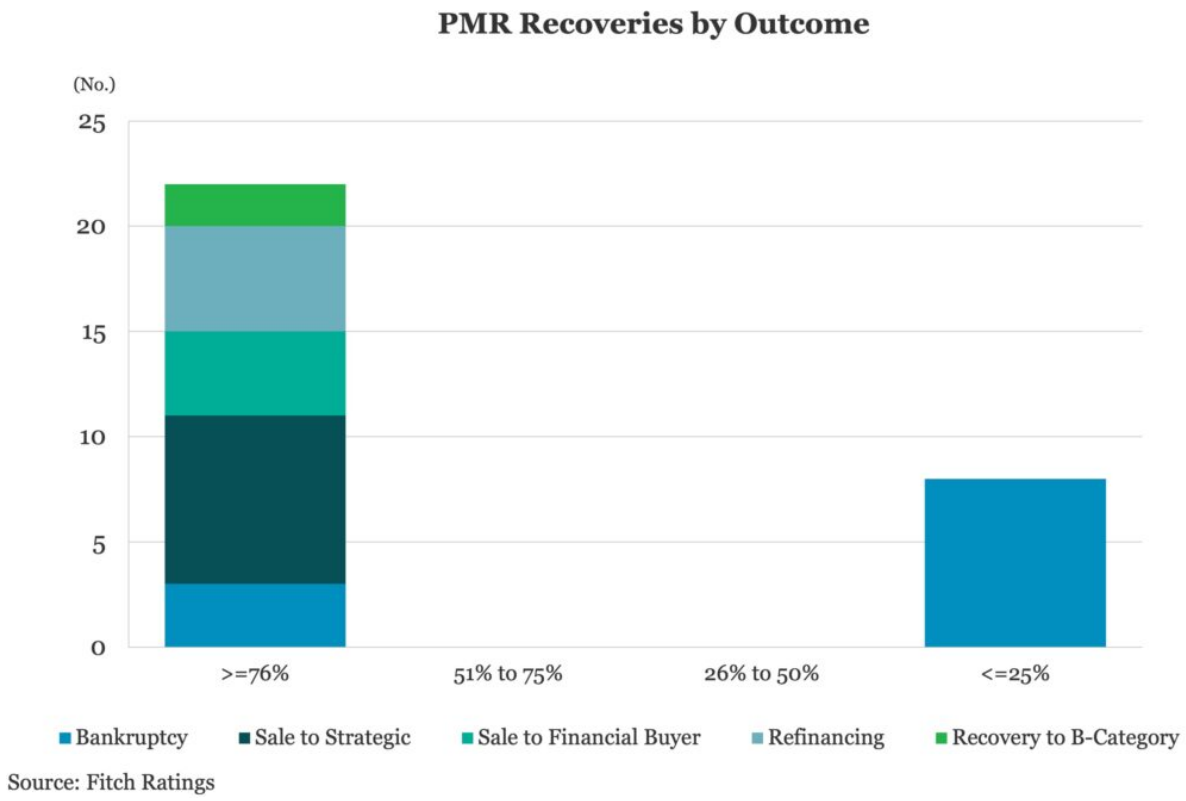
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Lender-Sponsor Dynamics Mark Default Outcomes for Private Credit

Fitch Ratings | March 19, 2025



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The lender-sponsor partnership, a hallmark of the private credit segment, may result in a structurally higher default rate compared to the broader leveraged loan universe. The collaborative lender-sponsor relationship means that lender concessions are common in private credit but can also result in more favorable long-term outcomes for lenders. However, when sponsors do walk away and hand control to the lenders, recovery outcomes tend to be poor.