

# Owens and Zhou in *The Secured Lender* and *Law360*: From Bank Loans to Private Credit, Tips for Making the Shift

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PRACTICES Finance, Private Credit Finance

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Haynes Boone Partner [Ben Owens](#) and Associate [David Zhou](#) authored an article for *The Secured Lender* and *Law360* highlighting differences between private credit and bank led deals, creating new opportunities for borrowers and new considerations when comparing these financing options.

Read an excerpt below.

Private credit has existed for decades, but it has received increasing attention in recent years. What was once viewed as a niche product to fill gaps where traditional bank lending was not readily available has become a mainstream financing option that is directly competing with, and displacing, commercial bank loans.

According to [research from Carlyle published in October](#), borrowers have continued to move between public and private credit markets in 2025, with \$26 billion of loans flowing each way between public and private credit, as of Sept. 30.

Many articles compare syndicated loans and private credit loans as asset classes, often noting the faster execution of private credit lenders and the lower cost of capital in syndicated bank deals.

However, this type of analysis often skips over the practical challenges that can arise when refinancing a syndicated bank loan with a private credit loan.

This article will highlight several of those topics and the related considerations that borrowers in the middle market and lower middle market should keep in mind.

## **Why Consider Private Credit?**

Private credit, and more particularly direct lending as a subset thereof, is a competitive financing option for borrowers in the middle market and lower middle market.

The key benefits of direct lending are often emphasized in the context of acquisition financings — where bank lenders may need to take time to form the lending syndicate and the terms of the financing may be subject to so-called market flex provisions — but borrowers increasingly seek to refinance existing syndicated bank loans with private credit loans even outside of an active M&A transaction.

Borrowers may choose this path for several reasons. For example, companies pursuing inorganic growth strategies may benefit from private credit deals, which typically feature lower debt service than syndicated bank loans. This is often achieved through little or no principal amortization and the use of payment-in-kind interest.

Direct lenders are also more likely to offer higher financial maintenance covenant levels than banks, which are constrained by regulatory limits.

As a result, these borrowers can increase their leverage and use more of their balance sheet cash for acquisitions, expanding their ability to grow and boost earnings before interest, taxes, depreciation and amortization.

Another scenario involves borrowers with inconsistent performance. Such a borrower may have trouble accessing the desired amount of debt from commercial banks, who will often evaluate a potential deal through one of two lenses: either cash flow (evaluating the borrower's financial performance, typically based on earnings before interest, taxes, depreciation and amortization, over the past few fiscal periods), or asset-based (evaluating the amount of pledged assets, typically consisting of some combination of accounts receivables, inventory and equipment, available to secure the loan).

This borrower may turn to direct lenders who may be able to be more flexible, sometimes relying on the sponsor's track record or willing to consider atypical collateral or credit structures.

These observations generally apply to the middle and lower middle markets. However, certain niche markets operate differently.

For example, direct lenders have been very active for decades in lending to early-stage life science and technology companies, which have had trouble accessing the commercial bank market due to the lack of a financial track record (making it difficult for banks to evaluate these deals on a cash flow basis) and assets consisting primarily, at least in terms of value, of intellectual property, which is harder for banks to value and lend against on an asset-based basis.

To read the article from *The Secured Lender*, click [here](#).

To read the article from *Law360*, click [here](#).