



Four Ways To Keep Your Landlord Clients Afloat

📌 business customers credit risk CRE

Summary: According to one estimate, tenants now owe more than \$70B in back rent and utility bills and are on average nearly four months behind on rent. While the recovery seems to be gathering steam, how can community financial institutions help their landlord clients stay on track? We provide four ways: defer payments, obtain federal assistance, provide short-term loans, and educate landlords.

Did you know that “pips” is the appropriate name for the dots on the dominos game pieces? Still, spots or dots work too, just as long as the players know the terms used. On the other hand, lending terms and their payments can be more tricky these days, as the pandemic continues to affect landlords and their bankers. Past-due rents are still a heavy burden for many landlords. Government stimulus checks have provided some relief to tenants and forbearance assistance has been a help to landlords. But the problem has grown so large that it may not be easily resolved, either for landlords or for the financial institutions that hold loans on the rental properties.

The number of tenants behind on rent is now north of 10MM, representing nearly [two of every ten renters](#) in the country. According to one estimate, they owe more than \$70B in back rent and utility bills and are on average nearly four months behind in rent.

Eviction moratoriums weigh on landlords

Eviction moratoriums during the pandemic also have squeezed landlords. The latest national eviction moratorium was extended through June, but states around the country have moratoriums that will continue even further. Even in states where evictions may begin again, the process can take months to complete, a time during which properties can suffer deterioration and damage that will require additional investment to make units ready to re-rent.

When good borrowers fall behind

At many community financial institutions (CFIs), landlords with 1-4 unit properties are often among the best customers. These diligent entrepreneurs in the past made their loan payments promptly and conducted other business with their bank. But they may now find themselves struggling to make loan payments.

The challenge is to find ways to help these good customers through the hard times while avoiding delinquent loan problems and the prospect of costly write-offs. We follow up an [article from February on this topic](#) with some ideas on how to help your landlord clients, as things start to open up more.

Options to help landlord clients

1. **Defer payments, where possible.** With the CARES Act Section 4013 extended (up) to January 1, 2022, CFIs may avoid the TDR designation for qualified loans. Giving your borrower a payment accommodation may be enough to alleviate the cash flow strain while they pursue evictions and find new tenants. CFIs can make up the payments after the modification period.
2. **Continue helping landlords obtain federal assistance.** Even though the Paycheck Protection Program is no longer an option, there are several other special SBA programs that can be helpful (such as an EIDL grant and/or loan). Bankers should stay current on the latest programs and available funding and reach out to their clients in need.

3. **Provide short-term loans to bridge the gap.** In some cases, CFIs may consider providing additional short-term loans to help landlords with cash flow issues, perhaps through second deeds. Of course, each situation is different and needs to be thoroughly reviewed first.
4. **Educate landlords.** Help your landlord customers know when stimulus checks are coming out and who qualifies to receive them. Landlords who work with tenants receiving these checks may be able to generate some cash flow, even if it is less than the amounts owed. Let your customers know you are looking out for them.

As vaccinations ramp up and states continue the process of reopening, economic activity should pick up again, enabling strapped tenants to return to jobs and start paying rent again. During that transition, CFIs may want to reassess the needs of their landlord clients and respond creatively to allow them to stay afloat until the economic course steadies.

LOOKING TO GROW YOUR LOAN PORTFOLIO?

Financial institutions are looking for ways to boost their loan portfolio. Depending on your portfolio concentration, you may need C&I loans or choose a hedging solution to satisfy the long-term, fixed-rate needs of your customers. Check out our [Lending Services](#) to find the right solution for your institution.

ECONOMY & RATES

Rates As Of: 04/13/2021 05:14AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.02	-0.01	-0.07
6M	0.04	-0.01	-0.05
1Y	0.07	0.01	-0.04
2Y	0.18	0.02	0.06
5Y	0.91	-0.03	0.54
10Y	1.69	-0.06	0.77
30Y	2.35	-0.07	0.70
FF Market	FF Disc	IORR	QBER
0.07	0.25	0.10	
SOFR	Prime	QBER	
0.01	3.25	0.06	

Copyright 2021 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.