Alternative Reference Rates Committee
Loan Remediation Survey Results

Overview

The Alternative Reference Rates Committee (ARRC) publicly released a Loan Remediation Survey requesting information from both business loan lenders and borrowers regarding steps already underway and plans going forward to remediate USD LIBOR loans prior to panel-based LIBOR’s cessation on June 30, 2023. Please see the summary of survey results below:

- Over 70 survey submissions were received, with lenders comprising about 70 percent of responses and borrowers comprising about 30 percent. Of the lender submissions, about 85 percent were from bank lenders and 15 percent were from nonbank lenders (Figure 1).

- While almost 90 percent of respondents indicated they have documented remediation plans in place, about ten percent indicated that they still had not created such a plan (Figure 2). Of those without a documented plan, three-fourths were borrowers.

- Respondents highlighted having moved to plans for active transitioning of their LIBOR loans to SOFR, whereas in 2020 and 2021 their focus had been more on incorporating better fallback language. However, over half of lenders responding to the survey expected that the majority of their LIBOR loans would only have transitioned away from LIBOR by the end of Q2 2023 or later. Some of those planning to transition noted a preference for opportunistically utilizing routine annual and lifecycle refinancing transactions to actively transition to away from LIBOR.

- While the majority of business loan borrowers indicated they have been contacted by their lenders about transitioning some or all of their LIBOR loans (Figure 5A), the majority of syndicated lenders indicated either that they had not been contacted by an agent or had received no or at most only a few amendments; only 30 percent of syndicated lenders indicated that they had received a significant number of amendments from an agent (Figure 4A).
Details on Lender Responses

- Almost 95 percent of agents/bilateral lenders indicated they had identified all of their LIBOR loan exposures, with three quarters also noting that they have both begun to actively transition LIBOR loans to an alternative rate and have contacted their borrowers to share their remediation plans (Figure 3A). Lenders reporting that they had prioritized loans for remediation mentioned taking the maturity and type of fallback into account, among other factors (Figure 3A.1). Lenders that had contacted borrowers indicated that borrowers in most cases preferred to transition directly to SOFR (some by using early opt-in) and fewer preferred to instead amend fallback language (Figure 3B). Half of lenders also preferred to directly refinance to an alternative rate, although some preferred to focus on remediating fallback language (Figure 3E). Most lenders indicated that they were relying on loan teams to work with borrowers to remediate loans, but some indicated that they were using centralized groups for this (Figure 3F).

- Despite noting active transition efforts, only about 14 percent expect their transition to be largely completed by the end of this year. Over half of lenders expect that the majority of their loans would be transitioned only by the end of the second quarter of 2023 or later, with almost 15 percent expecting to transition the majority of their loans after LIBOR has ended (Figure 3C).

- Of those loans expected to remain on LIBOR until June 30, 2023, most lenders indicated that all or nearly all such loans had hardwired fallbacks, although 12 percent of respondents indicated that most of such loans they held were expected to use amendment language (Figure 3D).

- Amongst syndicate lenders, less than half indicated that they had been contacted by a lending agent or contacted an agent themselves. More indicated that they had not received any or only a few amendments from the agent than those indicating they had received a significant number of amendments – only 30 percent of syndicated lenders indicated that they had received a significant number of amendments from an agent (Figure 4A). For those that did receive numerous amendments, however, almost 90 percent indicated that the agent proposed moving to new rates as opposed to updating the loan to include hardwired replacement provisions (Figure 4B).
Borrowers

- 90 percent of business loan borrowers indicated they have been contacted by their lenders about the LIBOR transition with respect to at least some of their outstanding loans, with over 50 percent noting that they have been contacted regarding all of their outstanding loans. However, 10 percent of borrowers indicated that they had not been contacted, and in comments some respondents noted that they had contacted their lender, rather than waiting to be contacted or will be starting lender outreach since they have not yet heard from their lenders (Figure 5A).

- Most borrowers plan to transition their LIBOR loans early, with only about 15 percent of respondents reporting plans to fallback at LIBOR cessation through existing contract terms or updated replacement provisions (Figure 5B).

- In particular, roughly 2/3 of borrowers said that they intend to move their loans to a new rate before LIBOR ends, indicating in roughly equal terms that they planned to refinance their LIBOR loans directly to an alternative rate prior to cessation and/or planned to transition early using existing fallback language (i.e. “early opt-in”), and a further 20 percent indicated that they planned to move a portion of their loans from LIBOR ahead of June 30, 2023. A few borrowers indicated in comments that they have already completed their transition of LIBOR loans.
Question 1: Describe your institution:

Figure 1: Respondent Institution Type (Adjusted*)

- Bank lender: 45%
- Non-bank lender: 8%
- Borrower: 20%

Source: ARRC Loan Remediation Survey
* "Other" reclassified as lender or borrower

Question 2: Does your institution have a documented LIBOR remediation plan?

