

Insights: Publications

Loan Workouts Involving Hotels: What Do Lenders Need to Know When Handling Loan Workouts on Defaulted Hotel Loans

The Abstract - 2023 Fall Edition

October 1, 2023

Written by **Lori Hunt**

Loan workouts involving hotel properties tend to be more complicated due to a unique set of issues that you don't necessarily see with other types of properties. During the COVID-19 pandemic, many hotels were closed due to the lack of business and leisure travelers. Others were required to be shut down due to local government closure orders. This created additional concerns not seen in prior downturns. Even though the hotel was closed, expenses still needed to be paid on an ongoing basis with respect to the property—loan payments, taxes, vendors, employees, franchisors, managers, etc. Without sufficient income being generated by the property, this resulted in many borrowers looking for ways to reduce costs or finding alternative ways to pay for their ongoing expenses. In connection with any workout of a loan, it is important for lenders to do their due diligence and confirm that any actions taken by the borrower do not violate the terms of the loan documents and are addressed as part of any loan workout. This article discusses several issues specific to loans secured by hotel properties and provides practical advice on due diligence issues which a lender should consider.

Related People



Lori Hunt

t 202.508.5862

lhunt@ktslaw.com