

ASSET UNDERWRITING / BORROWER FIELD GUIDE

Senior housing underwriting guide

Distinguish property cash flow from operator services, staffing and occupancy economics.

Senior housing can involve leased real estate, operating services, staffing and licenses in different entities. The first underwriting task is to define the structure being financed. A landlord-rent model and an owner-operator model need different evidence, and combining them without eliminations can overstate both income and repayment capacity.

Identify the operating structure

Map property ownership, operator, manager, licenses, resident agreements and related parties. If the property is leased to an operator, analyze contracted rent and the operator's ability to pay separately. If the borrower participates in operations, identify resident fees and service costs directly. Welltower's historical triple-net disclosure is one example of structure, not evidence that every senior-housing transaction uses that arrangement.

Trace resident revenue and staffing costs

Separate occupied units or beds, care/service mix, contractual charges, concessions and collections. Use the actual setting and business model; independent living, assisted living and other care arrangements are not interchangeable. Staffing and agency labor can change differently from occupancy. Show the cost and timing needed to accept additional residents rather than treating occupancy growth as nearly costless revenue.

Fund continuity and transition

Investigate licenses, management agreements, material compliance issues and transfer requirements with the relevant professionals. A property purchase does not itself establish permission to operate the business. Model a transition or occupancy decline with required staffing, insurance, capital work and other continuing costs. Keep any operator support or guarantee separate from cash already held by the property borrower.

Use this guide with the matching Excel model. Illustrative assumptions are editable; no lender approval, market quote or universal threshold is represented.

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What the lender needs to understand

Preparation questions and evidence to resolve them. Actual requests and acceptance standards depend on the lender and transaction.

01 / Is repayment based on landlord rent or operating cash?

Entity and agreement map with separate property and operator statements.

02 / What services and resident mix produce revenue?

Resident census, contracts, fee schedules and collection records appropriate to the setting.

03 / What staffing cost supports that revenue?

Payroll, agency labor, staffing plan and operating budget.

04 / Can the proposed party operate after closing?

Applicable license, consent and transition evidence reviewed by qualified advisers.

05 / How does the operator support the real-estate obligation?

Operator financials, rent coverage and any documented support arrangements.

06 / What funds a transition or occupancy decline?

Monthly staffing, capital and debt-service cash plan with accessible sources.

Turn the request list into an evidence ledger

For each material question, record the document and date, the responsible owner, the unresolved fact, the party who can accept it, and the financing consequence if it remains unresolved. A file delivered to a lender is not necessarily an accepted answer.

Evidence state: requested / received / reconciled / accepted / still conditional. Preserve the lender response and avoid treating an unanswered question as approval.

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Document checklist: cash flow and collateral

Use a consistent cutoff date. Mark missing items, conflicts and explanations rather than simply counting files.

Cash flow and operations

Document / evidence request	Received / open
Resident census or tenant schedule with unit/bed and service definitions.	[] _____
Resident contracts or operator lease and actual collection records.	[] _____
Separate property and operator financial statements with related-party eliminations.	[] _____
Payroll, agency labor and major service expense detail.	[] _____
Management, insurance and recurring capital-reserve assumptions.	[] _____
Monthly occupancy, service mix and cash-flow trend.	[] _____

Property and collateral

Document / evidence request	Received / open
Actual-use, license and operating-authority evidence for the setting.	[] _____
Condition assessment and capital plan for resident and common areas.	[] _____
Life-safety and other qualified-professional findings relevant to operations.	[] _____
Equipment inventory with ownership and maintenance responsibilities.	[] _____
Environmental and other lender-requested third-party reports.	[] _____
Open compliance, repair or regulator correspondence material to the transaction.	[] _____

Reconciliation note

The schedules should agree with the source documents or identify the exact reason for a difference. Keep the source amount, the adjustment and the lender-accepted amount visible as separate fields.

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Document checklist: sponsor and closing

Confirm who provides the money, when it is available and what evidence permits the transaction to fund.