Figure 2: Loan Remediation Plan?

- Has documented remediation plan: 89%
- No documented remediation plan: 11%

Source: ARRC Loan Remediation Survey
Question 3A: If you are an agent/bilateral lender, have you (check all that apply):

- Identified all your LIBOR loan exposures: 94%
- Prioritized your LIBOR exposures in order of importance for remediation: 75%
- Contacted borrowers to share your remediation plan: 75%
- Begun to actively transition existing LIBOR loans to a replacement rate: 75%
- Begun to remediate contracts by adding hardwired fallback language: 64%

Question 3B: What has been the response of the borrowers you have contacted?

- Early opt-in: 7%
- Directly refinance to replacement rate prior to cessation: 46%
- Receptive to amending fallbacks: 13%
- Rely on existing fallbacks at cessation: 4%
- Other: 30%

Source: ARRC Loan Remediation Survey
Question 3A.1 (detail): If you are an agent/bilateral lender, have you prioritized your LIBOR exposures in order of importance for remediation?

Figure 3A.1: Lenders reporting that they had prioritized loans for remediation mentioned varying approaches to the prioritization, with each noting a differing tiering of factors including:

- Loan maturity
- Type and quality of fallback
- Dollar volume exposure
- Corresponding hedges to consider
- Syndicated vs. bilateral
Agents/Bilateral Lenders

**Question 3C:** When do you expect to have the majority of your loans transitioned to a replacement rate?

**Question 3D:** Of those loans expected to fall back after LIBOR cessation, how would you characterize the proportion you expect to rely on “amendment approach” fallback language rather than hardwired fallback language?

**Figure 3C:** Expected Timeframe for Majority of Loans to be Transitioned

- By end of 3Q 2022: 2%
- By end of 4Q 2022: 14%
- By end of 1Q 2023: 27%
- By end of 2Q 2023: 43%
- Most fall back after 6/30/23 cessation: 14%

**Figure 3D:** How Many Loans Expected to Rely on “Amendment” Fallback Approaches?

- None or very few: 45%
- Less than a quarter: 35%
- Less than half: 8%
- Most: 12%

*Source: ARRC Loan Remediation Survey*
**Question 3E**: How do you expect to remediate “tough legacy” contracts – e.g. transactions with no sufficient fallback language – that mature after June 2023?

**Question 3F**: Are you managing remediation of the “tough legacy” through a centralized group or through each relationship team?

**Figure 3E**: How do You Expect to Remediate "Tough" Legacy Contracts?

- Prefer to refinance directly to replacement rate prior to cessation: 51%
- Prefer to update fallbacks to convert at cessation: 31%
- Likely take no action: 0%
- Other: 18%

**Figure 3F**: Through which Channel are You Managing Remediation of "Tough" Legacy Contracts?

- Centralized Group: 33%
- Each Relationship Team: 55%
- N/A: 12%

Source: ARRC Loan Remediation Survey
**Question 4A:** If you are a bank or non-bank lender in a syndicate, have you *(check all that apply)*:

- Identified all your LIBOR loan exposures
- Received no or only a few amendments addressing LIBOR
- Received a significant number of amendments addressing LIBOR
- Been contacted by agent banks on LIBOR transition plans
- Proactively contacted your agent bank
- Other

**Figure 4A:** Percentage that Indicated Yes to the Following:

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identified all your LIBOR loan exposures</td>
<td>85%</td>
</tr>
<tr>
<td>Received no or only a few amendments addressing LIBOR</td>
<td>40%</td>
</tr>
<tr>
<td>Received a significant number of amendments addressing LIBOR</td>
<td>30%</td>
</tr>
<tr>
<td>Been contacted by agent banks on LIBOR transition plans</td>
<td>43%</td>
</tr>
<tr>
<td>Proactively contacted your agent bank</td>
<td>45%</td>
</tr>
<tr>
<td>Other</td>
<td>9%</td>
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**Question 4B:** If you have received a significant number of amendments *(from Q4A)*, indicate whether amendments have been primarily moving to a new rate or updating to hardwired replacement provisions:

- Primarily moving to a new rate
- Primarily updating hardwired replacement provisions

**Figure 4B:** Of Respondents who Indicated Receiving Numerous Amendments (in Figure 4A), the Amendment Type:

- Primarily moving to a new rate: 88%
- Primarily updating hardwired replacement provisions: 13%

*Source: ARRC Loan Remediation Survey*
Question 5A: Have you been contacted by your lender about LIBOR transition/early refinancing to a replacement rate/using fallback language?

Figure 5A: Contacted by Your Lender Regarding LIBOR Transition?

Question 5B: Do you (check all that apply):

Figure 5B: Percentage that Indicated Yes to the Following:

Source: ARRC Loan Remediation Survey