



## What is an SNDA Clause?

When purchasing a commercial real estate property, especially tenant-occupied property, I frequently get the same questions from clients.

**“What are these subordination, non disturbance, and attornment and estoppel documents that my lender is asking for?”**

This post will address the subordination, non-disturbance, and attornment document. A separate post in our Real Estate blog section addresses Estoppel.

We’ll use an example to explain SNDA in its most basic form.

Lets say Buyer has an executed purchase agreement to buy a small retail strip mall property featuring 4 tenant spaces for \$1 million dollars. Buyer is using his local bank to finance this transaction. The local bank tells Buyer that in order to finance his transaction, they will need an executed SNDA and estoppel from the Tenants. So, what do you do next?

A subordination-non disturbance and attornment agreement (SNDA) is an agreement that, in its most basic form, allows a Tenant to continue to reside in a Property if the Owner defaults, and that Tenant will pay continuing rental obligations to the Lender instead of the Owner.

**S:** The “S” stands for subordination, meaning Tenant’s interest will be subordinate to the lender’s interest.

**ND:** The “ND” for non-disturbance means that as long as Tenant is fulfilling their obligations under the Lease for the property, Tenant will not be disturbed in their tenancy.

**A:** Attornment is an older common-law phrase that Tenant will, in the event of Landlord’s default, attorn their interest to Lender, so that Tenant will pay their rent payments and fulfill their lease obligations as if Lender were in the place of the Landlord.

It is more complicated than this, of course, but the basic idea is that if Landlord fails to make payments and the Lender is forced to foreclose on Landlord, Tenant will make rental payments to Lender and Lender will allow Tenant to continue to reside in the Property.

Lender’s like these agreements since it provides stability on the Property in the event of foreclosure and it allows Lender to move their interest ahead of any other potential interest in the Property. Tenant’s can benefit from SNDA agreements as it gives Tenant peace of mind that even if Landlord defaults, Tenant’s business will remain uninterrupted.

I always advise retaining counsel to review any SNDA documents, whether Buyer or Seller, so you know what rights you may be waiving. If you need help with any real estate transactions, we are happy to help. Give us a call at King and Huffines: Attorneys at Law PLLC at 724-242-0230 or reach out to us via email at [rking@kinghuffineslaw.com](mailto:rking@kinghuffineslaw.com)

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