Multifamily Securitization Forbearance Report

Data as of November 25, 2020

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Report Highlights

- Master servicers on Freddie Mac securitized loans have reported 1,211 forborne loans totaling $7.7 billion as of November 25. This equates to 2.4% of the outstanding securitized unpaid principal balance (UPB) and 4.8% of the total Freddie Mac securitized loan population by loan count.
- In November, there was a net decrease of five loans in forbearance, with 16 loans terminating forbearance and 11 new forbearance requests.
- A majority of loans, 80% by loan count and 84% by UPB, whose forbearance period ended in November or earlier, are currently making payments or have fully repaid their forborne payments.
- There are 38 forborne loans that are in special servicing, 25 of which are currently delinquent. Including those 25, there are a total of 72 forborne loans that are reported as delinquent with a total balance of $268 million.
- A higher percentage of the forborne loans are Small Balance Loans (SBL), at 75.0% by loan count, but 31.6% by UPB. Since these properties have fewer units, each tenant experiencing stress has a larger impact on the overall property performance.
- Of the total $7.7 billion of forborne loans, 10.9% by UPB are student housing and 11.4% are seniors housing facilities.
- Forbearance requests are distributed across the country in 39 states and the District of Columbia. The top states are New York, Texas, California, Maryland and Florida.
- Only 1.9% of all the forborne loans have maturity dates before 2022, indicating the forbearance repayment requirements are not expected to impact balloon risk significantly.

Economic and Multifamily Impact Overview

COVID-19 continues to have a profound economic impact across the country. Weekly initial jobless claims have moderated from their mid-March high of 6.6 million down to 712,000 for the week ending November 28. Weekly unemployment claim numbers have plateaued since late August, with only a very slight downward trend. Meanwhile, continued unemployment claims across all federal and state assistance programs remain elevated at 20.2 million. The unemployment rate has fallen for a seventh consecutive month and currently sits at 6.7% as of November, which is substantially lower than April's peak of 14.7%.

The number of COVID-19 cases across the country has spiked in the last two months which has slowed the economic recovery. Consequently, the jobless rate remains high, which may impact tenants' ability to pay rent without sufficient government support.

The National Multifamily Housing Council reported that November rent payments, as of November 20, was at 90.3%, which is on par with the prior few months for the same reporting period (that is, by the 20th of each month).[1]

The rental collection rate dropped precipitously in early December. By December 6, only 75.4% of households made a full or partial rent payment, which is down from 83.2% in December 2019 and from 80.4% in November 2020. Although the collection rate may improve over the course of the month, the current low rate may be an ominous sign.

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. Unless extended, Borrowers have until December 31 to submit a forbearance request, consistent with Freddie Mac's Forbearance Agreement guidance that was announced in March of this year.[2]

On June 29, Freddie Mac updated its forbearance relief program to provide servicers with supplemental relief options (referred to as Forbearance 2.0 in this report) for qualified borrowers who currently have forbearance in place and continue to be impacted by the effects of the pandemic, and have a reasonably foreseeable recovery of performance to that existing prior to the impacts of COVID-19.

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 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 of the repayment period by three months following forbearance.
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.

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[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] https://mf.freddiemac.com/COVID-19/#borrowers

