



## *Commercial Real Estate Direct* Quotes Tim Little and Scott Vetri on Using Equity Kickers Amid Increasing Market Challenges

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In an article that highlights the use of equity kickers to address borrowers' refinancing challenges, *Commercial Real Estate Direct* (CRE Direct) spoke with National Real Estate Department Chair Timothy Little and New York Real Estate Practice Chair Scott Vetri about the strategy's re-emergence in the commercial mortgage sector.

Equity kickers, last used in the early 1990's and often called "kicking the can down the road," are "where a lender participates in the proceeds of the sale of a property backing a distressed mortgage," as noted by *CRE Direct*. Due to increasing interest rates as well as a less liquid sales and lending market, lenders are now considering equity kickers to give borrowers more time in exchange for a share of any sale or refinancing proceeds.

"Lenders all want a paydown. They want to make a loan-to-value adjustment," Scott explained, adding that owners may prefer turning the property over in a deed-in-lieu of foreclosure instead of putting additional funds into the property. Taking title to a property is "the last thing a lender wants," he said.

According to Scott, an equity kicker is effective when a property value exceeds the current loan amount and there is positive cash flow available to cover the debt service.

However, Tim emphasized that equity kickers are not a one-size-fits-all solution. "These tend to be very process-oriented," he said. He and Scott went on to explain that loans against class-B and -C office buildings in urban markets, for example, might not be good candidates since their potential is "highly speculative."

["Equity Kickers, Often Used During the Early 1990s, Emerge as Market Challenges Increase."](#) \**Commercial Real Estate Direct*, May 23, 2023.

*\*Subscription may be required for article access.*

Also see: [GlobeSt Quotes Tim Little and Scott Vetri on Using Equity Kickers With Reluctant Lenders](#)

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