Multifamily Mortgage Business Guide Update 18-02

March 21, 2018

To: Multifamily Lenders
From: Manuel Menendez, Jr., Senior Vice President, Multifamily Chief Credit Officer
Subject: Guide Memo 18-02 | Seniors Housing Properties

HIGHLIGHTS

Effective March 26, 2018, Fannie Mae is updating the underwriting requirements for Seniors Housing Mortgage Loans, affecting the following chapter of the Multifamily Selling and Servicing Guide (Guide):

- Part III B, Chapter 5 – Seniors Housing Properties.

Changes

To increase Lender delegation, reduce waivers, and be more competitive, Fannie Mae is updating the underwriting requirements for Seniors Housing Mortgage Loans. Primary changes include:

- revising the Continuing Care Retirement Communities (CCRC) occupancy requirement to reflect 5 consecutive years of physical occupancy rather than 7 years of economic occupancy;
- updating the eligible property design features to:
  - eliminate the “purpose built” requirement; multifamily buildings or hotels that were converted and redesigned to accommodate Seniors Housing residents are now permitted; and
  - require a commercial kitchen in all Seniors Housing Properties;
- removing the 90% economic occupancy requirement for 12 months (or 15 months for Skilled Nursing Units);
- removing the requirement that all Skilled Nursing Units must be licensed for Medicare, Medicaid, or both;
- simplifying the Underwritten Net Cash Flow calculation:
  - Vacancy: set a minimum vacancy requirement for mixed acuity Seniors Housing Properties rather than requiring a weighted average by acuity type;
  - Nursing/Medical Income and Other Income: based on the trailing twelve months; and
  - Medicaid income and Skilled Nursing Unit income: clarified calculations;
- moving all Underwritten Debt Service Coverage and Loan to Value requirements to the Multifamily Underwriting Standards (Form 4660);
- clarifying the Skilled Nursing Net Cash Flow test calculation;
- clarifying that a Medicaid Transition Reserve is only required if Medicaid income exceeds 20% of EGI; and
• clarifying that an **Assignment of Medicaid Receivables** is only required at the discretion of the Lender or Fannie Mae.

Please refer to the Guide chapter for complete details and additional clarifying edits.

**Effective Date**
This Guide Update is effective March 26, 2018.

**Questions**
Please contact Kate McCormick at (202) 752-8015 (or *kathleen_mccormick@fanniemae.com*) with any questions.

**Associated Documents**
On the Effective Date, the updated Guide chapter will be published on AllRegs.

- Part III B, Chapter 5 – Seniors Housing Properties (*clean* and *blackline*)