



Survey Reveals Lender Concern with Fraud, Defaults and AI

February 17, 2026 at 7:30 AM EST

WASHINGTON, Feb. 17, 2026 (GLOBE NEWSWIRE) -- FTI Consulting, Inc. (NYSE: FCN) today announced the results of its [2026 Leveraged Loan Market Survey](#), which found that despite another solid year for leveraged credit, lenders remain cautious due to above average loan default volumes, heightened fraud concerns and uncertainty around AI investments.

"It wasn't exactly an idyllic year for leveraged lenders. Loan default volumes remained above average, liability management exercises kept coming and heightened fraud concerns became a topic of conversation," said [Chuck Carroll](#), Leader of the Senior Lender Advisory practice at FTI Consulting. "New issuance volumes were also still dominated by refinancing activity and leveraged M&A activity. While the loan market for M&A was much improved thanks to some large value deals, it didn't meet lofty volume expectations going into the year."

The annual survey offers insight into bank and non-bank lenders' perspectives on the state of U.S. leveraged lending and highlights expectations for leveraged credit market conditions in the year ahead.

The survey highlights clear lender concern about a consumer economy in distress. Retail and consumer products remained the industry sector perceived most likely to experience distress this year, while restaurants and dining moved into second place, followed by healthcare. Notably, real estate fell to seventh place this year compared to second place last year.

Headlines about alleged fraud in the lending sector also elevated concerns about incidents and detection. Only 21% of respondents said they were strongly confident in the current level of fraud risk oversight in the leveraged credit market, while 60% were somewhat confident and 19% were not confident.

Feelings about AI were complex and mixed. While 53% of respondents believe AI impacts over the next few years will improve information flow among involved parties, nearly a quarter of respondents (21%) believe an AI investment crash is the most underestimated financial market risk for 2026.

More key findings from the survey include:

- **Loan Defaults Will Remain Elevated:** More than three-quarters of respondents expect loan defaults and workouts will increase slightly (58%) or increase substantially (19%) in the year ahead compared to 2025 levels, while just 23% said default and workout activity would remain the same (18%) or be lower (5%). This response is more bearish than a year ago when 50% of respondents expected default activity to increase slightly (45%) or substantially (5%).
- **Fed Funds Rate Cuts Expected to Moderate:** Expectations of more rate cuts by the Fed have diminished following six rate cuts totaling 175 bps since September 2024. Nearly three-quarters of respondents (73%) expect the targeted Fed Funds rate to end the year between 3%-4%, implying no more than two rate cuts in 2026, while just 20% expect a Fed Funds rate below 3% by year end. Consequently, most respondents do not believe that recent calls for aggressive rate cuts from the Trump administration will materialize.
- **Most Expect Weak GDP Growth:** About 40% of respondents expect real domestic economic growth ("GDP") to be stagnant (28%) or negative (12%) in 2026, while just 24% expect real GDP growth to exceed 2%. This response is much more pessimistic than last year when 62% of respondents expected GDP growth of at least 2% while just 12% expected economic stagnation (6%) or contraction (6%) in 2025.
- **Recession Is Unlikely But Not Improbable:** While 68% of respondents said the likelihood of a recession this year was minor (55%) or negligible (13%), nearly one-third of respondents said the chance of a U.S. recession in the next 12 months was material (28%) or likely (4%). This response pattern was consistent across bank and non-bank respondents and is notably more pessimistic than a year ago, when just 15% said a recession was material or likely.

Given the degree to which leveraged loan spreads have contracted since 2024, it is not surprising that most respondents in this year's survey expect loan yields to widen slightly (50%) or materially (7%) in 2026 compared to 43% of respondents who said yields will contract slightly (41%) or materially (2%) this year.

"Positive market momentum has carried into 2026. Investors fear being left behind more than they fear stretched valuations and unfavorable risk/return profiles for many speculative-grade credits," said [Dave Katz](#), a Senior Managing Director in the Senior Lender Advisory practice within the Corporate Finance & Restructuring segment at FTI Consulting. "Investors appear to draw comfort from the last decade's repeated demonstrations that market pullbacks consistently offered profitable entry points. Time will tell if that trend can continue."

Survey Methodology

FTI Consulting surveyed large bank and non-bank lenders between November 18, 2025 and December 19, 2025, including commercial banks, investment banks, private credit platforms, CLOs and BDCs. Respondents included Chief Credit Officers, Workout Group Leaders, Managing Directors, Senior Vice Presidents, Executive Directors, Directors and Vice Presidents.

About FTI Consulting

FTI Consulting, Inc. is a leading global expert firm for organizations facing crisis and transformation, with more than 8,100 employees located in 32 countries and territories as of September 30, 2025. In certain jurisdictions, FTI Consulting's services are provided through distinct legal entities that are separately capitalized and independently managed. The Company generated \$3.70 billion in revenues during fiscal year 2024. More information can

be found at www.fticonsulting.com.

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Source: FTI Consulting, Inc.