

New Woes for CDOs: The Effect of the Subprime Crisis on Real Estate CDOs and the Opportunity It Presents

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Real estate assets underlying collateralized debt obligations (CDOs) have been hit particularly hard by the credit crisis. CDO new issuance activity has dropped dramatically and liquidation, restructuring and litigation scenarios have become increasingly commonplace. This article describes common issues that troubled CDOs are facing and offers an overview of some of the legal issues and provisions in indentures that are being discussed in the CDO marketplace. The article also points out that distressed assets sales being undertaken by liquidating CDOs may offer opportunities for savvy investors.

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