

## Coronavirus and lending relationships: Communication and planning are key



Jason M. Smith, James E. Stief | Tuesday, March 17, 2020

During the past several years, conditions have been very good for borrowers. However, the spread of the coronavirus will lead to uncertainty in the lending markets. So what does this mean to you and your business?

First, it is probably a good time to examine your loan or credit agreement. Pay particular attention to the provisions related to reporting requirements, negative covenants and financial covenants. If you typically deliver items late, your lender might be less tolerant going forward. If you have defaulted before on your financial or other covenants and received waivers from your lender, it might be less willing to waive any future defaults and may charge waiver fees, higher interest rates or even ask you to find a new lender. If you anticipate future breaches or defaults, talk to your lender sooner rather than later. Lenders do not like to be surprised by your results. Lenders tend to take much more drastic measures when they learn bad news after the fact. If major changes in your business are planned, make sure to keep your lender in the loop. Borrowers should continually communicate good, bad and any other relevant news to their lenders. Finally, depending on the nature and extent of anticipated defaults, a borrower should consider looking for alternative financing solutions as soon as possible.

McDonald Hopkins' commercial finance group attorneys are very experienced and well positioned to help you navigate your financing needs. We have advised borrowers and lenders in all aspects of senior, subordinated and mezzanine debt transactions, as well as various types of equity raising. We have specific

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industry expertise that runs the gamut from the hospitality industries, automotive and metals to manufacturing, distribution and retail. With our depth of experience, we are in a good position to provide you with advice in this area. We will use our knowledge and expertise, as well as our connections in the industry, to develop the financing solutions that work best for you.

Please feel free to contact your McDonald Hopkins' attorney, Jim Stief, the Chair of our Business Law Department, at (216) 430-2031, or Jason Smith, the Chair of our Commercial Finance Practice Group, at (216) 430-2033 to discuss your current financial position.

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**Jason M. Smith**

[Team member bio](#)

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**James E. Stief**

[Team member bio](#)