

# CVS LAW

## EXISTING DEBT SITUATIONS – FINDING THE BEST SOLUTION

Over the past few years, property investors have become all too familiar with LTV issues arising on pre-recession loans.

Rather than pressuring borrowers into injecting equity, many lenders are now adopting a “wait and see” approach to the market and acting swiftly to take control of investments when the time is right for them, with little forewarning to the borrower who may be under the impression there is no issue.

It is therefore imperative that borrowers take a pro-active approach to situations where LTV or other covenants may have been breached by considering all the options available to them.

Our experience continues to be that in many of these situations, with the correct approach there is a possibility of turning the situation around into an outstanding opportunity. Take this recent example:

The outstanding debt on the property was £3.2m against a valuation of £2.75m. We convinced the lender to agree a three year loan extension at a margin of 4% over 3 month LIBOR. The existing amortization was reduced to ensure no income defaults and the income and loan to value covenants were removed.

The Borrower is free to actively manage the property and there is no charge for the extension or any ongoing fees.

The expected exit is at 3 years by refinancing when the loan will be reduced to £2.7m by amortization, the leases extended, income increased and it is anticipated the market would have recovered. At this point a minimum value of £4m would be expected and based on a refinance at 65% loan to value no cash injected. The minimum value to the borrower at that point will be £1.3m, from a position of negative equity at the outset.



In addition to our lawyers, our specialist team in this area includes Lawrence Pinkney, Perry Kurash and Janet Paterson. For further details and examples of what we can achieve please visit [www.cvs-law.co.uk](http://www.cvs-law.co.uk) and [www.cvs-privateequity.co.uk](http://www.cvs-privateequity.co.uk) or contact:

**Sunil Radia**

Email: [srr@cvs-law.co.uk](mailto:srr@cvs-law.co.uk)

Tel: 0207 758 8048