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## COVID-19

# Hotels Facing Historic Wave of Foreclosures Due to COVID-19

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A new [national report](#) shows that the hotel industry is facing a historic wave of foreclosures as the COVID-19 pandemic continues to devastate small business hotel

owners and its workforce. Since the beginning of the pandemic the hotel segment has faced a historic number of delinquencies and is the most heavily hit sector of the commercial mortgage-backed securities (CMBS) market. Nearly 4,000 hotel industry leaders sent an [urgent letter](#) to Congress urging immediate action to help hotels avoid foreclosure and the loss of tens of thousands of jobs.

The [report](#), compiled by Trepp, shows that the percentage of loans that is 30 or more days delinquent is 23.4 percent as of last month—the highest percentage on record. By comparison, the percentage of hotel loans that were 30 or more days delinquent at the end of 2019 was 1.3 percent.

From a financial perspective, the report shows that \$20.6 billion in hotel CMBS loans were 30 or more days delinquent as of July, compared to \$1.15 billion as of December 2019. The highest volume of delinquent hotel loans during the Great Financial Crisis was \$13.5 billion. The current percentage of loans that are delinquent now exceeds the highest level during the Great Financial Crisis by 53 percent.

In the [letter](#) sent to Congress today, nearly 4,000 hotel industry leaders implored Congress to swiftly enact the HOPE Act, bipartisan legislation introduced by Representatives Van Taylor (R-Texas), Al Lawson (D-Fla.), and Andy Barr (R-Ky.), intended to provide assistance to small businesses that operate in the ailing commercial real estate market.

“With record low travel demand, thousands of hotels can’t afford to pay their commercial mortgages and are facing foreclosure with the harsh reality of having to close their doors permanently. Tens of thousands of hotel employees will lose their jobs and small business industries that depend on these hotels to drive local tourism and economic activity will likely face a similar fate,” stated Chip Rogers, President and CEO of the American Hotel & Lodging Association (AHLA). “The hotel industry strongly supports The HOPE Act to give struggling small business hotels an opportunity to keep their doors open and avoid foreclosure. We urge the immediate passage of this legislation so America’s tourism industry can survive and recover when the public health crisis subsides.”

Rogers said the HOPE Act would address the unique challenges of commercial real estate. It would provide commercial property owners the temporary liquidity they need to keep their doors open in exchange for a preferred equity interest in the property. The legislation would not require any new funding and would utilize existing appropriations from the CARES Act Economic Stabilization Fund.

Other major hotel industry leaders expressed an urgency for Congress to step up to help struggling hotel businesses before it is too late.

“The economic fallout from the COVID-19 pandemic is decimating the travel and tourism sector – especially small businesses like hotels. That’s why we need Congress to provide hotel owners with real relief that addresses the needs of small businesses with commercial real estate assets,” said Cecil Staton, President and CEO of AAHOA. “Hoteliers are responsible for millions of jobs in communities across the nation, but unless Congress acts, there may not be businesses left for those workers to return to at the end of this pandemic. We are optimistic that the HOPE Act will help hoteliers to address the debt crisis facing the lodging industry, and save good American jobs and small businesses.”

“Our hotel industry has been devastated by the effects of COVID-19. The financial assistance through the HOPE Preferred Equity lending facility would provide relief and could help stimulate the economic situation in communities throughout the United States,” said Lynette Montoya, President and CEO of the Latino Hotel Association (LHA).

“The HOPE Act is essential in helping provide hotel owners with liquidity when we need it most and will serve to help keep businesses open, thus saving local jobs,” said Andy Ingraham, *President and CEO* of the National Association of Black Hotel Owners, Operators, and Developers (NABHOOD).

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