

Unlocking the Credit Cycle: Insights into Leveraged Finance and the Rise of Private Debt

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American College of Bankruptcy Presentation: March 21, 2026

Credit Cycle Spectrum

Benign

Average

Stressed

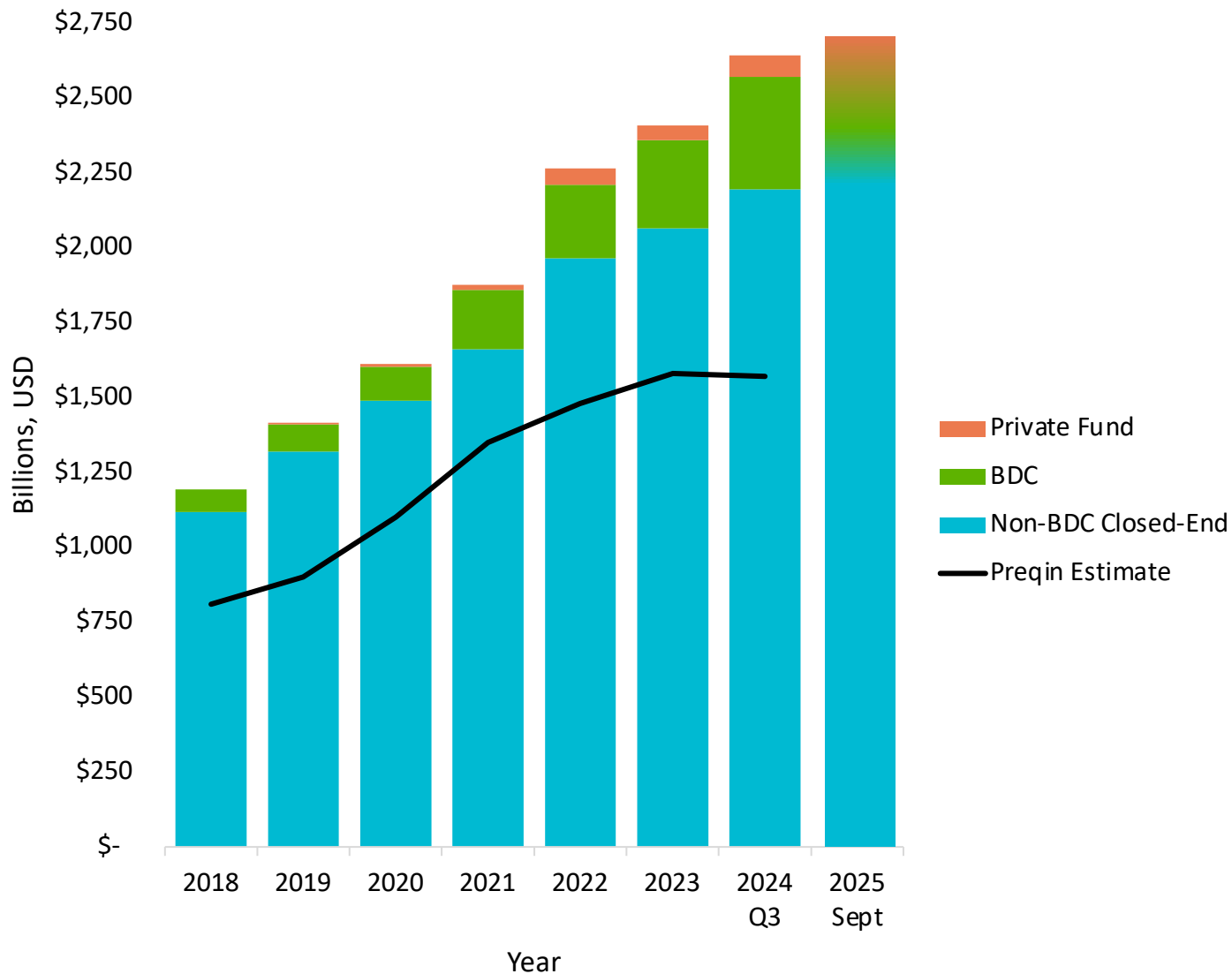
Crisis

The Leveraged Finance Market in the U.S. (As of End of 2024)

