

LOAN REPAYMENT OPTIONS DURING A DOWNTURN

A serious downturn such as a recession can have a major impact on your business. If you are:

- struggling to repay your business loan as a result; and
- are worried that your business may not survive;

then, talk to your lender about these eight options. They could help keep your business viable during the downturn.



Negotiate a date extension on which your principal loan amount is due

For loans being repaid in monthly instalments, ask for a period where no payments are due. You can make up the difference later.



Revisit undertakings you made to the lender and renegotiate if needed

These may include a commitment not to sell assets, which could be necessary to stay afloat.



Seek a break from monthly interest repayments

A complete freeze on interest would be the best-case scenario, but a compromise might be to allow interest to continue to accrue and be added to the principal.



Renegotiate the list of events that could lead to a default

Ask if troublesome events can be removed, softened, or at least, waived for a period of time.



Renegotiate your financial covenants

These are promises you made to the lender, such as maintaining a minimum cash reserve (which might no longer be viable).



Renegotiate cross defaults with all affected lenders

These are defaults that mean if you default on one loan, you default on others at the same time. Anything you renegotiate in one loan should be renegotiated in the others, too.



Review representations and warranties you might be making and ensure they are still correct

If these statements are no longer true, tell your lender and see if they will amend or waive these.



Refinance your loan

If your lender will not help you, consider approaching another lender for a loan on more favourable terms to repay your existing loan.