



COVID-19 EXPECTED TO LAUNCH WAVE OF LOAN WORKOUTS AND REFINANCES

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As a result of the economic turmoil caused by COVID-19 and the precipitous drop in oil prices, lenders and borrowers will be analyzing future performance and reviewing loan documentation. Our attorneys have significant experience and are excellent resources for both lenders and borrowers.

LOAN WORKOUTS – With public uncertainty, quarantines and government-mandated closures affecting spending and cash flow, we expect to see an increasing number of troubled loans and defaults. Many of these loans will need to be restructured. A well-managed process can make the difference between a successfully negotiated modification or an adversarial exercise of rights and remedies.

Lenders are currently scrubbing portfolios and auditing collateral. Businesses are running financial models to review performance under various scenarios. Lenders will be contacting customers operating in at-risk industries to assist with formulating solutions to help weather the storm or to take advantage of opportunities. Borrowers, likewise, should proactively communicate with lenders to avoid surprises.

If necessary, provisions can be waived or loans may be restructured to address lender concerns and provide runway time for customers. Whether a lender or borrower, assistance with negotiations, document waivers, forbearance arrangements and loan modifications is well advised.

LOAN REFINANCES – With the Federal Reserve slashing interest rates over the past two weeks, we anticipate an increase in loan refinancings.

Borrowers with healthy balance sheets may be contacting lenders to investigate opportunities to reduce the cost of funds. Likewise, we anticipate lenders will be contacting borrowers to assist with such refinancings. Borrowers should review their loan documents carefully because early payments may subject them to prepayment fees. Other provisions that should warrant closer review in light of the current economic climate include: representations and warranties; affirmative and negative covenants (especially financial covenants); and default and remedies provisions.

If you have questions or would like to discuss further, please contact Trey DeLoach, Nikki Gibson or Ed McQueen.

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