

Multi-borrower restructurings gain momentum



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Announcements from Hatfield Philips regarding consultation processes with the noteholders of both Titan Europe 2006-3 and Talisman 7 in relation to multiple loans underlines that multi-borrower CMBS restructurings are not far away in Europe (see SCI issue 202).

"The experience of single-borrower consultations with noteholders has been extremely mixed depending upon sponsor, deemed necessity of the extension, the type of investor and the price at which investors bought into the deals," comment European asset-backed analysts at RBS. "The announcement of potential note restructurings may lead to increased interest in multi-borrower deals from more activist investors looking to profit from the situation."



To date a number of loans within multi-borrower transactions have been granted extensions by the servicer/special servicer without noteholders consultation, without an increase in the loan margin. Servicers have defended such actions by saying they are acting on behalf of all lenders in order to maximise recoveries on the whole loan, as well as the fact that multi-borrower transactions are not structured to facilitate the passing on of improved economics.

Such extensions are feasible providing the loan isn't extended to within the required minimum tail period, according to the RBS analysts. In the case of Titan 2006-3 and Talisman 7, the legal final of the notes is in 2016 and 2017 respectively, meaning that extending the legal final may be considered appropriate in order to extend the loan sufficiently while maintaining an appropriate tail period.

"As a basic terms modification, extending the legal final will require agreement of all noteholders, whom - once consulted - will no doubt demand increased margins in compensated for the extended term," the analysts add. "However, there are inevitably other structural considerations which need to be considered, including potential impact on the deferred consideration, ability for other loans to utilise the extended tail period as well as the impact on swaps and liquidity facilities."