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

Forbearance Loan Characteristics

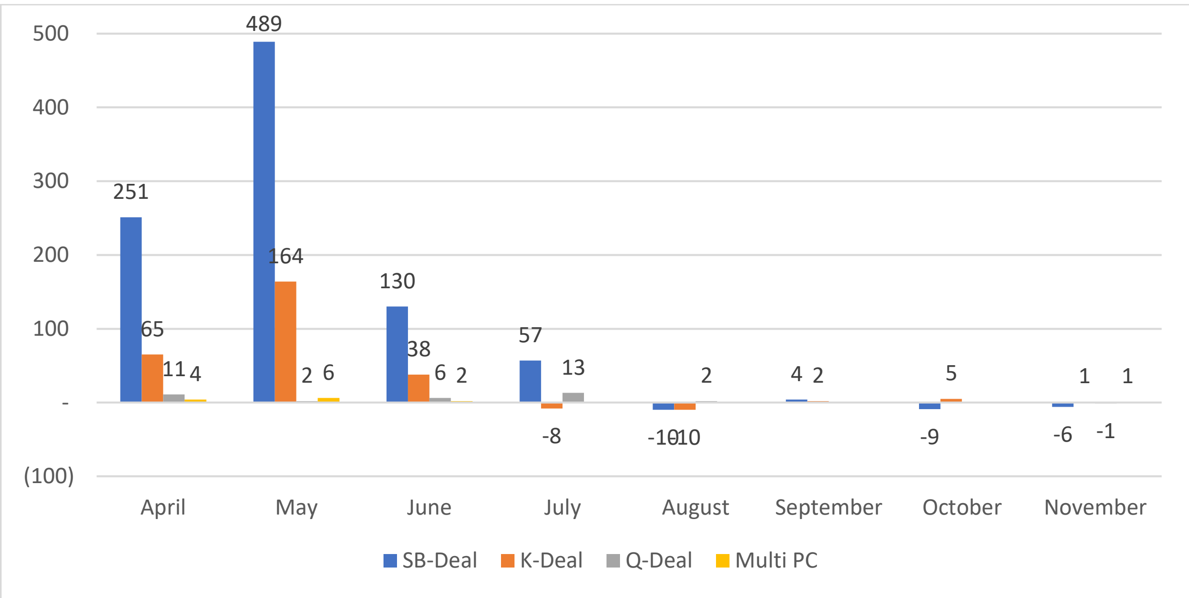
Basic Characteristics

Master servicers of Freddie Mac loans have reported 1,211 forborne loans for a total of $7.7 billion outstanding UPB, or roughly 2.4% of total securitized loan UPB and 4.8% of total number of loans.

As of November 25, the master servicers reported 1,211 forborne Freddie Mac securitized loans, or roughly 4.8% of our total securitized loan population. This equates to $7.7 billion of outstanding UPB and represents 2.4% of our total securitized UPB. 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 November, 16 loans terminated their forbearance and 11 new loans entered forbearance.[3]

Exhibit 1: Monthly Change in Forbearance Loans



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

The average UPB of forborne loans in November is relatively small at around $6.3 million, whereas the average loan size in the overall securitized portfolio is $12.8 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

[3] Our analysis does not include forborne loans that have paid off. One loan that is now terminated was not included as forborne in prior months because it was not in a securitized deal. The loan was in an SB-Deal as of November and is therefore included as a terminated loan in our analysis, even though it did not show up in prior months. For this reason, the change in forborne loans is five even though there were 1,215 loans last month.

tenants that are more likely to be hourly paid workers and hit harder by nonessential business closures.

Exhibit 2: Forbearance Loans by Deal

		K-Deal®	SB-Deal®	Q-Deal℠	Multi PC℠
Count	Forborne Loans	257	908	33	13
	Total Loans	14,167	9,149	1,415	590
	Percent of Loans Forborne	1.8%	9.9%	2.3%	2.2%
UPB	Forborne Loans	$4.5B	$2.4B	$124M	$583M
	Total Loans	$285.6B	$23.6B	$3.6B	$10.4B
	Percent of Loans Forborne	1.6%	10.3%	3.4%	5.6%

Source: Freddie Mac

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

Forbearance of Securitized Deals

The forborne loan population is dispersed across 219 different pooled securitizations (excluding Multi PC℠ transactions), representing 47.9% of all securitized pool deals. However, that percentage is skewed heavily toward SB-Deals; 91.1% of all SB-Deals have at least one forborne loan compared with 38.2% 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 4.8% of the total pool by loan count and 4.6% 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	51	$853	62.7%	67.8%	SB9	93	$243	18.3%	28.6%
KF19	12	$184	16.7%	29.7%	SB68	192	$529	20.3%	27.8%
KX04FL	9	$132	11.1%	28.4%	SB6	36	$94	16.7%	27.1%
KF41	9	$259	22.2%	24.9%	SB18	25	$49	16.0%	23.6%
KX01	7	$114	14.3%	16.8%	SB30	96	$222	15.6%	20.7%
KLU2	6	$288	16.7%	15.6%	SB63	179	$495	14.5%	20.6%
KX03	29	$415	17.2%	15.4%	SB60	214	$591	18.7%	19.2%
KS06	41	$553	14.6%	13.9%	SB33	82	$159	18.3%	18.4%
KF26	9	$189	11.1%	12.6%	SB52	189	$478	18.0%	17.6%
KX04FX	31	$410	16.1%	11.0%	SB28	103	$198	19.4%	17.5%
KF15	15	$242	6.7%	10.4%	SB61	211	$566	13.3%	16.4%
KF08	7	$153	14.3%	9.9%	SB20	84	$193	11.9%	16.4%
KX03SL	11	$27	9.1%	9.4%	SB11	23	$39	13.0%	16.3%
KJ07	13	$68	15.4%	9.3%	SB22	57	$144	15.8%	16.2%
KF30	10	$181	10.0%	9.2%	SB26	61	$150	16.4%	15.9%

