Multifamily Securitization Forbearance Report

Data as of June 25, 2021

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Report Highlights

- Master servicers on Freddie Mac securitized loans have reported 813 forborne loans totaling $5.4 billion as of June 25. This equates to 1.5% of the outstanding securitized unpaid principal balance (UPB) and 3.0% of the total Freddie Mac securitized loan population by loan count.
- In June, there was a net decrease of 333 loans in forbearance, with 334 loans terminating forbearance and one new loan in forbearance.
- The net decrease in forborne loans is substantially higher than it has been prior months due to a large number of loans making their final forbearance payments in June, consistent with their forbearance agreement repayment terms.
- A high proportion of loans, 86.9% by loan count and 92.1% by UPB, whose forbearance period ended in June or earlier, are currently making payments or have fully repaid their forborne payments.
- There are 93 forborne loans that are in special servicing: 75 in SB-Deals®, 17 in K-Deals® and one in a Q-Deal℠.
- 89 forborne loans are delinquent, representing $343 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 32 K-Deal loans, 79 SB-Deal loans, three Q-Deal loans and three Multi PC® loans.
- Only 4.1% of all the forborne 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 June 2021, they estimate that 95.6% of renters made a full or partial rent payment, which is down 50 basis points from June 2019.[1] This gap is small compared with prior months, which is encouraging, but a disparity persists.

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

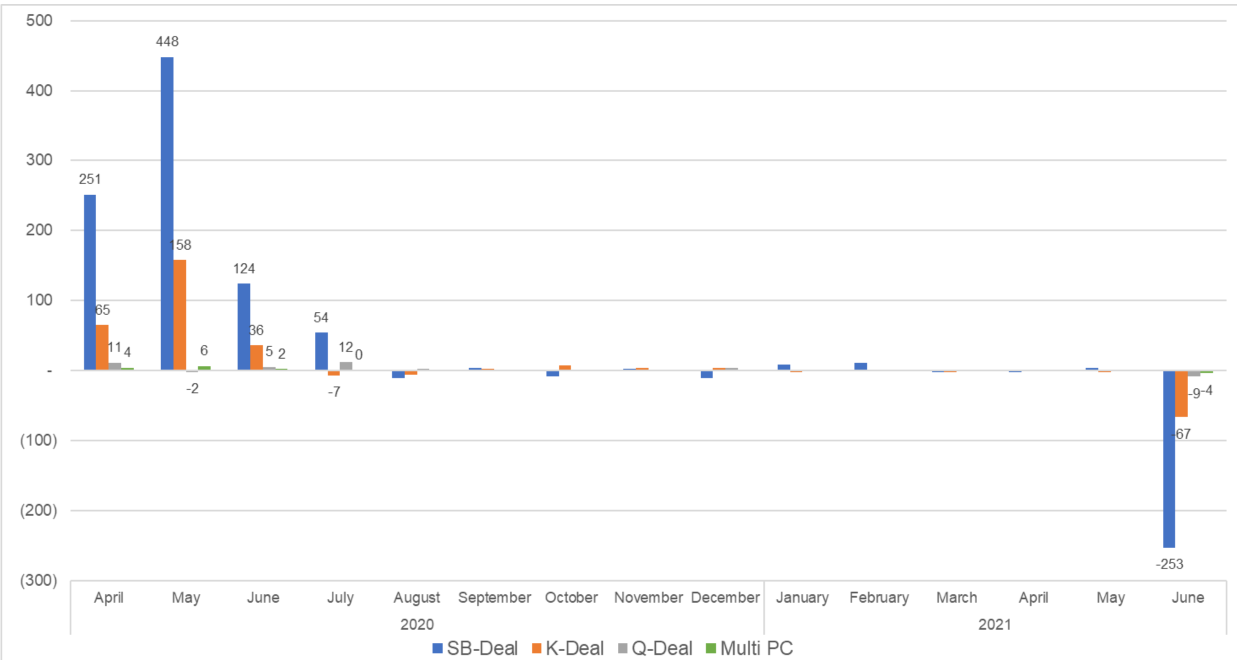
As of June 25, master servicers reported 813 forborne Freddie Mac securitized loans[2], or roughly 3.0% of our total securitized loan population. This equates to $5.4 billion of outstanding UPB and represents 1.5% of our total securitized UPB. Of the 813 forborne loans, 14 loans are still in their forbearance 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 813 forborne loans for a total of $5.4 billion outstanding UPB, or roughly 1.5% of total securitized loan UPB and 3.0% 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 June, 334 loans terminated their forbearance and one new loan entered forbearance. This net change of 333 loans can be obtained by summing the June values in Exhibit 1.[3]

Exhibit 1: Monthly Change in Forbearance Loans



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

The number of loans currently in forbearance is substantially lower than it was in May due to the high number of June terminations. Of the 1,282 outstanding loans that took forbearance from April

[2] Six 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.

