FEDERAL HOUSING FINANCE AGENCY OFFICE OF INSPECTOR GENERAL

Multifamily

Seniors Housing

Senior population has outpaced overall population growth

1920

about 3 in 60 people were age 65+

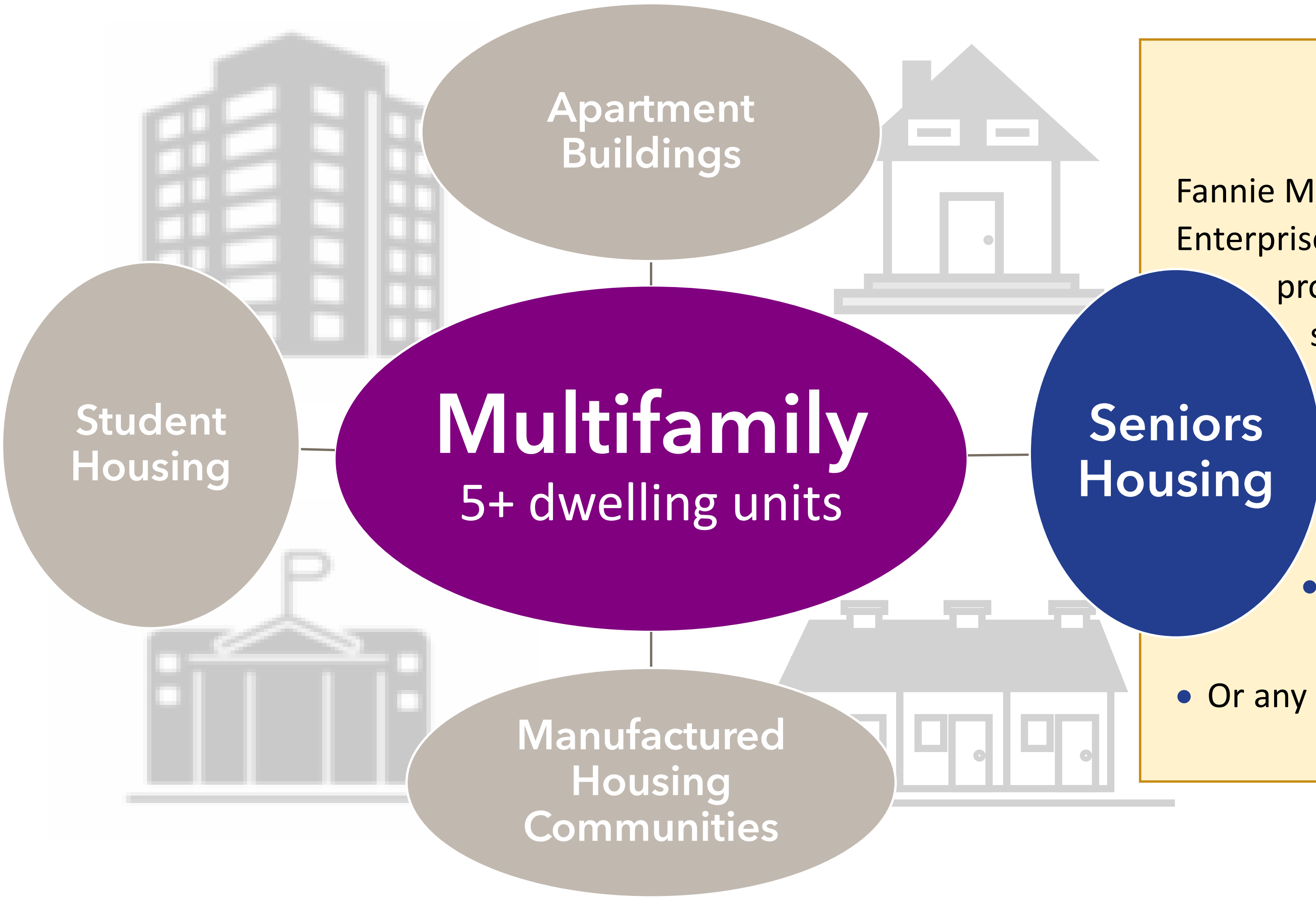
2020

10 in 60 people were age 65+

Census data shows the U.S. population age 65 and over grew nearly five times faster than the total population over the course of 100 years. **In 2024, more Americans than ever are set to turn 65, a peak expected to continue for the next few years.** Although many seniors will choose alternatives, Fannie Mae and Freddie Mac expect the burgeoning senior population to fuel demand for seniors housing. They both finance seniors housing facilities.

