

# Multifamily Fixed-Income Securities

## Frequently Asked Questions (FAQs): COVID-19

The following questions provide guidance to market participants on Fannie Mae's approach to the effects of COVID-19 on Multifamily properties and the potential impact to Multifamily fixed-income securities. Please click [here](#) to reach Fannie Mae's COVID-19 Investor Resources page.

As the situation around COVID-19 continues to evolve, we recognize that these are unprecedented times. First and foremost, our thoughts are with the families impacted by the virus.

At Fannie Mae, we remain focused on our mission to provide liquidity to the market. In maintaining our commitment to transparency, we have compiled the following frequently asked questions related to impacts from COVID-19 on our Multifamily mortgage-backed securities (MBS), specifically Delegated Underwriting and Servicing (DUS<sup>®</sup>) and Guaranteed Multifamily Structures (GeMS<sup>™</sup>), and our credit risk transfer (CRT) programs, including Multifamily Credit Insurance Risk Transfer (MCIRT<sup>™</sup>) and Multifamily Connecticut Avenue Securities (MCAS<sup>™</sup>).

### **1. Considering the COVID-19 pandemic, what options has Fannie Mae made available to its lenders? How do these options affect investors in multifamily securities?**

For the COVID-19 pandemic and in compliance with the Coronavirus Aid, Relief, and Economic Stimulus Act (CARES Act), Fannie Mae initially delegated authority to lenders to provide forbearances for up to three months of missed payments, if a borrower has requested forbearance because of a financial hardship due to the coronavirus national emergency, and the lender has documented the hardship. Effective July 1, 2020, Fannie Mae delegated some decisions to extend existing forbearances for multifamily property owners by three months, for a total forbearance of up to six months. In forbearance, principal and interest (P&I) is advanced in accordance with our prospectus, and as outlined in the next paragraph.

#### **DUS MBS/GeMS Investors**

For MBS, Fannie Mae pays principal and interest due on the MBS under its guarantee. For loans that are granted payment forbearance, Fannie Mae will continue to advance principal and interest payments on the MBS for at least four consecutive missed payments (i.e. four months) and may choose to advance additional payments before repurchasing the mortgage loan out of the MBS trust (causing a prepayment in full of the MBS without prepayment premium). Of note, the 24-month requirement for purchasing a delinquent loan out of an MBS trust may be extended due to forbearance. A loan in a COVID-19-related forbearance will remain in the pool until we exercise our option to repurchase the loan out of the pool; we generally do not repurchase loans out of the trust while they are in a forbearance period. If a loan remains in the related pool during the forbearance period, investors will continue to receive scheduled P&I under our guaranty during the forbearance period. Commonly we use a forbearance arrangement with a payment plan, under which the borrower repays delinquent amounts (typically by making payments higher than the regularly scheduled payments until the loan is brought current). Loans performing under a repayment plan following the end of the forbearance period would typically remain in the pool so long as the borrower continues to perform under the plan; forbearance arrangements will not affect the timing of P&I payments to investors. In the event the forbearance period ends while the loan still backs an MBS and the borrower is able to repay amounts of principal and/or interest that were deferred during the



forbearance period, the MBS will remain outstanding, so long as the borrower continues to perform, and no early prepayment of the MBS will occur as a result of the forbearance.

As a reminder, Fannie Mae will advance timely payments of principal and interest to MBS investors in the event the loan becomes delinquent, including loans for properties where the ability to support monthly mortgage payments has been affected by COVID-19. If the delinquency cures and the loan becomes current, the MBS will remain outstanding. If the loan continues to be delinquent, Fannie Mae may purchase the loan out of the MBS trust (resulting in a full prepayment of principal at par and any accrued interest due on the date of the repayment).

Investors can find detailed information about any loan in forbearance that backs an MBS, including the end date of the forbearance period, on Fannie Mae's multifamily disclosure website, [DUS Disclose](#)<sup>®</sup>. For more detailed information, please see question six.

### **MCIRT/MCAS Investors**

CRT investors can see both unpaid principal balances (UPBs) – actual UPB (from time of forbearance) and scheduled UPB (showing any scheduled amortization payments) – in the periodic reporting in the monthly investor reporting package (IRP) files and the quarterly [Multifamily Loan Performance Data](#). If a loan defaults and the actual UPB is higher than it otherwise would have been if the loan had continued to amortize during forbearance, there may be an increased risk of loss on the loan.

Premium payments to MCIRT investors and interest payments to MCAS investors are not dependent upon interest collections on the Reference Obligations. If the borrower repays the deferred interest (and principal, if applicable) prior to maturity or the forbearance balance is added to the final balloon payment and the UPB is paid in full at maturity, there will be no losses on the loan.

For any loan that indicates an increased risk of default, whether as a result of temporary forbearance or otherwise, Fannie Mae takes proactive loss mitigation measures to reduce the likelihood and severity of any losses. Additional resources on our credit risk transfer practices are available on our [website](#).

