

Simmons and Kaminsky in Thomson Reuters Practical Law: ‘What’s Market: 2023 Mid-Year Trends in Large Cap and Middle Market Loans’

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Partners [Erin Simmons](#) and [Neal Kaminsky](#) answered questions for the Experts’ View section of an article in *Thomson Reuters Practical Law* discussing the current trends in middle market lending and highlighting issues for borrowers to consider in the current credit environment.

Read an excerpt below:

What is your assessment of the current state of middle market lending and how does this impact borrowers?

In recent months, there’s been a confluence of events that have slowed the pace of middle market commercial lending transactions. Economic indicators paint a picture of uncertainty about the direction of the economy. Recent surveys suggest a significant number of credit managers still believe the US economy will face challenges through the end of 2023 and into next year.

Uncertainty about the economy has been a damper on money-center national banks’ appetite to lend for a while, but until recently we didn’t see this having the same effect on regional banks.

However, the bank takeovers in the first half of this year may have encouraged regional banks to scale back on lending activity, like their larger competitors. Adding to the pressure within the sector, the Federal Reserve, worried about bank failures, announced at the end of July proposed rules to increase capital requirements on large banks and apply capital rules to a larger pool of banks. Implementation of the rules may be some way off, but the announcement may have further limited banks’ appetites for loans. On the borrower side, a slowdown in M&A activity fueled by a disconnect between would-be buyers and sellers over business valuations has resulted in fewer leveraged buyouts. Moreover, the steep rise in interest rates since March 2022 – with the Fed benchmark rate now standing at a 22-year high – has deterred some borrowers from taking on new debt, and an increase in pricing has deterred borrowers from refinancing existing debt.

To read the full article on *Thomson Reuters Practical Law*, [click here](#).