Sponsor and execution

Document / evidence request	Received / open
Sponsor and operator experience with the actual care or housing model.	☐ _____
Ownership chart linking property, operator, manager and guarantors.	☐ _____
Management agreements and key transition responsibilities.	☐ _____
Liquidity evidence distinguishing borrower funds from conditional operator support.	☐ _____
Portfolio guarantees and competing operating funding needs.	☐ _____
Equity authorization for staffing, capital and transition contingencies.	☐ _____

Closing and funding

Document / evidence request	Received / open
Counsel-confirmed license, operating and change-of-control requirements.	☐ _____
Lender acceptance of the actual property/operator structure.	☐ _____
Lease, management and material contract consents.	☐ _____
Payoff, title, insurance and reserve funding evidence.	☐ _____
Repair and improvement draw conditions and timing.	☐ _____
Continuity plan and a funded monthly transition cash schedule.	☐ _____

Before committing the next dollar

- ☐ Define the entity and service structure before selecting cash-flow inputs.
- ☐ Verify authority and continuity separately from financial feasibility.
- ☐ Fund required staffing and capital through the downside period.

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Use the model and reconcile the result

senior-housing-underwriting-model.xlsx | Summary, Assumptions, Care Census, Operations, Debt and Funding, Review

- 1. Use Assumptions!D5 for Base (1) or Downside (2), and the labeled scenario input rows. Enter source data in Care Census!D10:L21; preserve formula cells and an untouched workbook copy.
- 2. This is an operator-cash model using occupancy, resident/service revenue and operating costs. It is not a landlord triple-net rent model or a healthcare reimbursement or licensing determination.
- 3. Reconcile Operations to Summary. Apply the entered lender adjustment separately to the modeled cash flow. Sizing uses amortizing debt service, while first-year payments reflect the entered interest-only period.
- 4. In Assumptions, replace illustrative value, LTV, DSCR, debt yield, rate, amortization and requested ceiling with the intended scenario. Review capacities in Debt and Funding. The smallest modeled capacity does not establish eligibility or approval.
- 5. Closing equity includes the entered opening cash and restricted reserves. Additional operating cash need is measured after that opening cash, so do not add it twice. Inspect monthly cash and remaining principal at maturity.
- 6. Read Review for model conventions and limitations. Save each scenario with its supporting evidence and date; actual lender definitions, legal rights and professional findings control the transaction.

Worked example: editable teaching assumptions

Illustrative Base / Downside inputs: Property value \$14,000,000 / \$12,000,000; Annual note rate 6.50% / 8.00%; Maximum LTV 65.00% / 60.00%; Minimum sizing DSCR 1.25 / 1.3; Minimum debt yield 9.00% / 10.00%; Amortization after IO (years) 25 / 25; Initial interest-only months 6 / 6.

Illustrative result	Base	Downside
Operator revenue	\$4,771,280	\$4,079,444
Operator cash after reserve	\$174,445	-\$882,716
NCF used for sizing	\$174,445	-\$907,716
Modeled loan	\$1,722,383	\$0
Binding sizing constraint	DSCR	DSCR
First-year debt service	\$125,755	\$0
Required closing equity	\$11,677,617	\$13,400,000
Equity left / (closing gap)	-\$5,677,617	-\$7,400,000
Additional operating cash need	\$0	\$933,116
Equity left / (combined gap)	-\$5,677,617	-\$8,333,116
Principal at modeled maturity	\$1,578,554	\$0

Base NCF used for sizing is \$174,445. The modeled loan is \$1,722,383, with DSCR binding. Closing uses of \$13,400,000 less that loan require \$11,677,617 of equity. Available equity is \$6,000,000; the signed combined surplus/gap is -\$5,677,617 after any additional operating cash need. Downside changes the loan to \$0 and the combined result to -\$8,333,116.

Dollar results rounded to the nearest dollar; the workbook retains precision. Signed funding surplus is negative for a shortage. A positive funding surplus remains subject to actual source availability.

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Review the risks and the evidence

- Do not count operator rent both as landlord income and as consolidated operating cash without elimination.
- A license or consent held by the seller may not automatically support the buyer's operation.
- Higher occupancy can require additional staffing and services before the expected cash benefit arrives.
- A property-level model is not a clinical, regulatory or full operating-business feasibility assessment.

Sources and applicability

These references support the stated asset and risk context. The questions and document lists are preparation tools, not a statement that every lender requires or accepts the same package. Actual contracts, applicable rules and the chosen lender determine the transaction requirements. The historical Welltower triple-net description was rechecked in indexed official SEC filing text; it is not a rule for all senior-housing operations.

1. Welltower - 2025 Form 10-K | Item 1, Triple-net segment description | Checked 2026-10-21

Historical issuer-specific structure as of 2025; not a loan program standard.

<https://www.sec.gov/Archives/edgar/data/766704/000076670426000010/well-20251231.htm>

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Education and analysis do not establish a financing offer, appraisal, legal opinion or program eligibility. Confirm the current source, actual contract terms and professional advice relevant to the transaction.