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 1.9% of forborne loans have a maturity date before 2022, while 7.3% have maturity dates between 2022 and 2023, for a total of 9.2% maturing before 2024. This compares with 15.4% 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

In late June, Freddie Mac introduced Forbearance 2.0, which requires the applicable servicer 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) that the supplemental options (to adjust their forbearance period and/or payback period), if any, would provide a reasonably foreseeable recovery of performance of the property to that existing prior to the impacts of COVID-19.

There are 1,292 loans that took forbearance in August or earlier.[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.

Exhibit 4 shows the breakout of forborne loans whose three-month forbearance period came to an end in November or earlier. There are 101 loans, not including loans that have completely paid off, 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]

There are 72 forborne loans reported as 90+ days delinquent. Of those, 25 loans are in special servicing.

We saw 124 loans granted, or in the process of obtaining, supplemental relief through Forbearance 2.0. This represents 9.6% of loans, or 14.0% of UPB, that ended their forbearance period and were granted or are working on additional relief. These loans are still captured in the forbearance population for reporting purposes since they have not terminated their forbearance obligations.

There are 72 loans for $268 million that started forbearance in August or earlier and are considered 90+ days delinquent[6] as of the determination date used to populate the November trustee reports.[7] This represents only 5.6% by loan count of the forborne population and 3.2% by UPB, and is a sizable increase from the 40 delinquent loans from October. These 72 loans in November had no supplemental relief in process or approved and did not resume payment of the scheduled debt service plus one-twelfth of the forborne payment. There are 38 forborne loans that are in special servicing, 25 of which are currently delinquent. Due to reporting timing, we anticipate this number will change but will not be captured until next month's reporting.

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[4] This total may not match the past monthly forbearance reports due to delay in timing or canceled forbearance requests.
[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] One SB-Deal loan was reported as 60-89 days delinquent but is included in our delinquency count.
[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 forborne payment.

Exhibit 4: Forbearance Update

		Terminated	Additional Relief Approved	Additional Relief in Process	Current or <30 Day	Delinquent	Total
Count	K-Deal	36	32	1	213	5	**287**
	SB-Deal	64	84	3	744	64	**955**
	Q-Deal	1	2	0	28	3	**33**
	Multi PC	0	2	0	10	0	**12**
	Total	**101**	**120**	**4**	**995**	**72**	**1,292**
UPB (in Millions)	K-Deal	$705	$688	$4.7	$3,663	$95.7	**$5,155**
	SB-Deal	$165	$220	$11.8	$2,007	$158	**$2,561**
	Q-Deal	$1.8	$12	$0	$98.6	$14.0	**$126**
	Multi PC	$0	$238	$0	$308	$0	**$547**
	Total	**$871**	**$1,157**	**$16.5**	**$6,077**	**$268**	**$8,390**

Source: Freddie Mac. May not sum to total due to rounding. This population represents the forborne loan population that had August or earlier forborne start dates. Note, two K-Deal loans noted as delinquent represents one property that was in special servicing before forbearance. One loan in the Current of <30 Day category is between 30 and 59 days late but is not considered delinquent.

77% by loan count and 72% by UPB of forborne loans whose forbearance period has ended are currently making their debt service and forbearance repayments (including Forbearance 2.0 repayment extensions) or have completely repaid their forborne payments.

The current or less-than-30-day population makes up 77% of forborne loans or 72% of UPB. In Exhibit 5, we take a closer look at what makes up that category as well as the breakout of Forbearance 2.0 additional relief. Of the current or less-than-30-day population, 121 of those loans were status B in November (shown in Exhibit 5 as Loan Status A/B/1 which includes three loans with status A and two loans with status 1), which identifies loans that are late on their payment but not 30 days past due. This represents around 9.4% of loans whose forbearance ended in November or earlier, which is down significantly from last month's rate of 20%, and roughly on par with the prior two months' rates of 9% and 6.7%.

In the past few months, we have seen a high transition rate of status B loans to current. Among loans that were status B in October, 58.9% moved to current status by November. This pace of conversion is higher than last month, and just marginally below the August; among status B loans in September, 43.8% were current in October, while 61.3% of August status B loans moved to current in September.

