FREDDIE MAC AND FANNIE MAE — COVID-19 FORBEARANCE PROGRAM

as of March 27, 2020

Frequently Asked Questions (FAQs)

NOTE — The CARES Act has been executed. CBRE and the GSEs are evaluating the impact on these programs.

Below are FAQs regarding the evolving forbearance programs in connection with COVID-19 for Freddie Mac and Fannie Mae (the “GSEs”). There are a few differences between the programs, which are summarized below. Please note that these FAQs are based on our review of the program guidelines, the documents released to date and our extensive conversations with both GSEs.

The below comments should not be construed as a definitive determination, modification of any existing documents or requirements, or representation of the final program. Furthermore, they are not and should not be construed as legal advice. This is a very fluid and dynamic topic and we expect the FAQs will be modified and updated as additional information becomes available.

Q. Are the GSEs offering forbearance programs for their multifamily loan programs?
A. Yes, both GSEs are offering a forbearance program for qualifying multifamily borrowers.

Q. How long will the forbearance or payment deferral last?
A. 90 days (three months of missed payments), beginning as early as the April 1 payment.

Q. Are there conditions for approval of the forbearance?
A. Yes, specifics vary between the two GSEs. In general:
  • Borrower must deliver a “hardship” request.
  • Borrower must demonstrate that the property has had significant decline in performance due to COVID-19.
  • Loan must not be delinquent and the borrower should be current with all provisions of the loan documents prior to requested forbearance and must continuously remain in compliance with the forbearance agreement and loan documents during the forbearance period.
  • The forborne payments must be repaid to the GSE over a 12-month period following the forbearance period.
  • The forbearance agreement will contain restrictions regarding tenant evictions.
**Q. When does the forbearance period start?**

**A.** The 90-day forbearance period starts with the payment date negotiated in the agreement. The earliest date is April 1. Borrowers have the ability to evaluate their situation and start in May, June, July or August.

**Q. What about tenants that were already in the process of eviction?**

**A.** The restriction on evictions applies only to evictions that are the result of the resident or tenant’s inability to pay rent as a result of “financial hardships due to COVID-19.” Therefore, if the eviction process had begun before or was not the result of financial hardship due to COVID-19, there is no restriction on eviction. Local jurisdictional rules, however, may prevent eviction during this period of time.

**Q. Can the borrower make partnership or other distributions during the forbearance period?**

**A.** No, all revenue or income generated by the property must be used for normal and customary expenses with no disbursements to borrower, partners, preferred equity, debt or related entities or affiliates.

**Q. Can/should the borrower make partial payments during the forbearance period?**

**A.** Any partial payment received will be held by the servicer towards any obligations under the forbearance agreement or loan documents.

**Q. Is a pre-negotiation letter required?**

**A.** Yes, for Fannie Mae Loans. No, for Freddie Mac.

**Q. Who has approval authority for the forbearance?**

**A.** For Fannie Mae loans, the DUS Lender (CBRE) will approve the forbearance. For Freddie Mac loans, the Optigo Lender (CBRE) will make a recommendation to the master servicer on securitized loans and to Freddie Mac on loans that are not yet securitized.

**Q. What is the timing deadline for execution of a forbearance agreement?**

**A.** For April forbearance, on or before April 3 for both Fannie Mae and Freddie Mac. For May through August, request should be submitted on or before the first of each month.

**Q. How long will it take to process a forbearance agreement request?**

**A.** Based on what is known today, our understanding is that the process will take 3–6 business days from receipt of the supporting documentation required for approval. The timeline is subject to change.
Q. What type of information is required?

A. Every transaction is different, but generally this is what should be provided:

1. A formal request for forbearance along with a narrative discussion of how tenants and property operations have been impacted by COVID-19 (“Hardship Letter”). The letter must include the requested first mortgage payment date and the term (1–3 months) of the forbearance period. It would expedite the review and decision if the hardship letter also included:
   a) Description of any directives issued by state or local offices restricting movement or limiting business operations (such as shelter-in-place orders).
   b) Information regarding the percentage of the tenants or number of tenants (both, if you have it) who have indicated they will not be able to pay their rent due to COVID-19.
   c) A summary of the decline in your collected rents for the current month versus the same date in March 2020.
   d) Any declines in new leasing activity along with current vacant unit count/percentage (current rent roll).
   e) Information regarding any tenant counts who have requested breakage (move-out) of their lease due to the health event.
   f) A brief discussion of tenant employment sectors which have been impacted by the health event and any related to directives issued by state or local offices restricting movement or limiting business operations.

2. If available, a tenant delinquency report which reflects the impact of the health event.

3. If you have not previously provided it to us, a 2019 year-end operating statement and current rent roll.

4. For Fannie Mae loans, T-12 monthly property operating statement and cash receipts journal, if available.

5. Any additional information that provides clarity regarding the extent to which property operations and tenants have been impacted.

Q. What is CBRE’s recommendation to clients in this situation?

A. Every situation is different, but here are some thoughts we have gathered in discussions with our debt and asset management professionals.

- If possible, make your mortgage payment.
- Clients should try to delay any forbearance request until the in-place cash flow indicates an inability to cover debt service.
- In general, rents are paid in advance, and interest is paid in arrears. March collections will not likely show the significant downturn that April is expected to see.
- We do not expect that requesting and complying with a forbearance agreement will have an adverse effect on a client’s reputation with the GSEs.
Borrowers that are able to fund some cash shortfalls through this difficult time will likely be viewed with higher regard by the GSEs, post-COVID-19.

The terms of the forbearance agreements do put some significant restrictions on client’s ability to evict tenants, so it may not be the best option for some borrowers and properties.

Q. What happens if COVID-19 and hardship extend beyond the 90-day forbearance period?

A. Currently, there is no extension option in the forbearance agreement; however, this is an extremely fluid situation and there may be further consideration if COVID-19 and tenant hardship have not been resolved at the end of the forbearance period.

This FAQ will be continuously updated as events, requirements and conditions evolve.

If you need assistance on a CBRE-originated GSE loan, please complete the request form (linked below) to provide some additional information, and a Debt & Structured Finance professional will contact you directly.

CBRE MORTGAGE FORBEARANCE REQUEST FORM
https://www.cbre.us/real-estate-services/investor/loan-services/gse-forbearance

Additional Information:

CBRE
https://www.cbre.com/covid-19

Fannie Mae
https://multifamily.fanniemae.com/multifamily-covid-19

Freddie Mac
https://mf.freddiemac.com/COVID-19/

National Multifamily Housing Council