Fannie Mae and Freddie Mac to Grant Forbearance to Multifamily Owners in Exchange for Suspension of Evictions

Mar 26, 2020

Categories:

Coronavirus Response Team
Multifamily Matters
Publications

Authors:

Geoffrey M. White
Amy F. Curry
Matthew S. Carr

In addition to the actions taken by the Federal Housing Authority (FHA) and the Department of Housing and Urban Development (HUD) in recent days to grant relief to owners of single-family homes, the Federal Housing Financing Agency (FHFA) announced that it will begin to grant forbearance to owners of all multifamily properties with a Fannie Mae- or Freddie Mac-backed mortgage negatively affected by the coronavirus crisis. The FHFA announcement stated that such forbearances shall be on the condition that multifamily owners suspend all evictions for renters unable to pay their rent due to impacts of the coronavirus, and that such eviction suspensions must stay in place for the duration that an owner remains in forbearance, and potentially longer.

FHFA Director Mark Calabria said in a statement that "the Enterprises are working with mortgage servicers to ensure that these programs are immediately implemented so that property owners and renters experiencing hardship because of the coronavirus can get the assistance they need."

Fannie Mae and Freddie Mac are still working with lenders to finalize their guidance, but the preliminary details that have been released to industry members show that, while the final plans for the two agencies will differ in some details, the programs for each of the agencies will broadly consist of 90-day forbearances on performing loans, with a requirement for owners to then bring their mortgages current within 12 months of the forbearance. Fannie Mae has suggested that if a borrower receives insurance proceeds or other relief proceeds in connection with the coronavirus crisis, that it will require borrowers to bring their payments current on the date of receipt of those proceeds, if received prior to the end of the 12-month period. Both agencies have agreed to waive late payment fees during the term of any forbearance, and Freddie Mac has stated that it plans to waive any applicable default interest during the forbearance period. Both agencies will expect normal loan

2026 FBT Gibbons LLP. All rights reserved. ADVERTISING MATERIAL.

FBT Gibbons

payments to resume at the conclusion of the forbearance period, though Freddie Mac has noted that it intends to be very flexible on any necessary extensions for borrowers following the initial 90-day period.

Both agencies will require owners to suspend evictions of tenants affected by coronavirus during the forbearance period, though Fannie Mae has suggested that owners may be required to continue the suspension of evictions until the date that their mortgage has been brought current, if that date extends past the life of the forbearance. The agencies further advised that property owners would likely be required to give tenants the ability to repay any unpaid rent over time without penalty, rather than allowing owners to demand all back rent as soon as the mortgage forbearance is finished, with owners potentially being required to allow any missed rent payments to be repaid over a 12 month period.

While this action from the FHFA and the agencies should provide some peace of mind to both renters and owners of multifamily properties, the FHFA's initial statement on Monday and preliminary guidance from the agencies leave open some key questions. The FHFA's statement specifies that it is available to owners with Fannie- and Freddie-backed loans with properties "negatively affected" by the coronavirus crisis. Likewise, the statement says that owners must suspend evictions for renters "unable to pay rent due to the impact of coronavirus." That language leaves it unclear as to what level of oversight or review will be applied to determine an owner's eligibility for a forbearance, or whether owners will be required to do any case-by-case research into the effects of coronavirus on specific renters before granting an eviction suspension. Freddie Mac's initial guidance stated that it will require a hardship letter expressing an inability of a borrower to make its debt payments be submitted as a condition of a forbearance, but it is unclear what the standard of an acceptable hardship will be.

There is also an open question of whether the FHFA or agencies will implement restrictions on distributions to investors by multifamily property owners, or any other enhanced financial reporting restrictions on owners in connection with a forbearance. Some of the top multifamily developers are already informing their investors

2026 FBT Gibbons LLP. All rights reserved. ADVERTISING MATERIAL.

FBT Gibbons

that no distributions will be made from Fannie- and Freddie-backed properties in coming months to make sure that there are ultimately sufficient funds to operate the properties and pay the lenders, which is obviously a sound business practice now and could end up being a requirement for this relief.

As the initial statement from the FHFA was just issued Monday, the lender guidance and final policies are continuing to develop, and the ultimate effect on property owners and renters should be known in the coming days. The preliminary statement from the FHFA can be found here.

For assistance in analyzing these questions in the context of your loans, and for other guidance in navigating the challenges posed to the multifamily housing industry by the COVID-19 pandemic, please reach out to Geoff White, Amy Curry, Matt Carr or Adam Okuley or any attorney in Frost Brown Todd's Commercial Mortgage-Backed Securities (CMBS) practice group.

To provide guidance and support to clients as this global public-health crisis unfolds, Frost Brown Todd has created a Coronavirus Response Team. Our attorneys are on hand to answer your questions and provide guidance on how to proactively prepare for and manage any coronavirus-related threats to your business operations and workforce.

© 2026 FBT Gibbons LLP. May be considered attorney advertising in some jurisdictions.

2026 FBT Gibbons LLP. All rights reserved. ADVERTISING MATERIAL.

FBT Gibbons