## **2. Has Fannie Mae made any changes to business activities as a result of COVID-19?**

We continue to monitor the impact of COVID-19 and work closely with our borrowers and lenders to assess what changes are required to ensure we continue to provide liquidity to the market. In response to COVID-19, we have announced changes, including changes related to underwriting requirements, which can be viewed in the [Lender Communications section](#) of DUS Navigate™, our portal to our Selling & Servicing Guide.

We continue to manage our credit risk as outlined in the [credit risk management presentation](#).



### 3. Can investors continue to expect timely payment of principal and interest on Fannie Mae MBS?

#### DUS MBS/GeMS Investors

Under our guarantee, Fannie Mae will advance scheduled principal and accrued interest due on our DUS MBS and GeMS. If an underlying loan is continuously delinquent for four months, or for 30 days in the first four months after the loan is acquired, we have the option, but not the obligation, to buy the loan out of the MBS trust. In the event of a forbearance, we may elect to buy the loan out of the MBS trust when it reaches four months of continuous delinquency or we may choose to leave it in the MBS trust for up to 24 months, or longer in certain cases including a loss mitigation alternative like a repayment following forbearance, and continue to make scheduled payments of principal and interest to MBS and/or GeMS investors.

Generally, we repurchase a loan from the MBS trust by the time it becomes 24 months past due (by last paid installment (LPI) date). When we buy a loan out of an MBS trust, we prepay the outstanding principal and pay accrued interest to the holders of the related MBS and/or GeMS, but we do not pay any prepayment premium. However, in the case of forbearance, it is common for a borrower to enter into a forbearance arrangement with a repayment plan. Under a forbearance arrangement, the borrower repays delinquent amounts (typically by making payments higher than the regularly scheduled payments until the loan is brought current). Loans that continue to perform in a forbearance arrangement would typically remain in the pool during the forbearance and repayment plan periods. Forbearance arrangements will not affect the timing of P&I payments to MBS and/or GeMS investors.

#### MCIRT/MCAS Investors

Interest payments to MCAS investors and premium payments to MCIRT investors are not dependent upon interest collections on the Reference Obligations. If the borrower repays the deferred interest (and principal, if applicable) prior to maturity or the forbearance balance is added to the final balloon payment and the UPB is paid in full at maturity, there would be no losses on the loan. However, principal is not distributed on MCAS notes unless payments are made by the borrowers on the related reference obligations. Therefore, principal collections may be reduced as a result of temporary payment forbearance. This may affect the amount of principal distributed to MCAS investors.

### 4. What actions are being taken to provide renters relief during this time?

Fannie Mae delegated to lenders the authority to provide a total forbearance of up to six months to borrowers for most multifamily properties financed by Fannie Mae if the borrower is experiencing hardship due to the impact of the COVID-19 national emergency. As part of the forbearance plan, borrowers must inform residential tenants in writing about tenant protections during the forbearance and repayment periods; suspend all evictions that are solely for non-payment of rent; must allow tenants flexibility to repay back rent over time and not in a lump sum; assess no tenant late fees or penalties for non-payment of rent; and give tenants at least a 30-day notice to vacate. Fannie Mae has also created a [Renters Resource Finder](#) to provide resources and information to help renters stay in their apartments. Fannie Mae anticipates that these actions will provide relief to renters during this time.



## 5. What documentation does a borrower need to provide to qualify for forbearance?

The CARES Act does not define financial hardship but requires that the servicer document a borrower's financial hardship in connection with a request for forbearance. Fannie Mae has delegated this step to the servicer to give the servicer flexibility to determine the type and extent of borrower documentation that may be necessary to meet the CARES Act requirement.

## 6. How can I tell if a loan is in a COVID-19-related forbearance period?

Per our [announcement](#), as part of Fannie Mae's efforts to provide transparent and timely communication to our investor community, we are publishing a Multifamily MBS COVID-19 Forbearance List in [DUS Disclose](#)<sup>®</sup>, our multifamily disclosure platform. Since April 2020, this list was updated weekly on Thursday afternoons; however, starting in November 2021, this list will be updated monthly, specifically on the Thursday following the last Monday of the month. The Forbearance List resides in the MBS Reports section on the [Data Collections page in DUS Disclose](#). The "Last Updated" date at the top of the document will alert users to when the list was last updated. We also update the individual MBS page in DUS Disclose with a banner about that security's related forbearance period. The banner language includes the most recent end date of the forbearance period (*i.e.*, if a forbearance extension has been granted, the forbearance end date will be updated in the banner).

