

CADWALDER

# Single-Asset Back-Leverage Facilities for Private Credit Loans

January 31, 2025



By **Jeffrey Nagle**  
Partner | Finance



By **Michael Lynch**  
Special Counsel | Finance

As regular *Fund Finance Friday* readers know, articles in this newsletter often explore emerging trends in fund finance and fund finance-adjacent areas, and in this article, we will look at single-asset back-leverage (“SABL”) facilities for private credit loans—which are at the intersection of fund finance, structured finance and leveraged finance/private credit.

The rise of private credit, of course, has been one of the biggest stories in finance in the last decade, and some observers forecast that by 2028 the private credit market once again will double in size. This continued growth, as well as other market and regulatory forces affecting bank lenders, has promoted innovation in the space. Increasingly, and perhaps out of necessity, banks and private credit funds are often coming to view each other as mutually beneficial partners rather than competitors.

While there are a number of other structures that can provide private credit funds with back-leverage for their portfolios of loan assets—including as detailed by our colleagues in a recent *FFF* article [here](#)—single-asset back-leverage structures increasingly have become an option as well.

There are a number of reasons for an growing focus on this type of leverage structure, starting simply with the continued growth of the private credit market. As more and more private credit loans are originated, a number of these loans may lend themselves to a single-asset structure. Another reason is that the constantly evolving regulator landscape, including any potential changes related to the implementation of Basel III Endgame (which is a constantly moving target), have resulted in banks remaining very interested in maintaining favorable treatment of their assets within the risk-weighted asset (“RWA”) framework. As discussed further below, the SABL structure can provide significant additional benefits to both private credit funds and banks.

## Structure

A key distinguishing feature of single-asset back-leverage facilities, as the name suggests, is that only one underlying asset is being financed. Generally, this is a funded term loan interest (although other asset types may be funded this way, as well). By contrast, for most types of financing facilities that provide fund-level leverage—e.g., traditional NAV facilities, subscription lines, asset-based lending facilities/CLOs and secondaries facilities—there is typically a focus on the diversity of the assets that are being financed in order to mitigate various risks. So the “single asset” nature of this product drives many of the structuring considerations.

In a widely dispersed collateral pool, there is typically less focus on detailed diligence or consideration of each asset. There is safety in large numbers. By contrast, in an SABL facility, one asset is the entire ballgame. Therefore, not surprisingly, there is a greater emphasis on performing diligence on the loan documents for the underlying loan asset since any non-performance, or unintended or unforeseen action under, the underlying loan asset would more directly, significantly and immediately impact the back-leverage facility.

Another distinguishing feature of SABL facilities, when compared to standard loan syndications or participations, is that these facilities may be structured to give the bank lender a senior position in the underlying loan, rather than a *pro rata* position that a simple loan assignment or participation would provide. In other words, the SABL structure may be designed to give the private credit fund the “first loss” piece of the underlying loan under certain circumstances. Because of this structure, the bank may be able to receive exposure to an underlying private credit loan from a relatively conservative senior position (which is reflected in margin), while the private credit fund could enhance its return either through arbitraging margins between underlying loan and the SABL facility and/or engineering a higher effective coupon (through deleveraging). As you can imagine, there are many ways to structure this trading of risks and rewards in order to benefit both parties.

Similar to other limited-recourse and non-recourse financings involving loan assets, lenders will typically look to isolate the underlying asset in a special purpose entity ("SPE"). The SPE will serve as the borrower under the SABL facility, and the credit support for the back-leverage facility will normally be limited to the underlying loan (although other credit support, such as bad actor guaranties, full guaranties or other credit support may be appropriate given the structure). Following the mechanics of structured finance, SABL facilities often contain a cash sweep mechanism, whereby payments from the underlying loan will be swept into a controlled account and applied at agreed intervals according to a payment waterfall. The waterfall is typically an area of keen negotiation among the parties.

Another key area of discussion is the SABL borrower's control rights over changes to the underlying loan agreement. The private credit fund's preference is generally to retain flexibility to deal with the underlying borrower (for economic as well as relationship reasons), while the bank's interest is to make sure that the sole asset constituting its credit support is not modified in a way in which the bank does not approve. Depending on the nuances of the transaction, various solutions are utilized to address both parties' interests.

Finally, both parties should carefully consider the terms of the underlying loan when agreeing on terms in the SABL facility. Borrowers will look to align payment dates and amounts on the SABL facility with payments on the underlying loan to minimize the need for capital injections. Lenders may look for the maturity of the SABL facility to be well inside the maturity for the underlying loan in order to minimize refinancing risk. The contours of the underlying loan directly shape the contours of the SABL facility.

