Tan in The Wall Street Journal: New Lenders Enter Fund Finance After Regional-Banking Crisis

By Albert C. Tan | March 8, 2024

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Haynes Boone Partner Albert Tan was quoted in *The Wall Street Journal* on new lenders entering the money-starved fund finance sector.

Subscription lines have become a standard part of private-equity back-office operations, used by virtually all funds, according to a 2021 survey by the Institutional Limited Partners Association, a trade group for private-equity investors.

Their use is so ingrained in the industry that even the spike in debt costs since the Federal Reserve began raising interest rates in 2022—bringing a typical subscription line's cost from as low as 2% to 3% to, now, 7% to 8% or more—has not made a dent in the number of funds that use them, lenders say.

And as private equity has grown over the years, it has been difficult for lenders to keep up, a major reason there has consistently been more subscription-line demand than supply, said Albert Tan, co-head of the fund-finance group at law firm Haynes Boone.

Banking rules also contribute to the capital shortage, he said.

Last year's banking crisis worsened an already strained market. Subscription-line prices rose, with spreads jumping by 8.45% in the first quarter of last year, a Haynes Boone survey said. Spreads have come down only modestly since then. "We are experiencing premium pricing in the fund-finance market, of the sort we haven't seen since coming out of the last crisis" of 2007 to 2009, said Tan.

To read the full article in *The Wall Street Journal*, click here.

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