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Lenders push for higher Libor floors in the face of interest rate cuts

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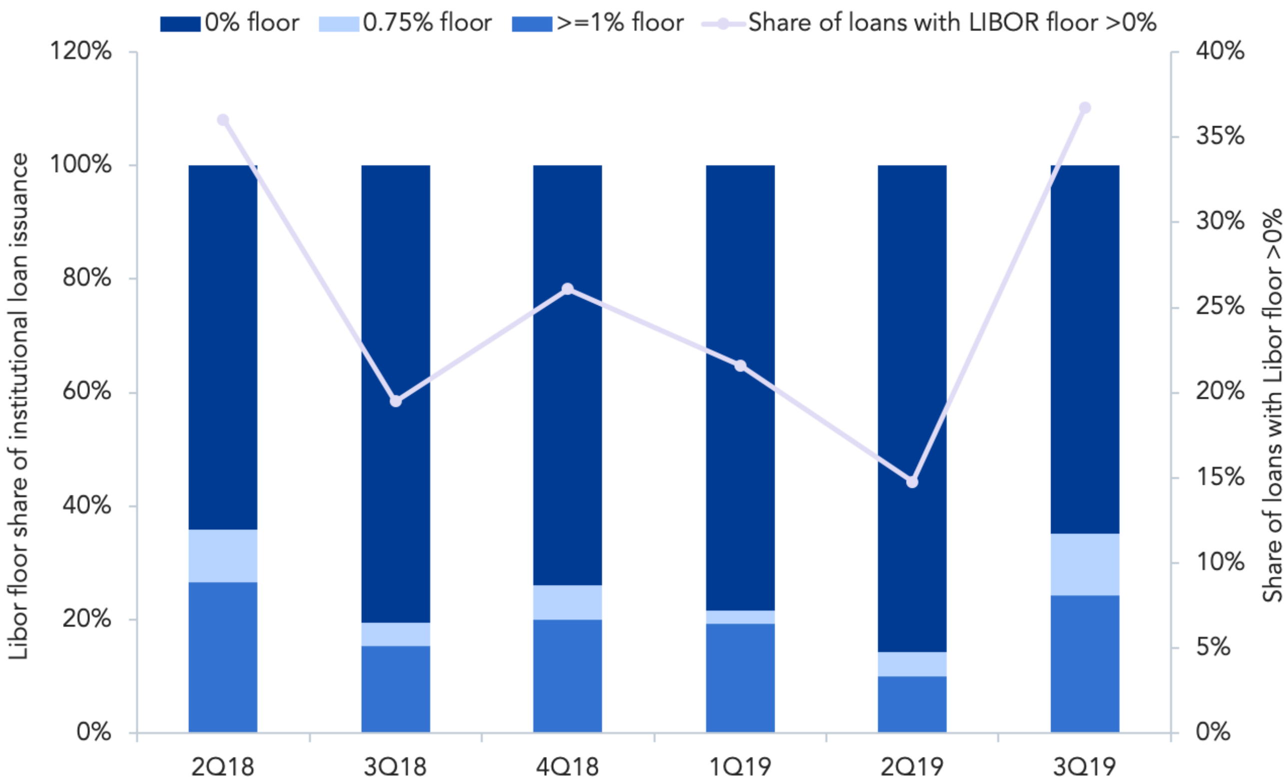

Source: Debtwire Par

Recent interest rate cuts by the Federal Reserve has prompted lenders to request higher Libor floors on leveraged loans. Earlier this month, the Federal Reserve cut interest rates by 25bps for the second time in 2019, and 3-month Libor now stands at 2.09%, down from 2.81% at the start of the year.

In turn, lenders say they have been asking for higher Libor floors. “We started asking for them again back in early August and it’s getting some good momentum”, said a buysider. They further noted that borrower acceptance of this request depends on the number of lenders asking for it, but they say it’s getting traction.

The numbers have started to bear this out. While the majority of credits still have a 0% Libor floor, the share loans with a floor of 1% and 0.75% have climbed to 24% and 11% in 3Q19, from 10% and 4%, respectively in

2Q19.

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