

# Loan default interpretation and response flowchart

## 1 Identify the potential default

**Has an event occurred (or will occur upon notice, lapse of time, or both) that constitutes a default under the loan documents?**

**If YES:** Document the following and proceed to Step 2:

- What is the specific event?
- How did the lender become aware of it?
- Can the lender document its occurrence with evidence?

**If NO:** No further action required at this time. Continue monitoring.

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## 2 Determine grace period applicability

**Is there a grace period applicable to this event under the loan documents?**

**If YES:** Note the duration and calculate the expiration date. Monitor until expiration, then proceed to Step 3.

**If NO:** Proceed immediately to Step 3.

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## 3 Assess notice requirements to borrower

**Is the lender required by the loan documents to give notice (written or otherwise) to the borrower of this event?**

**If YES:** Prepare the required notice and proceed to Step 4.

**If NO:** Proceed to Step 4.

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## 4 Assess notice requirements to third parties

**Is the lender required to give notice (written or otherwise) to any other party?**

Consider whether notice is required to:

- Borrower's counsel
- Guarantor
- Other obligors
- Subordinate lender
- Permanent lender
- Co-lender
- Major tenant

**If YES:** Identify all required recipients and prepare notices. Proceed to Step 5.

**If NO:** Proceed to Step 5.

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## 5 Confirm delivery method

**By what method must the applicable notices be given or delivered?**

Review the loan documents for required delivery methods (e.g., personal delivery, registered post, email, courier) for each recipient. Ensure compliance with all specified methods.

Proceed to Step 6.

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## 6 Determine notice effectiveness

**When does each notice become effective?**

Calculate the effective date for each notice based on the delivery method and any timing provisions in the loan documents. Record these dates and proceed to Step 7.

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## 7 Assess borrower's cure rights

**Does the borrower have a right to cure the applicable default?**

**If YES:** Identify the cure period duration and calculate the expiration date. Proceed to Step 8.

**If NO:** Proceed to Step 8.

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## 8 Assess third-party cure rights

**Does any third party have a right to cure the applicable default?**

Consider whether cure rights exist for:

- Guarantor
- Other obligors
- Subordinate lender
- Permanent lender

**If YES:** Identify the cure period duration for each party and calculate expiration dates. Proceed to Step 9.

**If NO:** Proceed to Step 9.

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## 9 Determine post-cure period notice requirements

**Is any additional notice required after the lapse of any applicable cure period?**

**If YES:** Prepare and deliver additional notice in accordance with Steps 5 and 6. Proceed to Step 10.

**If NO:** Proceed to Step 10.

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## 10 Review additional conditions precedent

**Are there any other prerequisites or conditions precedent under the loan documents (or any related third-party agreements) that would suspend the effect of the default and the expiration of all grace, notice, and cure periods?**

**If YES:** Identify all outstanding conditions and take steps to satisfy them before proceeding with remedies.

**If NO:** The default is now fully matured. The lender may proceed with available remedies under the loan documents.