A high percentage of remaining loans – 29.7% in August, 42.9% in September and 18.1% in October – were loan status B in the subsequent month. The number of delinquencies among forborne loans still remains relatively low, but there has been a noticeable uptick in the last month. Of the 155 loans with status B in August, 31 of them (20%) moved to delinquent between September and November.

Loans that are making both their debt service and forbearance repayments are either classified as current or approved for a six-month repayment extension, which allows the borrower to repay the forborne amount over 18 months instead of 12 months. That population makes up 73% of loans by count or 74% of loans by UPB whose forbearance period ended in November or earlier. When terminated loans are included, the population of loans that are currently making payments or have repaid all their forborne payments is 80% by loan count and 84% by UPB.[8] This is a sizable increase from the October report, reflecting a large increase in the number of current loans.

Only 3.4% of loans had their forbearance period extended three months, while 0.5% delayed the start to the forbearance repayments (but are currently making the regularly scheduled debt service payments). Meanwhile only four loans (0.3%) have additional relief in process but were not finished by the determination date. This group of loans with additional relief pending has decreased over the past few months as servicers work through the large amount of loans whose forbearance period ended in the prior few months.

Exhibit 5: Current and Forbearance 2.0 Status

					Forbearance 2.0		
		Current	Loan Status A/B/1[9]	Additional Relief Pending	6-month Additional Repayment	Delayed Start	Forbearance Extended
Count	K-Deal	211	2	1	11	3	18
	SB-Deal	631	113	3	58	3	23
	Q-Deal	18	10	0	0	1	1
	Multi PC	9	1	0	0	0	2
	Total	**869**	**126**	**4**	**69**	**7**	**44**
UPB (in Millions)	K-Deal	$3,636	$26.2	$4.7	$338	$34.1	$315
	SB-Deal	$1,704	$301	$11.8	$147	$9.2	$63.7
	Q-Deal	$78.1	$18.5	$0	$0	$7.9	$3.8
	Multi PC	$304	$4.4	$0	$0	$0	$238
	Total	**$5,681**	**$392**	**$16.5**	**$485**	**$51.2**	**$621**

Source: Freddie Mac. May not sum to total due to rounding. This population represents the forborne loan population that had August or earlier forborne start dates and have since ended their initial forbearance three-month term and are not terminated nor delinquent.

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 $7.7 billion in forborne loans, 10.9% comes from student housing and 11.4% comes from seniors housing facilities.

Student housing continues to hold up well amidst the severe effect of COVID-19 pandemic. Yardi Matrix reports that demand in this sector is mixed across the country, but still generally strong, especially for public and in-state universities. Even schools that are entirely online, such as Columbia University and the University of Pittsburgh, have seen very strong occupancy rates. Rent

[8] Additional Relief Pending may include loans that have made a payment per their trustee report but are not included in our calculation of loans that are currently making their payments until the pending relief was finalized.
[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.

growth is small but positive as of September, compared with slightly negative rent growth for the entire multifamily industry.[10]

With uncertainty regarding the duration of the pandemic's impact on the economy and the lack of a new stimulus package, we expect the forbearance population to remain elevated.

Seniors housing facilities are also being closely monitored because of the vulnerability of those residents. The National Investment Center for Senior Housing and Care reported that third quarter 2020 occupancy among seniors housing was 82.3%, down 540 bps from the third quarter of last year. However, annual rent growth is still positive as of the third quarter at 1.7%. There were 52 seniors housing loans forborne in October, or roughly $879 million, for 5.4% of the total population of Freddie Mac Seniors Housing Loans.

Exhibit 6: Forbearance Loans by Product Type

		Student	Seniors
Count	Forborne Loans	46	52
	Total Loans	604	759
	Percent of Loans Forborne	7.6%	6.9%
UPB	Forborne Loans	$838M	$879M
	Total Loans	$11.2B	$16.3B
	Percent of UPB Forborne	7.5%	5.4%

Source: Freddie Mac

Summary

The total number of forborne loans decreased in November for the second consecutive month, although the pace of net decrease is very small. The labor market continues to recover but a recent spike in cases puts the recovery in jeopardy. As renters remain out of work, this will cascade down to renter and landlord finances. Furthermore, with no nationwide legislative replacement for the CARES Act yet passed, there could be further financial pressure on those who no longer qualify for state-level benefits. We anticipate the forbearance population will remain elevated as the jobless rate remains high and properties pay back their forborne payments.

[10] https://www.yardimatrix.com/publications/download/file/1125-MatrixStudentHousingBulletin-October2020