was approved for additional relief through Forbearance 2.0.

There are 147 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 forbore payments and have no remaining advanced principal and interest payments (P&I).⁴

There were 118 loans granted, or in the process of obtaining, supplemental relief through Forbearance 2.0,⁵ including 32 K-Deal loans, 80 SB-Deal loans, three Q-Deal loans and three Multi PC loans. This equates to 9.2% of the forbore 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 118 forbore loans reported as delinquent. Of those, 83 loans are in special servicing.

There are 118 loans for \$767 million that started forbearance in February 2021 or earlier and are considered delinquent⁶ as of the determination date used to populate the May trustee reports.⁷ These 118 loans in May 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 forbore payment. This population represents 9.1% of the forbore population by UPB.

Relative to the entire population of active securitized loans, the forbore delinquency rate is only 0.2% by UPB. In addition, the majority of loans in delinquency are SB-Deal loans, with only 23 loans coming from all other types of securitized deals.

There are 90 forbore loans that are in special servicing, 83 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.

⁴ Reporting of these loans will differ across master servicers. Some will report these in the LPU as forbore but current with no advances on P&I, whereas others will remove the forbore modification code.

⁵ This does not include delinquent loans.

⁶ Delinquent loans include loans that are 60 or more days late on debt service payments.

⁷ 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 forbore payment.

Exhibit 4: Forbearance Update

		Terminated	Additional Relief Approved	Additional Relief in Process	Current or <30 Day	Delinquent	Total
Count	K-Deal	46	30	2	196	18	292
	SB-Deal	100	79	1	666	95	941
	Q-Deal	1	3	0	21	5	30
	Multi PC	0	3	0	10	0	13
	Total	147	115	3	893	118	1,276
UPB (in Millions)	K-Deal	\$977	\$598	\$38.1	\$3,078	\$549	\$5,239
	SB-Deal	\$260	\$213	\$2.9	\$1,791	\$209	\$2,476
	Q-Deal	\$1.9	\$24.3	\$0	\$84.5	\$9.4	\$120
	Multi PC	\$0	\$275	\$0	\$308	\$0	\$583
	Total	\$1,239	\$1,110	\$41.0	\$5,261	\$767	\$8,418

84.2% by loan count and 86.7% by UPB of forbore loans whose forbearance period has ended are currently making their debt service and forbearance repayments or have completely repaid their forbore payments.

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

Of the 1,276 loans that ended their forbearance period in May 2021 or earlier (seen in Exhibit 4), 893 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 received additional Forbearance 2.0 relief, with the most-used option being the six-month extension of the repayment period.

Of all non-terminated forbore loans that had their forbearance period end in May 2021 or earlier, 82.1% are currently paying (meaning that 17.9% are less than 30 days late, delinquent or are still in the forbearance period). In terms of UPB, this equates to 84.4%. Adding the number of terminated loans, 84.2% by loan count and 86.7% by UPB are paying or have repaid their forbore amount.

Exhibit 5: Current and Forbearance 2.0 Status

		No Forbearance 2.0			Forbearance 2.0		
		Current	Loan Status A/B/1 ⁸	Additional Relief Pending	6-month Additional Repayment	Delayed Start	Forbearance Extended
Count	K-Deal	189	7	2	10	2	18
	SB-Deal	613	53	1	54	4	21
	Q-Deal	14	7	0	0	1	2
	Multi PC	10	0	0	0	0	3
	Total	826	67	3	64	7	44
UPB (in Millions)	K-Deal	\$2,967	\$110	\$38.1	\$297	\$25.3	\$275
	SB-Deal	\$1,680	\$111	\$2.9	\$133	\$10.1	\$69.8
	Q-Deal	\$67.2	\$17.3	\$0	\$0	\$7.9	\$16.4
	Multi PC	\$308	\$0	\$0	\$0	\$0	\$275
	Total	\$5,022	\$239	\$41.0	\$430	\$43.2	\$636

Source: Freddie Mac. May not sum to total due to rounding. This population represents the forbore loan population that had February 2021 or earlier forbore 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 seven loans that were given the delayed repayment start option. But all seven of these loans are past the end of the delayed start period and are thus obligated to make forbearance payments.

Student and Seniors Housing

Given the nature of the pandemic, not every segment of the population has been affected equally. Exhibit 6 breaks out the product type by student housing and seniors housing – two of the hardest hit asset classes. Of the \$7.3 billion in forbore loans, 11.5% are student housing properties and 12.4% are seniors housing facilities.

Exhibit 6: Forbearance Loans by Product Type

		Student	Seniors
Count	Forborne Loans	46	57
	Total Loans	580	748
	Percent of Loans Forborne	7.9%	7.6%
UPB	Forborne Loans	\$837M	\$898M
	Total Loans	\$11.1B	\$16.4B
	Percent of UPB Forborne	7.5%	5.5%

Source: Freddie Mac

⁸ Status A is when the payment is not yet due or less than 10 days delinquent. Status B is when payment is late but less than 30 days. Status 1 is when the payment is late by between 30 and 59 days.

Summary

The forbearance population will likely remain elevated in the coming months but should decrease in the next few months.

The population of loans currently with a forbearance agreement decreased in May, just like it did in the prior two months. Since most borrowers who took forbearance did so in the early months of the pandemic, we expect that most of them will terminate their forbearance agreements by August. For example, borrowers who took forbearance in April of 2020 have a final repayment in June of 2021, if they did not take Forbearance 2.0.

While some loans will stay in forbearance until 2023 or possibly even later, a large majority of loans will exit the program much sooner. In recent months, only very few loans have started a new forbearance agreement, which is an encouraging sign and can partially be attributed to a strong economic recovery. Although many renters may struggle in the near-term, generally the outlook for the industry is positive.

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