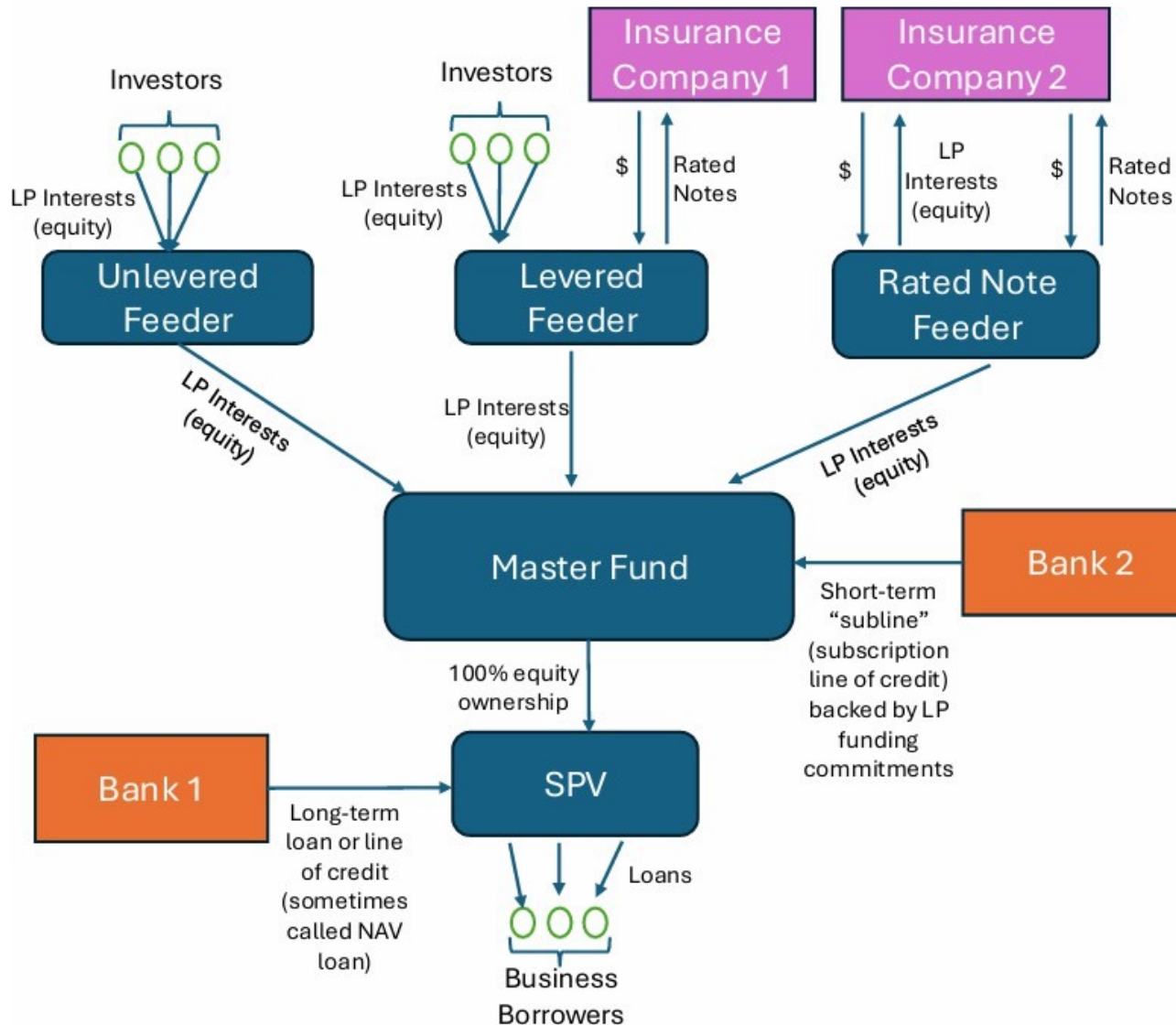
	Amount
High Yield Bonds	~ \$1.5 Trillion
Leveraged Loan Market (BSL)	~ \$1.6 Trillion
Direct Lending Non-Bank Loans	~ \$2.0 – \$2.7 Trillion
Total	~ \$5.1 – 5.8 Trillion

