

3 Ways To Better Navigate Defaults

In the complex world of CRE finance defaults, the strategy that special servicers take in managing non-performing loans can make or break outcomes for lenders, investors and borrowers. Here are three ways factors that can maximize recovery opportunities.



1. EVALUATE ALTERNATIVES BEYOND FORECLOSURE

A special servicer should conduct a meticulous evaluation process to determine the root cause of default, whether it's a market problem, a borrower issue, or a combination; or a short- or long-term cash-flow or value issue problem? Proper due diligence on the nuances of each situation allows special servicers to explore a myriad of alternatives – maximizing asset values and helping ensure the asset does not experience future distress.

2. PARTNER WITH PROVEN, CYCLE-EXPERIENCED PROFESSIONALS

Look for a special servicer with a collaborative culture, in which ideas are openly shared and evaluated, and deep experience navigating multiple real estate cycles, leading to more informed perspectives and innovative solutions.

3. FOCUS ON RELATIONSHIPS TO MAXIMIZE RECOVERY

Look for a special servicers that are communicative, collaborate and responsive, and prioritize building personal relationships with all stakeholders, to better align interests and ensure decisions are made in the best interest of all bondholders. This helps mitigate risk and leads to optimal recovery opportunities.