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Trump indictment poses risk for real estate empire Legal troubles complicate ex-president's business dealings



Donald Trump is now known more for his political career than his real estate firm, but the former president's indictment on criminal charges could prove troublesome for his business, too.

An indictment, not to mention a conviction, could throw a wrench into the Trump Organization's dealings.

The biggest risk facing the developer could be to his properties' bank financing. An indictment could put Trump in violation of a loan, allowing the lender to force him to pay up or refinance the note. If Trump can't, he could default and ultimately face foreclosure.

"Depending upon the structure of the loan, the loan documents may contain certain covenants and provisions that pertain to felonies and federal crimes," Romer Debbas' Pierre Debbas said. "Say, for instance, he's a guarantor on these loans. ... There could very well be provisions stating that if he takes part in any federal crime activity, [the lender] can call the loan."

But there are a lot of unknowns, Debbas said. Trump may not be the majority owner of a property or the guarantor on a loan, and it's possible that his legal team was able to excise any sort of provision pertaining to criminal indictments or convictions out of his loan documents.

"The banks doing business with [Trump] know who they're getting in bed with," Debbas said.

And Trump's people also knew the risks such covenants posed. "There's a good chance they negotiated [them] out of there," Debbas said.

An indictment or conviction could also pose problems for government contracts, licensing agreements or LLC partnerships. Government agencies, licensees or business partners may be able to exercise a negotiated clause that allows them to terminate contracts for cause. If Trump is a managing member of a partnership, he could be asked to step down.

New York City in 2021 tried to cancel Trump's contract to run Ferry Point Park golf course after the January 6 attack on the Capitol, but was denied by a judge. For the same reason, the de Blasio administration had previously closed the city-owned ice rink operated by Trump, but reversed the move when skaters complained.

A convicted felon can buy real estate in New York, but might have to pay with cash given the difficulty of obtaining bank financing. A conviction would make it hard for any real estate developer, let alone Trump, to continue doing business as usual.

"Legally speaking, nothing precludes him from doing business, but who's going to do business with him at that point?" Debbas said. "I don't know how he walks into a bank in New York City and says, 'I'm buying this building. Give me a \$100 million loan.'"

A felony seeking a real estate license in New York would first need either a pardon or a certificate of relief or good conduct. Trump does not need such a license to do real estate deals, but if the Trump Organization were to pursue another condo development in New York, it would be required by the attorney general to disclose a conviction.

The firm did not respond to a request for comment.

The charges against Trump will be unsealed at his arraignment, which is expected to be Tuesday in Manhattan, the New York Times reported. He is the first former U.S. president to be charged criminally. The case stems from a hush-money payment to porn star Stormy Daniels weeks before the 2016 presidential election.

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