MEDIA MENTIONS

Benesch Partner Michael Barrie Quoted in Law360 Article on Impact of Federal Reserve Rate Cuts on Distressed Companies

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Michael Barrie, Chair of Benesch's Insolvency & Creditors' Rights Practice Group, was recently quoted in a Law360 article discussing the effects of the Federal Reserve's interest rate cuts on companies facing bankruptcy.

The article, titled "Rate Cuts Offer Balm For Companies Teetering On Bankruptcy," explores the potential relief that the Fed's decision to slash its benchmark interest rate by half a percentage point on Sept. 18, 2024, may provide for distressed businesses. As borrowing costs decrease, companies struggling with high-rate debt may find themselves in a more favorable position for refinancing, offering them a potential lifeline to avoid insolvency.

Barrie shared insights on how the rate cuts could affect the environment for distressed-asset and going-concern sales, stating, "There's going to be a more active buying environment because it's cheaper to finance it." He further emphasized that this drop in rates could lead to better opportunities for companies navigating Chapter 11 bankruptcy to emerge stronger. "It makes an exit out of bankruptcy a little more affordable. Buyers of bankrupt going-concerns can get a better deal on the financing for that acquisition," Barrie explained.

The article also notes that while bankruptcy filings are at a peak due to the pressures of high interest rates, the Fed's actions may help slow the pace of new filings, providing distressed companies with an opportunity to refinance or sell off assets under more favorable conditions.

Read the full article on Law360.