The Multifamily MBS COVID-19 Forbearance List includes the pool number, CUSIP, and loan number for MBS for which an underlying loan is in a COVID-19-related forbearance period. The list also includes the current forbearance status and the unpaid principal balance (UPB) of the loan. Forbearance status will be noted as:

**Active:** the loan is currently in its initial forbearance period

**Extended Forbearance:** the initial forbearance period for the loan has been extended

**Forbearance Expired:** the forbearance period has ended, the borrower has not resumed payments, and the loan remains delinquent

**In Repayment:** the loan remains in compliance with the forbearance agreement and borrower payments have resumed

**Repurchased:** the loan has been repurchased from the security

**Resolved:** the forbearance has been cured and the loan is now current

**Withdrawn:** the forbearance agreement was cancelled by the borrower before missing a loan payment

We are also providing the applicable list of loans in a forbearance period for [MCAS transactions](#) (via CTSLink) and [MCIRT transactions](#) at the same time the list is published in DUS Disclose.

## 7. When does Fannie Mae start counting towards the four consecutive missed payments required to have the option to purchase the loan out of the MBS trust?

Fannie Mae starts its delinquency clock at the first missed payment. Loans in forbearance continue to be reported as delinquent. After four consecutive missed payments Fannie Mae has the option, but not the obligation, to purchase the loan out of the MBS trust.



## 8. Why can I see a loan listed on the Multifamily MBS COVID-19 Forbearance List under Data Collections in DUS Disclose, but that same loan is indicated as being current when I look it up using the Advanced Search function in DUS Disclose? When will the loan show as delinquent?

The Multifamily MBS COVID-19 Forbearance List published in [DUS Disclose Data Collections](#) shows loans where a forbearance period has been requested and granted. A forbearance request may predate the borrower's first missed payment, in which case the loan would appear on the forbearance list and also show as current in DUS Disclose, until the month after the first missed payment.

Investors can find a first indication of loan delinquency from DUS Disclose on the 23rd calendar day in the month following the borrower's first missed payment, when the Loan Payment Status field will be updated from Current to 30-59 Days Delinquent. If the loan remains delinquent, the next update will appear on the 6th business day of the next month in the MBS Loan Level Delinquency 60-Plus Days Report in DUS Disclose Data Collections. For example:

**April 1:** borrower misses first payment

**April 25:** Fannie Mae advances scheduled P&I to investor

**May 1:** borrower misses second payment

**May 22:** DUS Disclose May Loan Payment Status changes to **30-59 Days Delinquent**, indicating one missed monthly payment (April)

**May 25:** Fannie Mae advances second scheduled P&I to investor

**June 1:** borrower misses third payment

**June 8** (6<sup>th</sup> business day): loan appears on the MBS Loan Level Delinquency 60-Plus Days Report as **60 days delinquent**, indicating two missed monthly payments (April, May)

**June 23:** DUS Disclose June Loan Payment Status changes to **60-89 Days Delinquent**, indicating two missed monthly payments (April, May)

**June 25:** Fannie Mae advances third scheduled P&I to investor

**July 1:** borrower misses fourth payment

**July 9** (6<sup>th</sup> business day): loan appears on the MBS Loan Level Delinquency 60-Plus Days Report as **90 days delinquent**, indicating three missed monthly payments (April, May, June)

**July 23:** DUS Disclose July Loan Payment Status changes to **90+ Days Delinquent**

**July 25:** Fannie Mae advances fourth scheduled P&I to investor

**August 10** (6<sup>th</sup> business day): loan appears on the MBS Loan Level Delinquency 60-Plus Days Report as **120 days delinquent**

**August 21:** DUS Disclose August Loan Payment Status changes to **120 Days Delinquent**

## 9. How long is Fannie Mae's delegation to grant forbearance in effect?

To align with the CARES Act, we initially delegated to lenders the authority to grant forbearances, if requested by a borrower, for up to three monthly payments for any loan that was not more than 30 days past due. This delegation for COVID-related forbearances was effective until August 31, 2020. Effective July 1, 2020, we allowed lenders to extend existing forbearances for an additional three months, for a total forbearance of up to six months. On December 22, 2020, we announced that this delegation authority had been extended until March 31,



2021.

**10. With many colleges/universities adjusting school calendars and offering a mix of on campus and virtual classes, how has this impacted student housing properties?**

Fannie Mae continues to monitor the situation closely and to manage our credit risk carefully, as outlined [here](#). Typically, student housing leases are paid on a monthly basis and very few leases are pre-paid for the semester or the year. Most student housing leases carry some form of parental guarantee that may help counteract any short-term destabilization of occupancy.

**Resources**

- [COVID-19 Investor Resources](#)
- [DUS Disclose](#)
- [Here to Help | Multifamily](#)
- [Multifamily Credit Risk Management Presentation](#)
- [Multifamily Loan Performance Data](#)
- [Renters Resource Finder](#)

*For questions, please contact the Fannie Mae Investor Help Line at 1-800-232-6643, or send us an [e-mail](#).*

*Learn more about what Fannie Mae is doing in response to the COVID-19 emergency on the [Our Approach](#) page.*

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