Sources: Estimates from E. Altman (NYU Stern) and M. Ohlrogge (2025)

Size of Private Credit Market (US Only)



Private Credit Fund Structure



Pay-In-Kind (PIK) Option Usage and Exercised in 2024/2025 in Private Credit Market (BDC Sample)

Percent of Loans with PIK Option	
2024	2025
12.7% (1)	13.5% (1)

Percent of Loans Where Option Has Been Exercised (Estimate)	
2024	2025
55% (2)	54% (2)

Pseudo Default Rate	
2024	2025
$12.7\% \times 0.546$ =6.93%	$13.5\% \times 0.54$ =7.29%

Bank Syndication Loan (BSL) Defaults 2015 – 2025

(Dollar Amounts and Percent of Totals by Default Type)

Year	BSL Defaults (\$ Billion)	Bankruptcy (Ch. 7,11,15)	Missed Interest or Maturity Pay	Distressed Debt Exchanges
2015	16.4	88%	7%	5%
2016	17.5	76%	18%	6%
2017	25.9	76%	6%	18%
2018	22.2	62%	22%	16%
2019	24.2	41%	27%	32%
2020	64.7	55%	23%	22%
2021	9.7	40%	20%	40%
2022	26.6	55%	1%	44%
2023	51.9	50%	13%	37%
2024	82.3	19%	8%	73%
2025	63.6	24%	10%	67%

The Total BSL Defaults in 2024 exceeded any year since 2015 by more than \$ 17 Billion. And, note that the % of Distressed Exchanges in 2024 (73%) was far higher than any year in history!

* Includes other types of distressed Restructurings

The Fate of High-Yield Bond Distressed Exchanges*

Time Post DDE	% of DDE Bankrupt	% of DDE Missed Interest	% of DDE 2nd DDE	Sum of Events	Cumulative
1-12 Months	10.5%	2.9%	14.6%	28.1%	28.1%
13-24 Months	6.4%	1.8%	5.3%	13.5%	41.5%
25-36 Months	2.3%	1.8%	2.9%	7.0%	48.5%
37-48 Months	0.6%	1.2%	1.2%	2.9%	51.5%
49-60 Months	0.6%	0.6%	0.6%	1.8%	53.2%
Total	20.9%	8.2%	24.5%	53.2%	

