Fannie Mae®

Multifamily Selling and Servicing Guide

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504.03 Operating Lease Ratios

Requirements

If the Seniors Housing Operator

- does not have any direct or indirect ownership interest in the Borrower or the Key Principal, or
- is not a Person Controlled by, under common Control with, or which Controls, the Borrower or Key Principal, then you must ensure that the Property meets the following ratios:

Ratios	Requirements
Operating Lease Coverage Ratio	The minimum underwriting ratios for Underwritten NCF to current year operating lease payments are: • 1.10 for Seniors Housing Properties where more than 50% of the units are Independent Living units; and • 1.15 for Seniors Housing Properties where 50% or more of the units are Assisted Living, Alzheimer's/Dementia Care, or Skilled Nursing units.
Operating Lease Payment to Debt Service Payment Ratio	The minimum underwriting ratios of the current year operating lease payments to the underwritten fixed rate debt service payments are: • 1.15 for Seniors Housing Properties where more than 50% of the units are Independent Living units; and • 1.20 for Seniors Housing Properties where 50% or more of the units are Assisted Living, Alzheimer's/Dementia Care, or Skilled Nursing units.

Glossary

A

Assisted Living	Seniors Housing Property offering services limited to non-medical personal care, including ADL assistance, which are typically licensed and regulated by a state or local governmental authority. **Synonyms** • AL

B

Borrower	Person who is the obligor per the Note. **Synonyms** • Borrowers • Borrower's

C

Control	Possessing, directly or indirectly, the power to direct or cause the management and operations of an entity (e.g., through the ownership of voting securities or other ownership interests, or by contract). **Synonyms** • Controlling • Controlled • Controls

I

Independent Living	Seniors Housing providing limited programs of assistance for domestic activities (e.g. meals, housekeeping, activities, transportation, etc.), and typically resembles market rate units. **Synonyms** • IL

K

Key Principal	Person who • controls and/or manages the Borrower or the Property, • is critical to the successful operation and management of the Borrower and the Property, and/or • may be required to provide a Guaranty. **Synonyms** • Key Principals • Key Principal's

L

Lease	Written agreement between an owner and the tenant of a Property stipulating the conditions for possession and use of real estate for a specified period of time and rent. **Synonyms** • Leases

N

Net Cash Flow	At underwriting or for any specified period, the amount calculated per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis and the applicable products and features in Part III. **Synonyms** • NCF

P

Person	Legal person, including an • individual, • estate, • trust, • corporation, • partnership, • limited liability company, • financial institution, • joint venture, • association, or • other organization or entity (whether governmental or private). **Synonyms** • Persons • Person's
Principal	Person who owns or controls, in the aggregate, directly or indirectly (together with that Person's Immediate Family Members, if an individual), specified interests in the Borrower per Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 303: Key Principals, Principals, and Guarantors. **Synonyms** • Principals
Property	Multifamily residential real estate securing the Mortgage Loan, including the • fee simple or Leasehold interest, • Improvements, and • personal property (per the Uniform Commercial Code). **Synonyms** • Properties • Property's

S

Seniors Housing Property	Multifamily residential rental property with any combination of Independent Living, Assisted Living, Alzheimer's/Dementia Care, or Skilled Nursing units. **Synonyms** • Seniors Housing • Seniors Housing Properties
Skilled Nursing	Seniors Housing Property with units that are highly regulated and provide 24-hour resident supervision and registered nursing care services.