Commercial Real Estate Loan Defaults and Remedies (PA)

A Practical Guidance® Practice Note by Andrew K. Stutzman, Stradley Ronon Stevens & Young, LLP

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This practice note by Andrew Stutzman offers Pennsylvania commercial real estate attorneys a practical roadmap for navigating loan defaults, workouts, and lender remedies when a borrower defaults. The discussion highlights why careful, front-end drafting matters. Items such as loan covenants, cure rights, guaranties, recourse carve-outs, cash management provisions, and remedies clauses can determine how efficiently parties respond when defaults arise. The discussion walks through monetary and nonmonetary defaults, including payment failures, covenant breaches, transfer restrictions, leasing issues, material adverse change clauses, and financial tests such as DSCR, LTV, debt yield, and guarantor liquidity. It also explains how lenders can preserve leverage through default notices, reservation of rights letters, pre-negotiation agreements, and forbearance arrangements while avoiding waiver, novation, and documentation pitfalls. For litigators and transactional attorneys alike, the note provides a detailed look at Pennsylvania remedies like acceleration, setoff, foreclosure, deficiency judgments, deeds in lieu, receiverships, confessions of judgment, guarantor claims, and enforcement of personal property collateral. It also flags borrower defenses and lender liability risks that may shape strategy. Attorneys advising lenders, borrowers, or guarantors will find this note to be a useful framework for structuring documents, evaluating distressed loans, and choosing an effective path to resolution.

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Founder and co-chair of the firm's consumer financial services litigation practice, Andrew Stutzman is a trial lawyer resolving disputes involving all types of consumer and commercial financial products and services. He has tried seminal cases in state and federal court and arbitral tribunals across the United States and has handled appeals. He also assists in the defense of government investigations and criminal proceedings.

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Andrew is a go-to thought leader in the financial litigation industry. He has participated in several high-profile speaking engagements, authored publications and crafted accredited legal education programs.