The Fate of Bank Syndicated Loan Distressed Exchanges**

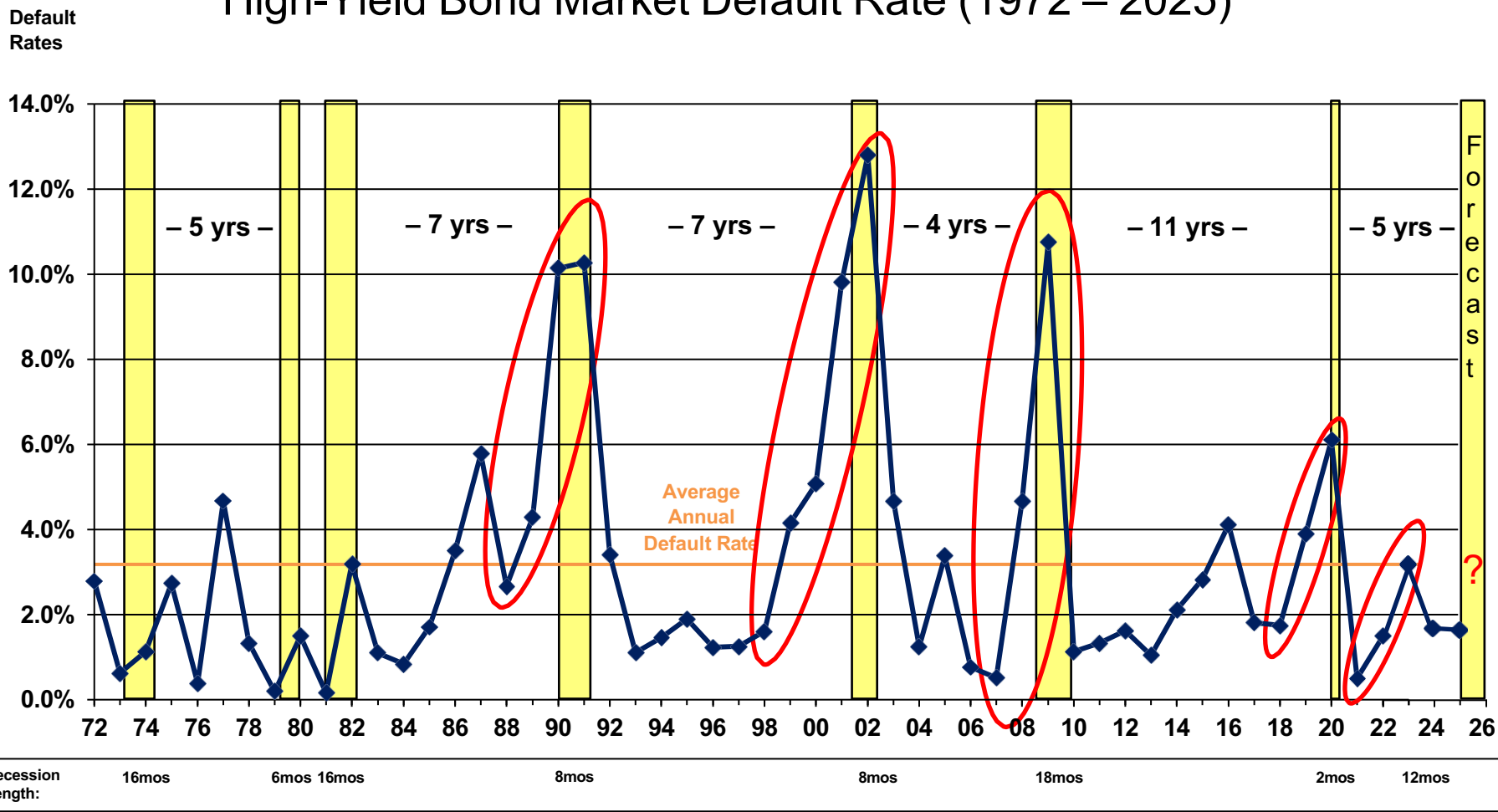
Time Post DDE	% of DDE Bankrupt	% of DDE Missed Interest	% of DDE 2nd DDE	Sum of Events	Cumulative
1-12 Months	7.1%	1.8%	4.4%	13.3%	13.3%
13-24 Months	3.5%	2.7%	6.2%	12.4%	25.7%
25-36 Months	3.5%	2.7%	1.8%	8.0%	33.6%
37-48 Months	2.7%	0.9%	1.8%	5.3%	38.9%
49-60 Months	1.8%	0.0%	0.9%	2.7%	41.6%
Total	18.6%	8.0%	15.0%	41.6%	

*Based on 204 HY Distressed Exchanges, 2009 – 2024, and 171 from 2009-2022.

**Based on 194 BSL Distressed Exchanges, 2009-2024, and 113 from 2009-2022.

Historical Default Rates, Benign Credit Cycles and Recession Periods in the U.S.

High-Yield Bond Market Default Rate (1972 – 2025)



Note: The highlighted areas show Periods of Recession. Periods of Recession are as follows: 11/73 – 3/75, 1/80 – 7/80, 7/81 – 11/82, 7/90 – 3/91, 4/01 – 12/01, 12/07 – 6/09, 2/20 – 4/20, 1/23 – 12/23. 1/23 - 12/23 is a forecast rather than actual. Benign credit cycles are approximated. All rates are annual.

Source: E. Altman (NYU Salomon Center); National Bureau of Economic Research