In The News

Alan Cohen, Randy Eckers Shed Light on Hotels' Debt Struggles Caused by Pandemic in *Law360* Article

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Alan Cohen, Real Estate Finance Practice Chair and New York Co-Office Managing Partner, and Randy Eckers shed light on the loan and debt struggles that hotels are facing during the COVID-19 pandemic. The American Hotel and Lodging Association (AHLA) reported last month that 83 percent of hotel debt borrowers have asked their lenders for debt forbearance or payment deferral on loans. Additionally, only a slim 15 percent of hotel debt borrowers in commercial mortgage-backed securities (CMBS) pools have received forbearance, according to the AHLA.

Cohen pointed out the hotel industry holds a major portion of commercial loans that have gone into default since March. "Lenders are permitting some hotel borrowers to defer payments for three to six months to try to get past the crisis and generate income to pay debt service. Some hotels are in a better position than others, depending on their geography, tourist destinations, business travel, and whether they're a major flagship hotel with professional management and excess capital. The loan servicers are taking all of that into account as they come up with a long-term plan to give hotels breathing room."

Eckers elaborated lenders "almost always" prohibit additional indebtedness when giving loans to

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hospitality businesses. Now, in light of the pandemic, some hotels are taking the unusual step of asking loan servicers to give them a break by letting them take out PPP loans. "Although the loan documents prohibit additional indebtedness, I've seen lenders, including CMBS servicers, allowing borrowers to obtain PPP loans. The lenders recognize that the PPP loans are very valuable to certain types of property owners, so they're not standing on the loan documents to negatively impact the borrowers."

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