Seniors Housing

Seniors housing is one part of the Enterprises' multifamily businesses



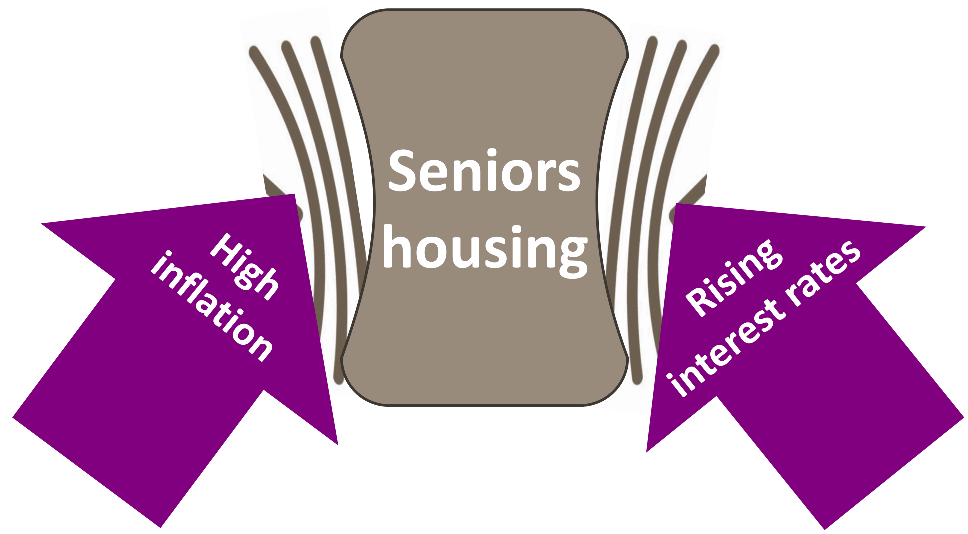
Fannie Mae and Freddie Mac (the Enterprises) finance properties providing services for seniors, such as:

- Independent living
- Assisted living
- Limited skilled nursing
- Alzheimer's/dementia care (memory care)
- Or any combination of services

Seniors Housing

The COVID-19 pandemic hit the seniors housing market particularly hard

Post-pandemic, the economic headwinds continue to stress the market



According to the Enterprises, high inflation has increased seniors housing operating costs while the market recovers from the pandemic. Additionally, seniors housing loans with adjustable rates are more susceptible to weakness as mortgage rates have risen and remain high.[1]

