Arbor – August 2025 CLO Update

Arbor continues to severely misreport delinquencies, total debt, and debt servicing costs. Meanwhile: build-to-baghold management loans hit CLO, data show many modifications.

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August 25, 2025 –New build-to-baghold CLO data is now available, which shows loans to management team have been modified many times. Meanwhile, MFR net spreads continue to nosedive, DCRS show a slight improvement due to a fall in spread (Arbor revenues), and a record high number of loans move into >30 day delinquencies.

We observe this data as a series of trends as Arbor's CLO data is systematically misreported.

August 2025 Update	ARCREN 2021-FL3	ARCREN 2021-FL4	ARCREN 2022-FL1	Total
Total deal balance	**770,010,236**	**1,559,370,937**	**1,472,465,652**	**3,801,846,825**
< 1 Month	25,700,000	50,000,000	95,905,000	**171,605,000**
30 Days	46,300,000	347,714,787	313,467,000	**707,481,787**
60 Days	-	-	-	-
90+ Days	**78,370,000**	159,207,851	55,640,000	**293,217,851**
Modified	668,528,926	1,307,274,062	1,225,782,696	**3,201,585,684**
*Adjustment for double count**	*(150,370,000)*	-	*(465,012,000)*	***(615,382,000)***
Total delinquent & modified	**668,528,926**	**1,864,196,700**	**1,225,782,696**	**3,758,508,322**

** Double count adjustment for loans both modified and delinquent.*

August 2025 Update	ARCREN 2021-FL3	ARCREN 2021-FL4	ARCREN 2022-FL1	Mixed	Total
Underlying Revenue	90,003,499	155,872,203	133,872,177	84,857,316	**464,605,195**
Underlying Expenses	(47,001,001)	(76,640,513)	(71,360,451)	(43,252,562)	**(238,254,527)**
Underlying NOI	43,002,498	79,231,690	62,511,725	41,604,755	**226,350,668**
Debt Service Amount	(49,090,072)	(111,122,248)	(110,740,054)	(60,639,660)	**(331,592,034)**
DSCR	**0.88**	**0.71**	**0.56**	**0.69**	**0.683**
Debt Outstanding	589,360,456	1,271,840,754	1,183,879,542	756,766,072	**3,801,846,825**
Tranches moved to REPO					**283,474,095**
Underlying Collateral Valuation	765,420,000	1,764,040,000	1,795,850,207	986,730,000	**5,312,040,207**
Implied Cap Rate**					**4.26%**
LTV**					**77%**

**Refer to total - portions of debt no longer represented from terminated CLOs

Figures 1 & 2 – August 2025 CLO Data – Viceroy Analysis

- Arbor's underlying CLO Debt Service Coverage Ratio (DSCR) has jumped from ~0.50x (adjusting for enormous errors in reporting) to ~0.68x.
  - This increase in DSCR has not been fueled by underlying operating success, but by enormous reductions in interest (i.e. Arbor revenues).
  - Underlying asset performance has decreased substantially m/m reporting. Reported group NOI has dropped from $244m/a to $226m/a.
  - For context, a DSCR of 1.0x signal the underlying asset operates at break-even; **anything materially below that, as is the case here, reflects significant distress and a heightened risk of default and foreclosure.**
  - We have found enormous errors in CLO reporting over 18 months, none of which have been corrected or addressed.

- Delinquent loans have risen from $1,048m to $1,172m.
  - Notably, over $1b of these delinquencies are now >30 days impaired, compared to only $589m last month.
  - Delinquent loans now represent >30% of the CLO loan book.
  - $293m of these delinquencies are >90 days.
  - The month-on-month movement of loans from delinquencies brackets continues to be nonsensical. For instance, there are no 60 day+ delinquencies, and >30 day delinquencies are higher than the previous month's <30 day delinquencies. Accordingly, it appears Arbor has kept loans at >30 days but less than 60 days for multiple consecutive months.
  - $788m of delinquent loan balance has been modified in 2025, some as recently as June 2025.
- **Arbor has re-modified ~$100m of loans in August 2025. These have all been previously modified.**
  - Most of these loans had already been modified since Q4 2024, some as recently as April 2025.
- Arbor has modified $3.2b (84%) of its remaining CLO loans **and holds ~$1,050m (26%) of delinquent loans**.
  - All delinquent loans have been modified.
  - Delinquent loans are vastly underreported on account of Arbor modifying loans in sequential months or quarters to mask delinquencies.
  - **Delinquent loans are not being cured and are falling further into delinquency**. 90-day delinquencies are up month-on-month.
- Net interest spreads have collapsed across all of Arbor's CLOs. Many borrowers are paying effective rates below SOFR due to Arbor's widespread modification practices.
- Arbor tries to cure the true value of its delinquencies by modifying loans month-on-month.
  - **Arbor has modified >$1.8b of loans YTD 2025, some of which have been modified many times during this YTD period.**
  - **Substantially all these loans had already been modified.**

