

# REAL ESTATE



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**Q |** My company has a real estate-secured loan with a LIBOR-based interest rate that matures in five years, but I understand that LIBOR may be phased out in 2021. What will happen to the interest rate?

**A |** Many real estate-secured loans and business lines will encounter this issue. Most loans with LIBOR-based interest rates originated over the last few years provide for an alternative interest rate index, or a process for determining an alternative index, if LIBOR becomes unavailable during the loan term. These provisions typically appear immediately after the interest rate provisions in the loan agreement or promissory note and designate an alternative index and, potentially, an alternative interest rate margin to accompany the new index. Pay careful attention to the interest rate provisions in the loan documents, however, as they may provide your company limited approval rights over the alternative index utilized if LIBOR is phased out.