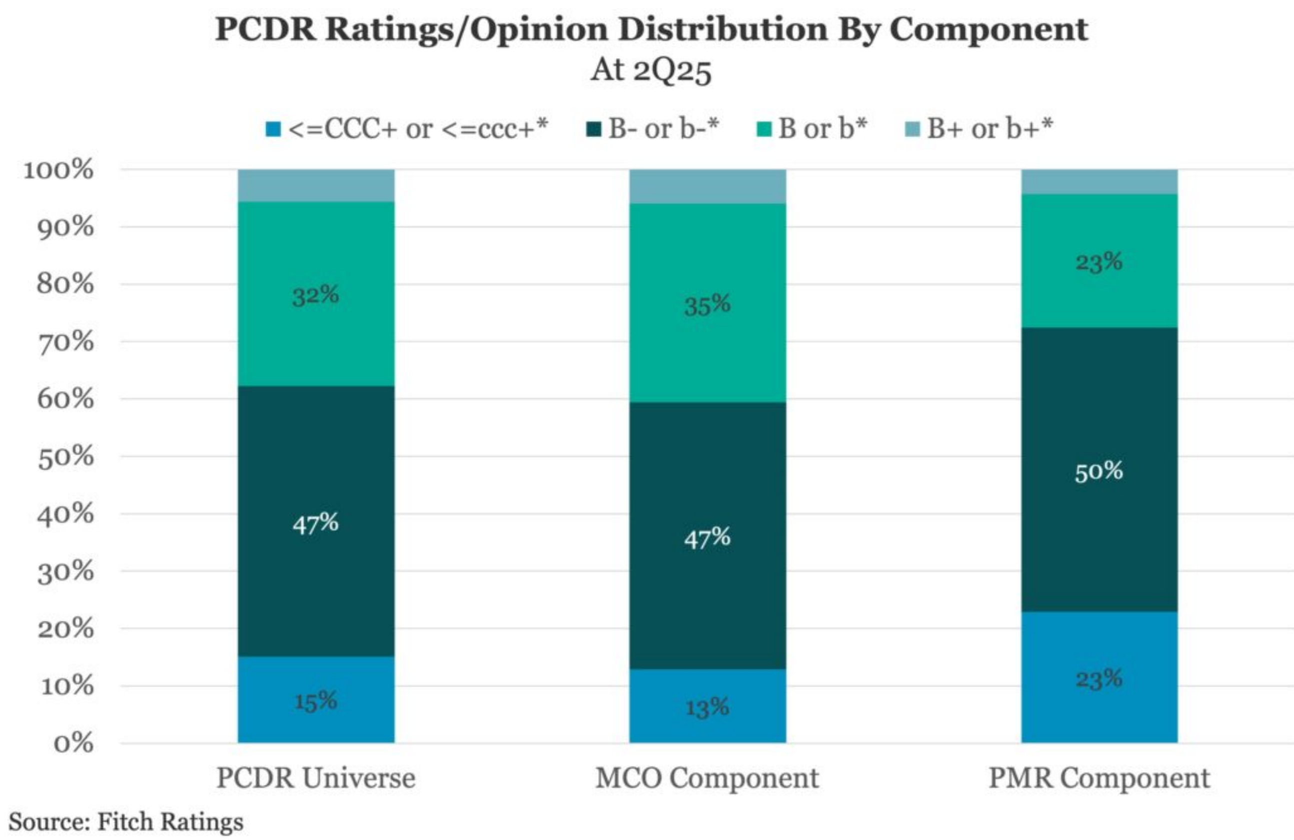
U.S. Private Credit: Sizing Up Defaults

Fitch Ratings | October 22, 2025



MCO: Opinion By EBITDA Size
At 2Q25; ($ mil.)

Source: Fitch Ratings

PMR: Rating By EBITDA Size
At 2Q25; ($ mil.)

Source: Fitch Ratings

Click here to download report.

This report examines private credit defaulters by EBITDA size, compares default rates across the two component Model-based Credit Opinion (MCO) and Privately Monitored Ratings (PMR) portfolios, and details default reasons.

The MCO portfolio consistently demonstrates lower default rates than the PMR component in almost every EBITDA category. This outperformance reflects higher rating quality, the absence of serial defaulters due to CLO managers' substitution rights, and structural factors. The default rate gap is widest in the $0 to $25 million EBITDA segment, where the MCO portfolio's 6.1% default rate significantly outperforms the PMR's 17.2% rate.

The MCO portfolio has significantly fewer high-risk credits, with only 13% rated 'CCC+' or lower versus PMR's 23% exposure—a rating quality gap that aligns with lower default rates. This credit quality difference is most evident in smaller companies, where default rates are highest. In the $0 to $25 million EBTIDA segment, only 19% of issuers in the MCO portfolio are rated 'CCC+' or lower, compared with 36% in the PMR portfolio. While most pronounced in smallest EBITDA category, this 'CCC' rating gap between MCO and PMR portfolios appears across all EBITDA size categories.