This is fraud. There is no underlying operational improvement secured against these loans, no opportunity to transition these loans into agency, or any other feasible lending product, and (obviously) no buyer for these loans at their marked price. These loans are in transition to foreclosures, and nothing else.

- The DSCR of modified loans now fully captures **75bps** of rate cuts, and further ~100 and still only sits slightly above ~0.3x[1].
  - Note: on correcting Arbor's reporting errors in respect to the underlying debt servicing costs of borrowers, we believe the real DSCR is closer to 0.5x.
- Implied underlying cap rates sit at 4.3%. Any realistic revaluation of underlying collateral values will completely wipe out Arbor's equity stake of its CLO.

[1] Adjusted for various loans against the same property. We note that Arbor have serially misreported borrower financials in this regard, we dive into this below.

Spread Analysis

We observe in April that Arbor **net interest spreads have flattened at record lows across the entire portfolio.**

Arbor has faced net interest spread reductions of up to 70% across its CLO portfolios.

Across the CLOs net interest spreads since December 2023 are down:

- -63% in 2022-FL1
- -35% in 2021-FL3
- -18% in 2021-FL4

We note that Arbor have bought 4 bad loans out of this CLO into their in-house book/repo line. This has artificially improved 2021-FL4 spreads m/m.

We note that any marginal m/m improvement is merely a factor of a small handful of loans paying what they can afford in a very volatile fashion. The spreads of various loans appear to change each month, as many delinquent borrowers appear to have been given flexible payment terms which change month-on-month, without new modifications or delinquencies being recorded.

2022 FL1	Aug-25	Jun-25	Mar-25	Dec-23
Weighted average spread	2.56	2.13	2.82	3.60
Current debt spread	1.88	1.88	1.88	1.74
Delta - Net Interest Spread	0.68	0.25	0.94	1.86
Downturn since Dec 2023	-63.3%	-86.7%	-49.3%	
2021 FL3	**Aug-25**	**Jun-25**	**Mar-25**	**Dec-23**
Weighted average spread	2.85	2.82	3.08	3.61
Current debt spread	1.37	1.37	1.37	1.32
Delta	1.48	1.45	1.71	2.29
Downturn since Dec 2023	-35.2%	-36.9%	-25.4%	
2021-FL4	**Aug-25**	**Jun-25**	**Mar-25**	
Weighted average spread	3.39	3.39	3.35	3.77
Current debt spread	1.63	1.63	1.63	1.62
Delta	1.76	1.76	1.72	2.15
Downturn since Dec 2023	-18.0%	-18.3%	-19.8%	

Figure 3 – Viceroy Spread Analysis

We have detailed this in our November report, which can be found in the link below:

https://viceroyresearch.org/2024/12/16/arbor-pik-ing-holes-in-clo-data/

Modifying loans to distressed tenants is always at a direct cost to the lender. Arbor has made enormous concessions to its (almost exclusively distressed) lenders to keep them current.

The portfolios are teetering on the edge of a negative spread with over 95% of borrowers operating at a loss. The portfolio has an LTV ratio of ~80% (approximately a 4.2% cap rate), with Arbor holding the equity stake.

Given historic low spreads across its portfolio, we expect Arbor's interest income to fall to historic lows in its forthcoming 10-Q. Per figure 8 above, we can see net interest spreads fall materially quarter-on-quarter.

Our previous work on Arbor’s loans to management and increasing use of expensive repo lines to finance its failing loans is available at the link below:

https://viceroyresearch.org/2025/08/06/arbor-q2-2025-financial-shenanigans/

We maintain our belief that Arbor’s deteriorating loan book, and the measures it has taken to conceal its true state, represent a significant risk for the Company’s bondholders and shareholders.

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