



FTI Consulting U.S. Loan Market Survey: Lenders Are Cautiously Optimistic for 2021, But Concerns Remain

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WASHINGTON, April 13, 2021 (GLOBE NEWSWIRE) -- FTI Consulting, Inc. (NYSE: FCN) today released the findings of its [2021 U.S. Loan Market Survey](#), which provides a glimpse into bank and non-bank lenders' market perspectives against the backdrop of an aggressive COVID-19 vaccine rollout and a second major pandemic relief bill recently passed by Congress.

According to the survey, which was conducted from February 22 to March 12, less than a majority (41%) of respondents expect strong economic growth (real GDP > 4%) this year, yet 70% said that the effects of Federal Reserve policy actions and benign credit market conditions will dampen default and restructuring activity for up to one year. Despite this, only 25% of respondents expect loan default and workout activity will be sharply lower this year, with most expecting such activity to be robust or above average in 2021.

"The disruptive economic effects of COVID-19 in the U.S. are still manifest today. With a majority of respondents saying that loans in workout were primarily driven by the impact of the virus, we don't expect the post-COVID recovery to be a quick one for severely afflicted industries," said [Sanjeev Khemlani](#), a Senior Managing Director and Leader of the Senior Lender Advisory practice within the [Corporate Finance & Restructuring](#) segment at FTI Consulting. "However, Fed intervention in credit markets has revved up the flow of capital to large speculative-grade borrowers. As challenged as some sectors are, most have been able to tap the credit markets, and respondents tell us this will reduce default activity in the year ahead. Ultimately, whether these actions are sufficient to permanently avert defaults and workouts or merely defer them remains to be seen."

Key findings from the survey include:

- 52% of respondents said that loans actively managed by their workout groups were driven by COVID-19 effects, more than double the number of any other attributable cause.
- 49% of respondents believe that most Americans won't begin to return to pre-COVID lifestyles any sooner than the first quarter of 2022. Furthermore, 47% also expect that most Americans will choose to live differently than they did pre-COVID, though bank lenders were notably more likely to believe so than non-bank lenders.
- Nearly 85% of respondents believe that temporary covenant waivers provided to borrowers in 2020 due to COVID-19 will have to be extended in 2021.
- Despite expectations of fewer loan defaults in 2021, a plurality of respondents (40%) still anticipate that loans monitored by their workout groups will increase this year.
- 58% of respondents expect another "Black Swan" event within five years, with nearly one-third saying such an event will occur within three years.

"While respondents are evenly divided over whether a return to pre-COVID lifestyles will begin in the second half of 2021 or in 2022, what is clear is that individual sector recovery speeds will vary," said [Dave Katz](#), a Senior Managing Director in the Senior Lender Advisory practice at FTI Consulting. "Hospitality and lodging, retail, and real estate/REITs are the sectors most likely to continue experiencing distress, while the oil and gas sector may finally be stabilizing, with far fewer respondents anticipating distress in the sector in 2021."

Despite concerns over the speed and strength of the economic recovery in a post-pandemic environment, respondents strongly believe that leveraged credit market conditions will remain favorable for large corporate borrowers with respect to cost, terms, lending standards and access to capital in 2021, with few expecting credit conditions to become more restrictive this year. However, a solid majority of respondents believes that leveraged lending in 2021 will be dominated by refinancing and repricing activity rather than new money loans.

Extreme policy measures by the Federal Reserve may have helped restore confidence in corporate credit markets, but respondents are concerned about the longer-term impact of such policies. A plurality of respondents believe that above-target inflation is the risk most underestimated by financial markets, while a strong majority expect the Fed will hold down interest rates only through 2021. Moreover, 40% responded that policy measures implemented by the Fed in 2020 were excessive.

Survey Methodology

FTI Consulting surveyed bank and non-bank lenders across the United States between February 22 and March 12, 2021. Respondents included workout group lenders, Managing Directors, Directors, Vice Presidents, Executive Directors and Chief Credit Officers.

About FTI Consulting

FTI Consulting, Inc. is a global business advisory firm dedicated to helping organizations manage change, mitigate risk and resolve disputes: financial, legal, operational, political & regulatory, reputational and transactional. With more than 6,300 employees located in 28 countries, FTI Consulting professionals work closely with clients to anticipate, illuminate and overcome complex business challenges and make the most of opportunities. The Company generated \$2.46 billion in revenues during fiscal year 2020. For more information, visit www.fticonsulting.com and connect with us on [Twitter \(@FTIConsulting\)](#), [Facebook](#) and [LinkedIn](#).

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