

FANNIE MAE AND FREDDIE MAC MULTIFAMILY RESPONSE TO COVID-19

At the onset of the COVID-19 crisis in the U.S., Fannie Mae and Freddie Mac (the Enterprises), the largest providers of debt capital for the multifamily industry, each began to roll out programs and processes to respond to this event. In normal times, each Enterprise is guided by FHFA, their regulator, in making any changes or modifications to their respective programs. However, in this situation, they are also bound to comply with any legislative requirements—such as those found in the CARES Act, a major relief package authored and approved by Congress.

This fact sheet outlines the current programmatic changes, resources created, and direct information sources developed by each Enterprise. Where appropriate, differences between the two will be identified but in general guidance from FHFA and the CARES Act applies equally to both Enterprises.

FORBEARANCE AND EVICTIONS

Forbearance: Borrowers may request forbearance, orally or in writing, to the servicer of their loan. Each forbearance request is for a 30-day period with two additional 30-day periods allowed. The only requirement is that the economic hardship be documented by the servicer.

Forbearance Approval:

Fannie Mae: Their forbearance approval process framework requires their Delegated Underwriting & Servicing (DUS) lenders to determine the economic hardship of the borrower's property prior to approving forbearance. If the DUS lender determines there is no hardship, the request is denied.

Freddie Mac: Their forbearance requests are determined by one of three Master Servicer's of their K-Series securitization. The Optigo primary servicer does not determine the decision on whether or not to approve the forbearance request.

Availability: Requests for forbearance are allowed until the earlier of the termination date of the national emergency concerning the COVID-19 outbreak or December 31, 2020.

Servicer Requirement:

Fannie Mae: Once a loan is in forbearance the DUS servicer is required to advance principle and interest on the loan for up to four months. At the end of the four months of advancing, Fannie Mae will reimburse the servicer for the advances, which typically takes an additional two months.



Freddie Mac: For Freddie Mac loans in forbearance, the Master Servicer, and not the Optigo lender, is required to advance principle and interest and will receive reimbursement from Freddie Mac at a later date.

Eviction Moratorium: Each GSE multifamily loan is subject to the 120-day national eviction moratorium in the CARES Act that began on March 27, whether in forbearance or not. Each forbearance request also requires a ban on evictions for nonpayment of rent during the time the loan is under forbearance.

Forbearance Repayment: Borrowers are required to repay the forbore amount over a 12-month period that begins at the end of the forbearance period. There is no obligation for renters to repay missed rent payments. That decision is left to any negotiation between the owner and the resident.

LOAN PROGRAM

The GSEs modified their loan purchase programs in response to the COVID-19 crisis and continue to make changes based on market conditions and shifts to a new operational paradigm. Since this situation is fluid and everchanging, it is imperative to review the latest terms offered by the GSEs at their respective websites (found below) or to contact a DUS or Optigo lender. Following that are a few loan terms and conditions that are new but may change as market conditions warrant.

Learn More Here:

- Fannie Mae: <https://multifamily.fanniemae.com/multifamily-covid-19-support>
- Freddie Mac: <https://mf.freddiemac.com/COVID-19/>

Virtual processes: Restrictions on travel, closed offices and access to properties drove changes to normal processes. In person inspections as part of underwriting have changed based on customer familiarity, debt level and risk sharing. Each Enterprise has adopted some combination of virtual inspections along with lender and borrower certifications. Many other processes have moved online— such as loan recordation in local jurisdictions whose county offices may have closed. These processes will continually evolve and the Enterprise lenders will be up to date with the latest protocols.

Debt Service Reserves: Market conditions continually evolve and the impact to a newly originated or refinanced loan over the next 12- to 18 months is unknown. As a result, each Enterprise requires the establishment of a debt service reserve that will cover principle and interest over a specified period of time. The amount of DSR and the period of time it can cover is dependent on the leverage and size of the loan. Check with each Enterprise to determine their requirement.

Loan terms and pricing: Each Enterprise has limited certain product offerings due to market disruption and have adjusted pricing to reflect market conditions. With the affordable goals from



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FHFA unchanged at this time, the Enterprises remain focused on purchasing mission driven loans and continue to make accommodations for these loans. All terms and conditions are subject to frequent change and borrowers should contact the Enterprise lenders for the latest conditions.

RENTER RESOURCES

NMHC is advocating for Congress to pass legislation that includes emergency renter assistance so that renters can meet their monthly rent payments if they are impacted by COVID-19. Each Enterprise has rolled out resources for renters who are looking for financial support, information on the property where they reside and counseling. In a joint announcement, the Consumer Financial Protection Bureau (CFPB), FHFA, HUD and the USDA created a website that rolls up all of these agencies efforts to help renters.

Fannie Mae: Renters have access to a lookup tool to determine if Fannie Mae has purchased a loan on their property. Additionally, it provides links to access HUD-approved housing counselors, Assistance with FEMA and insurance claims after a natural disaster, Federal and state housing assistance information, guidance on unemployment benefits, nutritional assistance, and any other available programs.

Learn More Here:

https://www.knowyouroptions.com/rentersresourcefinder?_ga=2.193599085.1179211583.1589477848-1482771285.1584733499

Freddie Mac: Freddie Mac's renter support website has similar relief resources as Fannie Mae.

Learn More Here:

<https://myhome.freddiemac.com/renting/relief-for-landlords-and-renters.html>

Joint Renter Resource: The CFPB hosts the website that rolls up all the federal agencies who issue or buy government backed multifamily mortgages.

Learn More Here:

<https://www.consumerfinance.gov/coronavirus/mortgage-and-housing-assistance/renter-protections/>

Information is as of May 21, 2020