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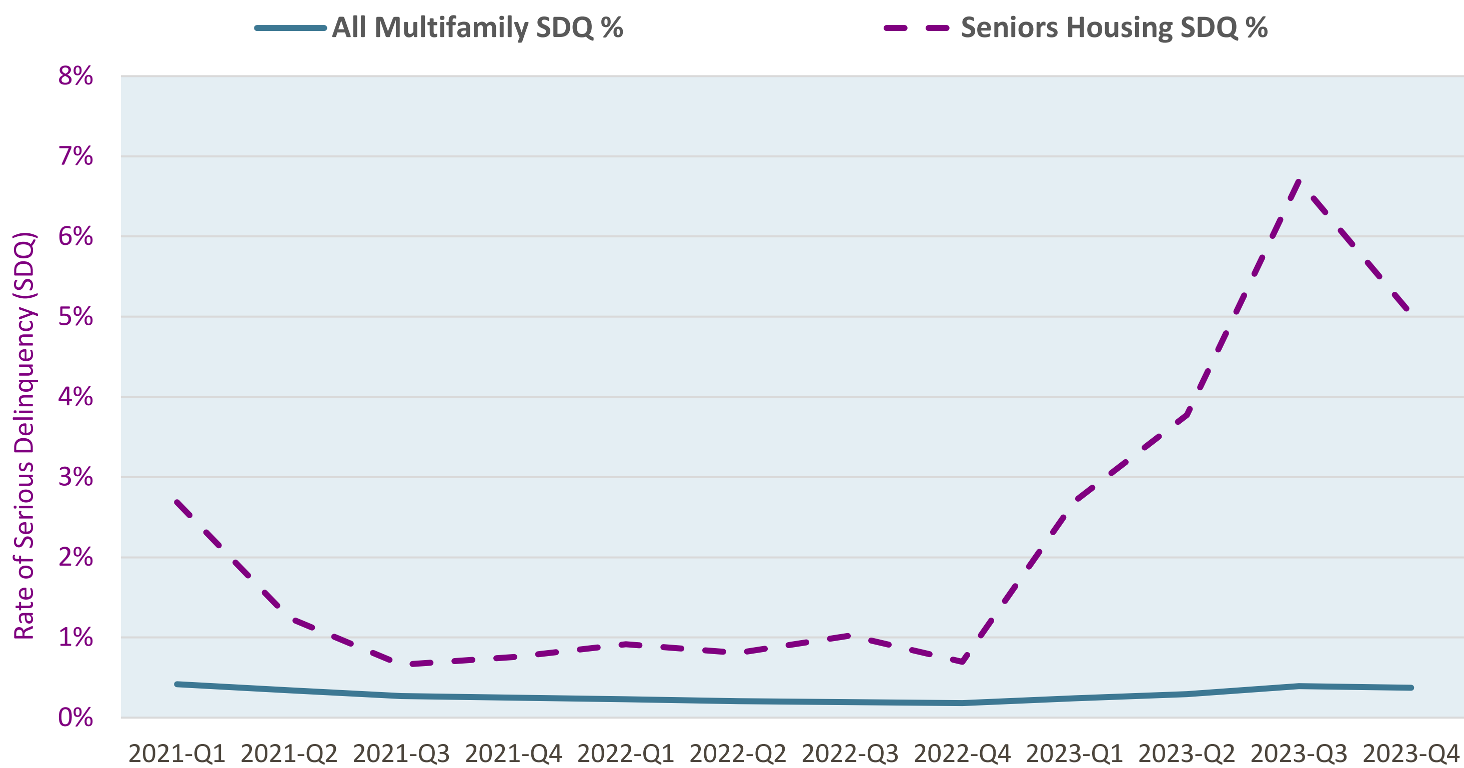
[1] The Federal Housing Finance Agency (FHFA) previously explained to OIG that, in a rising interest-rate environment, a borrower's monthly payment will typically increase if the interest rate is adjustable, increasing the probability of default. This is especially notable for multifamily mortgages, which commonly have a balloon payment due at the end of the loan term. See OIG, *Enterprise Multifamily Variable-Rate Mortgages* (Aug. 25, 2021) (WPR-2021-005).

Seniors Housing

Enterprise seniors housing loans continue to show pronounced signs of weakness



Source: *OIG analysis of Fannie Mae and Freddie Mac data*

During 2023, for both Enterprises combined, the **serious delinquency (SDQ) rate for seniors housing loans spiked to almost 7 percent** while the overall rate for multifamily loans remained under 1 percent.

At year-end 2023:

$31 billion
Enterprise seniors housing loans

40%
seniors housing loans with adjustable-rate mortgages

Seniors Housing

Trends and Risk Considerations

Given demographic trends, the Enterprises expect robust **demand** for seniors housing.

Lower rates of **new supply**…

…have helped **occupancy rates** recover.

Rising occupancy rates combined with strong rent growth have increased **property income.**

Seniors housing **expenses**, however, have increased sharply given high inflation and labor shortages.[2]

Freddie Mac warned the recent increase in property incomes has generally not been enough to cover expenses. Some seniors housing properties may still be too weak to absorb the added stress of the higher interest rate environment.

Fannie Mae reported an increase in multifamily foreclosure activity in 2023, driven in large part by seniors housing. The Enterprise asserted seniors housing properties have not recovered to pre-pandemic levels and continue to be stressed by economic trends.

[2] Freddie Mac, *Performance of the Seniors Housing Market* (Sept. 2023); Fannie Mae, *Multifamily Economic and Market Commentary* (Mar. 2024).

Key Takeaway: The need for seniors housing is strong, however, this market remains fragile since the pandemic and faces ongoing challenges.

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