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

2020 to June 2021[4], 548 (42.7%) took forbearance in April 2020. Most of these loans have completely repaid their forborne amounts, either early or on time, thus leading to the wave of pay-offs in June – their final month of forbearance repayment.

Of the loans still in forbearance, most are in SB-Deals as seen in Exhibit 2. Across all deal types, the number of forbearance loans is expected to continue falling the next few months.

Exhibit 2: Forbearance Loans by Deal

		K-Deal®	SB-Deal®	Q-Deal℠	Multi PC®
Count	Forborne Loans	181	603	20	9
	Total Loans	15,155	9,534	1,311	773
	Percent of Loans Forborne	1.2%	6.3%	1.5%	1.2%
UPB	Forborne Loans	$3.1B	$1.7B	$63.4M	$531M
	Total Loans	$315B	$24.5B	$3.4B	$14.5B
	Percent of Loans Forborne	1.0%	6.8%	1.9%	3.7%

Source: Freddie Mac

Forbearance of Securitized Deals

34% of all securitized, pooled deals have at least one loan that has been granted forbearance.

The forborne loan population is dispersed across 170 different pooled securitizations (excluding Multi PC transactions), representing 34.0% of all securitized pool deals. However, that percentage is skewed heavily toward SB-Deals; 76.7% of all SB-Deals have at least one forborne loan compared with 24.5% 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 negatively economically impacted by the pandemic. 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	$832	66.7%	68.8%	SB9	76	$196	14.5%	25.4%
KX04FL	7	$111	14.3%	33.5%	SB68	180	$495	16.1%	24.9%
KF26	7	$110	14.3%	21.6%	SB63	172	$473	12.8%	19.6%
KS06	41	$548	24.4%	18.6%	SB18	21	$39	9.5%	19.2%
KP05	8	$72	12.5%	18.0%	SB60	205	$566	17.1%	18.4%
KF41	8	$235	12.5%	17.7%	SB52	181	$454	14.9%	16.3%
KF15	11	$189	9.1%	13.1%	SB11	19	$28	10.5%	15.2%
KF30	8	$133	12.5%	12.3%	SB35	84	$225	11.9%	12.6%
KF25	12	$165	8.3%	12.1%	SB65	196	$549	13.3%	12.3%
KX03SL	8	$21	12.5%	12.1%	SB32	115	$240	13.0%	12.1%
KF19	9	$142	11.1%	11.2%	SB28	94	$182	12.8%	11.9%
K716	18	$331	5.6%	11.1%	SB30	85	$192	8.2%	11.7%
KF08	6	$136	16.7%	10.9%	SB26	57	$144	12.3%	10.7%
KJ07	12	$59	16.7%	10.8%	SB51	174	$426	10.9%	10.6%
K1501	22	$472	4.5%	7.5%	SB39	55	$134	9.1%	10.0%

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

[4] This includes all loans that have taken forbearance since the inception of the program and that still have a loan balance as of May 2021. We do not consider loans that have terminated forborne loans that have completely repaid the principal amount as of June 2021.

Forborne loans generally mature later than loans not in forbearance. Only 4.1% of forborne loans mature in 2021 or 2022. This compares with 6.4% 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 1,271 loans that took forbearance between April 2020 and March 2021 whose three-month forbearance period ended in June 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 the borrower was approved for additional relief through Forbearance 2.0.

There are 469 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).[5] This increase corresponds to the 15 month period starting in April 2020 when the forbearance program started. That is, for a forborne loan, the first three months refer to the period that the loan is in forbearance, while the subsequent 12 months refers to the repayment period (assuming Forbearance 2.0 is not taken).

