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By Paul Darrow, president, PHD Financial, LLC

\$1.5 trillion dollars of commercial hotel and motel loans will be maturing in 2013 and 2014. Most of these loans were initiated during the peak boom times of real estate valuation between 2005 and 2008. Since 2007, however, commercial real estate and hotel-motel properties have dropped in value by an average of 40 percent.

Commercial real estate owners who have a loan that is now coming due are facing a dire situation. Most commercial properties, hotel and motel properties in particular that have been financed in the last eight years, simply will not qualify for financing of any kind as underwriting guidelines and liquidity have changed dramatically.

Below are five steps that a hotel property owner should take when they are evaluating their position for extending the term of their existing loan, attempting a loan modification, restructure, or seeking a new loan.

**Be Proactive** – The time to start planning for your loan maturity was yesterday. Time is not on your side. Begin immediately to prepare for a process that will be arduous and require some difficult decisions.

**Be Realistic** - Take a close look at any loan that is coming due in the next year. Know your debt service coverage. See if your current lender will qualify your property under today's valuations and underwriting guidelines. If not, start the refinance and restructure process immediately.

**Maintain the Property** – Do not cut back on property maintenance. As occupancy rates dropped in many markets across the United States, many hotel owners are cutting back on preventative and cosmetic maintenance. This is a big mistake. When trying to extend the term of your loan or obtain a modification or new loan, the lender will look closely at the physical condition of your property. Lenders want the best quality properties in their portfolios.

**Be Honest** – In tough financial times like these, hotel-motel owners have to be honest when examining the prospects of their long-term success. After evaluating the true financial condition of the property, you may find that alternatives such as short sales or deeds in lieu of foreclosure make more economic sense than holding on to a property that's value may take decades to recover. Negotiate a release of your personal guarantees.

**Make a Plan** – It is never too early to make a plan. Don't wait for the lender to tell you what to do. If you wait for the lender for guidance then they will automatically have the upper hand. Borrowers who are looking for a loan modification or restructure should come to the bargaining table with a well-conceived plan that demonstrates their need for help and shows the steps that will be taken to ensure the modification is a long-term solution and that is in the best interest of both the borrower and lender.

*PHD Financial LLC has over 25 years of experience helping borrowers finance, refinance and restructure their debt. For additional information and a loan application, visit their [website](#).*

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