Fund Finance Insights: Are 3-Year Credit Facilities the New Norm?

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PRACTICES Fund Finance

Executive Summary

In recent quarters, there’s been a notable shift in the tenors of subscription line credit facilities (**Subscription Facilities)**. Emerging data from Q4 2024 and Q1 2025 suggests that the three-year Subscription Facility—long considered a rarity—is making a modest comeback. Could three-year Subscription Facilities become the new normal? It is a trend we will be monitoring in the context of longer tenors generally.

At a glance:

- Average deal tenor rose from 17.84 months in Q4 2024 to 19.04 months in Q1 2025.
- Three-year tenors represented 3 percent of deals in Q4 2024, climbing to 10 percent in Q1 2025.

These statistics reflect a reversal of the declining trend in Subscription Facility tenor observed between H1 2022 and H1 2024. During that period, average tenors were on a downward trajectory, driven by increased market caution and interest rate volatility.

Fund Finance Insights - Tenors

Preliminary insights from upcoming transactions indicate that this uptick in tenor length may be more than a quarterly blip, with several factors contributing:

- An evolving and uncertain regulatory landscape, including proposals in the Basel III endgame that materially reduce favorable regulatory capital treatment for shorter 364-day facilities.
- The pricing premium between one- and three-year tenors has compressed such that funds are willing to pay the premium for the certainty of a longer tenor or to lock in favorable pricing.

- New lenders entering the space may offer longer-term Subscription Facilities with attractive terms to gain a foothold in the market.

Despite this uptick, Subscription Facilities with tenors of 24 months or fewer still dominate the market. Three-year Subscription Facilities remain the exception rather than the rule, and they often have bespoke terms and pricing structures tailored to the specific needs and leverage of the borrower.

While it’s too early to declare a sustained trend, the increase in three-year Subscription Facilities could signal a subtle recalibration in the fund finance market. Whether driven by competitive lender dynamics, fund size or evolving capital needs, the resurgence of longer Subscription Facility tenors is a development worth watching as we move further into 2025.

These insights are based on data from Subscription Facilities documented by Haynes Boone during the referenced period.

For more information on Fund Finance market trends, please reach out to any member of the Haynes Boone Fund Finance Practice Group.

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