



Three Ways To Help Small Landlord Customers

📌 lending business customers

Summary: As the pandemic continues and tenants struggle to pay rent, small landlords could suffer, and with them, their lenders. Yet, there are several ways community financial institutions can help their borrowers, and themselves, including government-backed loan forbearance programs, additional PPP or SBA loans, and new customized ways to work with your borrowers.

The Cleveland Clinic reports that 85 out of 100K US adults report having pinched nerves each year. Most of these cases are for people over 50Ys old; yet, as many of us are still sitting at dining room tables as pseudo office desks these days, that number could increase.

Another group that is likely to get more pinched these days is small landlords whose tenants continue to suffer economically due to the pandemic. As a result, the community financial institutions (CFIs) that lend to them could also be pinched.

Delinquencies on mortgage loans for one- to four-unit dwellings in Q4 2020 fell by 92 basis points to 6.73% (from Q3 2020), thanks in part to government programs providing either rental relief or forbearance relief, according to the Mortgage Bankers Association. However, as the pandemic drags on with a slower-than-expected vaccine rollout (and a stronger-than-expected pushback), delinquencies could tick up in the face of a prolonged economic slowdown. CFIs that originate mortgages, including those to owners of small apartment buildings, might see credit quality falter as a result.

Here are several ways CFIs can help their borrowers — and themselves — in the process.

- 1. Introduce borrowers of government-backed loans to extended forbearance programs.** President Biden issued an executive order further extending the forbearance moratorium from March 31 to June 30 on loans guaranteed by the Department of Housing and Urban Development, Department of Veterans Affairs, and Department of Agriculture, following an earlier order to extend Fannie Mae and Freddie Mac's forbearance programs. President Biden's order also extends the mortgage payment forbearance enrollment window until June 30 for borrowers who wish to request forbearance, and provides up to six months of additional mortgage payment forbearance, in three-month increments, for borrowers who entered forbearance on or before June 30, 2020.
- 2. Offer eligible borrowers Paycheck Protection Program loans or other types of SBA help.** If a small landlord has any W2 employees managing or maintaining the property or pays themselves as a W2 or 1099 employee (for doing these activities themselves), they may be eligible to apply for a PPP loan. If they are already SBA borrowers, they may also be eligible for an SBA Express Bridge Loan or an Economic Injury Disaster Loan, as well as various SBA debt relief programs.
- 3. Continue to find other ways to work with borrowers.** Many institutions offer up to 90 days of deferred payments (though interest continues to accrue), with payments added to the end of the term. No deferral fees are charged and no documentation proving hardship is required, and borrowers can request extensions.

Some financial institutions have also told their borrowers that they would consider repayment options at the end of the forbearance period, including loan modifications. When the scenario allows, some institutions have provided small 2nd deed of trust loans to provide funds to support cash flow needs.

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