Fannie Mae®

Supplement 20-09: COVID-19 Seniors Housing Underwriting Guidance

Effective: 06/08/20
Retired: 06/30/21

Summary of Changes

HIGHLIGHTS
Effective for Mortgage Loans submitted for Pre-Review on or after **June 8, 2020**, due to the impact of COVID-19, Fannie Mae is updating the underwriting guidance for all Seniors Housing Properties.

Primary Changes

Due to the health and economic hardships facing Seniors Housing Properties, Fannie Mae will continue working closely with you to appropriately structure each Seniors Housing Mortgage Loan. Generally, a Seniors Housing Mortgage Loan submitted for Pre-Review should be underwritten:

- as a Tier 3 or Tier 4 transaction;
- with increased Underwritten Net Cash Flow (NCF) expenses; and
- to meet the stress tests described below.

Key Principals, Principals, and Guarantors: You should increase your due diligence by reviewing the:

- Operator's infectious disease protocol, especially if there are confirmed COVID-19 cases among the residents or staff at other Seniors Housing properties in their portfolio;
- Sponsor's current liquidity compared to the Property's NCF and a stressed Schedule of Real Estate Owned (SREO); and
- Sponsor's access to capital (e.g., bank lines of credit), or other cash retention actions.

Increase Underwritten NCF Expenses (Adjusted Underwritten NCF): You should underwrite the NCF based on higher expenses currently experienced by Seniors Housing Operators in the market. Even though increased expenses may not yet be evidenced on the Property's pre-COVID-19 historical operating statements, you should calculate an Adjusted Underwritten NCF by:

- increasing each of the following Underwritten NCF expenses by 5% over the trailing 12-month expenses:

© 2026 Fannie Mae. Trademarks of Fannie Mae.

- payroll;
- COVID-19 related medical and cleaning supplies; and
- food and food service costs; and

- adjusting any other expenses upward as necessary based on the Property's operations.

Stress Tests: You should provide the following analyses in your Pre-Review submission.

Stress Tests	You should...
1 - Breakeven Test	Determine the occupancy level needed to to support a 1.00 amortizing DSCR based on the Adjusted Underwritten NCF.
2 - Moderate Decline in Economic Occupancy Test	• Determine the potential impact of a moderate decline in move-ins on the Adjusted Underwritten NCF by reducing Underwritten Net Rental Income (NRI) by 2%. • Ensure the resulting underwritten operating expense ratio is at least 5% greater than in the Adjusted Underwritten NCF. If not, increase it accordingly.
3 - Substantial Decline in Economic Occupancy Test	• Determine the potential impact of a substantial decline in move-ins on the Adjusted Underwritten NCF by reducing Underwritten NRI by 5%. • Confirm the resulting underwritten operating expense ratio is at least 5% greater than in the Adjusted Underwritten NCF. If not, increase it accordingly.

You should:

- confirm the resulting Underwritten NCF for each of the 3 stress tests supports a minimum 1.00 amortizing DSCR; and
- describe the analyses and stress test results in the Pre-Review submission and applicable Transaction Approval Memo.

Questions

Please contact Kathy Iscra at (312) 368-6073, or kathleen_iscra@fanniemae.com, with any questions.

© 2026 Fannie Mae. Trademarks of Fannie Mae.