Hotel Refinancing Challenges in 2026

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Are you the owner of a flagged hotel with a commercial mortgage-backed securities (CMBS) loan maturing this year? If so, you are not alone. According to a recent *CRE Rundown* released by Trepp, there are 596 hotel-backed CMBS loans maturing in 2026 with a combined balance of $18.7 billion. The hotel cohort includes floating-rate loans, with many containing an option to extend the loan term, and fixed-rate loans with coupons of less than 6% and no option to extend.

If you have a fixed-rate loan with a coupon of less than 6% and no options to extend, you may face refinancing challenges in the current market of higher prevailing interest rates. This post attempts to briefly highlight some important considerations for a hotel borrower facing a refinance this year, including tips for how to best prepare for the challenges ahead.

Three Considerations When Refinancing Hotel CMBS Loans

1. Current Coupon Rates and Debt Yields

Refinancing hinges on the interaction between current coupon levels and debt yields. If your CMBS loan originated in 2016 or 2021, you may have an interest rate of 4-6% and a debt yield of 10-12.99%. A new loan in 2026 may come with a higher interest rate of 6-7%. Can your property's projected performance support a higher rate? According to Trepp and the CBRE Group, hotel revenue is generally declining (CBRE predicts a 0.1% decrease from its previous forecast of 1.8%). If your property cannot support a higher interest rate, then you may need to prepare to bring more equity to the closing table than anticipated or find an alternative solution, such as taking the hotel to market for sale.

2. Review Your Franchise Agreement

Review your franchise agreement to ensure you have a good understanding of its terms and confirm you are in compliance

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therewith. Below is a list of practical questions to ask as you perform your review:

- When does the franchise agreement expire? Are there any extension or renewal options? If so, can you exercise them now? If not, can you start renewal/extension discussions with your franchisor?
- Can the franchisor unilaterally terminate the franchise agreement? If so, would that option fall during a new loan's term?
- Are you in default under the franchise agreement? If so, can you remedy that default before you approach potential lenders?
- Does your current ownership structure match what is set forth in the franchise agreement? If not, an amendment to the franchise agreement will likely be necessary.
- Is there a current property improvement plan (PIP)? Are there any upcoming PIPs in the near term? If so, be prepared to reserve funds to complete that PIP (or future PIP) with your new lender.
- What are your financial obligations with respect to furniture, fixtures and equipment (FF&E)? Be prepared to reserve funds for those items with your new lender, at least in the amount required by the franchise agreement.
- Have you accepted any key money debt? What is the outstanding balance, and how is it repaid? Generally, lenders can get comfortable with key money debt, but they will want to know the details and may require some structure for it (e.g., loss recourse), and it may need to be addressed in the lender's comfort letter.
- Does your hotel experience significant seasonality, perhaps performing better in the summer than in the winter, or in relation to a recurring local event? If so, anticipate a seasonality reserve to be required by your new lender to provide comfort that the loan will continue to perform in the down periods.

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3. Be Prepared for Hotel-Specific Non-Recourse Carveouts

Given the importance of franchise agreements to the value and performance of hotels, there are several non-recourse carveout provisions common to hotel deals that are often tied to the franchise agreement or obligations thereunder. Although the list below is not exhaustive and additional structure may be required based on the specifics of your deal, at a minimum you should be prepared for these (or similar) recourse concepts.

- Comfort letters sometimes impose fees to re-issue a replacement comfort letter to a new lender entity following securitization of the loan, and franchise agreements will occasionally attempt to impose costs or fees on a transferee of the franchise agreement, which would include a lender following a foreclosure. Lenders typically try to eliminate these fees during their negotiation of the comfort letter with the franchisor, but they are not always successful. As a result, most lenders include a non-recourse carveout for any losses suffered by the lender as a result of the requirement to pay such fees.
- Most lenders will require a non-recourse carveout for any losses incurred by the lender as a result of the borrower's failure to complete any PIP work in accordance with the applicable PIP deadlines. As stated above, lenders will often require you to reserve funds to complete an ongoing or upcoming PIP, so there will likely be cash on hand for the work, but it will be very important that you comply with any PIP deadlines.
- Given the importance of the franchise agreement to the value of the collateral, most lenders will include a non-recourse carveout for any losses suffered by the lender as a result of the amendment, modification, or termination of the franchise agreement made without the lender's prior written consent. Be mindful of this and err on the side of caution when it comes to any actions related to the franchise agreement. Unauthorized amendments of franchise agreements are one

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of the more common recourse issues that arise in hotel transactions.

- Finally, in addition to the above losses carveout related to amendment, modification or termination, most lenders will require that a broader full-recourse carveout be triggered at any time the property is not operated pursuant to a franchise agreement, *for any reason*. However, it may be possible to negotiate that the full-recourse concept will not apply if the borrower subsequently enters into an acceptable replacement franchise agreement.

Bottom Line

Refinancing a hotel property in 2026 may present some challenges. But identifying the issues applicable to your specific property early — and knowing how a lender may view them and structure around them — can help to avoid unpleasant surprises and smooth the way to a successful closing. If you own or operate a hotel facing an upcoming CMBS maturity and would like to discuss your refinancing options and strategy, please contact the authors or any member of FBT Gibbons' Commercial Real Estate Finance team.

The Carveout

A legal blog geared toward sophisticated capital market participants, The Carveout provides insight into current trends and developments in commercial real estate finance (CREF) — with a particular focus on non-recourse carveouts and CREF loan platforms including CMBS, debt funds, private capital, REITs, life insurance companies, and other complex sources of capital.

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