There are 89 forborne loans reported as delinquent. Of those, 83 loans are in special servicing.

There were 117 loans granted, or in the process of obtaining, supplemental relief through Forbearance 2.0,[6] including 32 K-Deal loans, 79 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.

There are 89 forborne loans that are delinquent[7] as of the determination date used to populate the June trustee reports[8], representing 4.1% of the forborne population by UPB. The number of delinquent forborne loans dropped considerably from May when there were 118 delinquent loans. Relative to the entire population of active securitized loans, the forborne delinquency rate is only 0.1% by UPB in June.

There are 93 forborne loans that are in special servicing, 77 of which are currently delinquent. The vast majority of loans in special servicing are SB-Deal loans (75), however, even within the SB universe, special servicing is very low; only 0.8% of all SB-Deal loans are in special servicing.

[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.
[6] This does not include delinquent loans.
[7] Delinquent loans include loans that are 60 or more days late on debt service payments.
[8] 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	111	30	2	138	10	**291**
	SB-Deal	345	78	1	436	78	**938**
	Q-Deal	9	3	0	16	1	**29**
	Multi PC	4	3	0	6	0	**13**
	Total	469	114	3	596	89	**1,271**
UPB (in Millions)	K-Deal	$2,114	$660	$29.6	$2,263	$167	**$5,233**
	SB-Deal	$827	$210	$2.9	$1,249	$173	**$2,463**
	Q-Deal	$54.6	$24.3	$0	$35.7	$3.4	**$118**
	Multi PC	$51.8	$274	$0	$256	$0	**$582**
	Total	**$3,047**	**$1,169**	**$32.5**	**$3,804**	**$343**	**$8,396**

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

86.9% by loan count and 92.1% 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 1,271 loans that ended their forbearance period in June 2021 or earlier (seen in Exhibit 4), 596 are current or less than 30 days late. This is a steep decline from last month but is reflective of a large number of loans terminating their forbearance and not an indicator of more loans missing payments (as corroborated by the lower delinquency rate).

Meanwhile, 114 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 forborne loans that had their forbearance period end in June 2021 or earlier, 79.2% are currently paying (meaning that 20.8% are less than 30 days late, delinquent or are still in the forbearance period). In terms of UPB, this equates to 87.6%. Adding the number of terminated loans, 86.9% by loan count and 92.1% 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[9]	Additional Relief Pending	6-month Additional Repayment	Delayed Start	Forbearance Extended
Count	K-Deal	133	5	2	10	1	19
	SB-Deal	385	51	1	54	2	22
	Q-Deal	14	2	0	0	1	2
	Multi PC	6	0	0	0	0	3
	Total	**538**	**58**	**2**	**64**	**4**	**46**
UPB (in Millions)	K-Deal	$2,212	$51.2	$29.6	$297	$19.0	$344
	SB-Deal	$1,108	$141	$2.9	$133	$4.7	$73.2
	Q-Deal	$31.4	$4,294	$0	$0	$7.9	$16.4
	Multi PC	$256	$0	$0	$0	$0	$274
	Total	**$3,607**	**$197**	**$29.6**	**$429**	**$31.5**	**$708**

Source: Freddie Mac. May not sum to total due to rounding. This population represents the forborne loan population that had March 2021 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 currently four forborne loans that were given the delayed repayment start option, but all four 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 $5.4 billion in forborne loans, 11.2% are student housing properties and 16.6% are seniors housing facilities.

Exhibit 6: Forbearance Loans by Product Type

		Student	Seniors
Count	Forborne Loans	37	57
	Total Loans	576	739
	Percent of Loans Forborne	6.4%	7.7%
UPB	Forborne Loans	$605M	$896M
	Total Loans	$11.0B	$16.3B
	Percent of UPB Forborne	5.5%	5.5%

Source: Freddie Mac

[9] 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.

The forbearance population declined substantially in June and this trend is expected to continue.

Summary

The population of loans currently with a forbearance agreement decreased substantially in June, as predicted. For most borrowers who took forbearance in the early months of the pandemic, their final repayment date has either passed already or will pass by August.

While some loans will stay in forbearance repayment 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 be attributed in large part to a strong economic recovery and a robust multifamily housing market. Although many renters may struggle in the near-term, generally the outlook for the industry is positive.