## **Benefits**

As alluded to above, SABL structures can provide significant benefits to both private credit funds and banks that are distinguishable from traditional, diversified back-leverage and from other direct participation by a bank (such as being a co-lender on a syndicated facility).

An obvious benefit to the private credit fund is the ability to enhance its returns as detailed above. The private credit fund also may be able to form a stronger relationship with its underlying borrowers without the direct involvement of any competitor funds or banks that might otherwise be part of the lending syndicate, as the underlying borrower may not have any direct interaction with (or even knowledge of) the bank lender's existence. And without a long syndication process, the private credit fund may be able to provide quick loans to underlying borrowers on favorable terms. In addition, the use of a single-asset structure allows the fund to more easily match its leverage terms to a specific asset—for example, timing of payments, prepayments and other cashflows on the applicable underlying loan. Finally, the SABL structure has a great deal of flexibility—as with all things fund finance, having a Swiss army knife in your back pocket helps to address the tricky knots that can appear.

The benefits from the bank side are also numerous. Importantly, this product allows banks potential access to the rapidly growing asset class of private credit loans. An SABL facility can be tailored and structured to give banks a relatively conservative position in the capital stack, allowing for favorable pricing and opportunities with underlying loans that may be structured more aggressively than standard bank loans. In addition, it is possible to structure an SABL facility to allow banks to receive more favorable capital treatment for its position, and this in turn may allow it to offer more competitive pricing to private credit lenders seeking back-leverage.

## **Conclusion**

Each SABL facility tends to be somewhat unique, and structures differ among different banks, different private credit funds and even deal-by-deal with the same participants. There is no one set "market standard," and so practitioners and market participants should be flexible and creative. Because SABL facilities exist at an interesting junction between fund finance, structured finance, leveraged lending and bank regulatory matters, it is important to understand each of these angles when considering a deal, and advisors with expertise in each of these practice areas will drive the best outcomes.

## Cadwalader Partners Contribute to Global Legal Insights – Fund Finance 2025

January 31, 2025



# Fund Finance 2025

glg Global Legal Group

Cadwalader Fund Finance, Finance and Financial Services Group partners have contributed to the 2025 edition of *Fund Finance 2025* (also known as the “Pink Book”), the leading legal treatise for the fund finance industry, published by Global Legal Group.

Now in its ninth edition, this comprehensive publication provides in-depth analysis of market conditions, regulations, and laws, covering 21 key jurisdictions, with 27 expert analysis chapters offering timely and authoritative insights.

### Contributions from Cadwalader partners include:

- **"Financing Evergreen Funds: The Growth of Individual Investors in the Private Equity Secondaries Market"**, authored by George Pelling, Brian Foster, Mike Newell, and John Donnelly.

The article explores the significant growth of evergreen funds in the fund finance market, highlighting how secondaries sponsors are increasingly launching evergreen funds as a way to attract capital from individual investors and the implications for financing structures and liquidity management.

The complete digital content is available [here](#).

## Full Video: Wes Misson Chats to James Strode About the Latest Global Legal Insights – Fund Finance

January 31, 2025



The 2025 edition of the Global Legal Group Fund Finance 'Pink Book' is now live and Cadwalader's **Wes Misson** sits down with James Strode to discuss the ninth edition.

Watch their conversation [here](#)!

## LMA Fund Finance Glossary of Terms

January 31, 2025



Loan Market Association has published the Fund Finance Glossary of Terms. With the rapid growth in the market, it's important to take a step back and be clear as to what we mean when we use certain terms in relation to fund finance.

Different terms are often used to describe the same thing (think sublines and capital calls) and there can also be instances of parties speaking at cross-purposes (think recyclable and callable capital). This can create inefficiencies in practice.

This **Glossary responds directly to requests from LMA Fund Finance Working Parties and seeks to promote the development, and use, of a common language surrounding fund finance** – this is designed to improve efficiency in the market by setting a baseline for discussions. The Glossary is a high-level one, is not comprehensive and is not intended to be a technical legal glossary.

The glossary is accessible to download [here](#).

## SCI's CRT Training for North America

January 31, 2025



### SCI's CRT Training for North America

February 3-4, 2025



**Leah  
Edelboim**  
Partner



**Jed  
Miller**  
Partner

C A D W A L A D E R

Cadwalader is proud to be the Host Sponsor of **SCI's CRT Training for North America**.

Cadwalader partners **Leah Edelboim** and **Jed Miller** will be moderating the following panels:



#### **Subscription Finance and CRTs**

Monday, February 3  
5:15 PM - 6:30 PM

**Leah Edelboim**, *Partner*, Finance



#### **Regulations as They Apply to Structuring**

Tuesday, February 4  
9:00 AM - 10:30 AM

**Jed Miller**, *Partner*, Financial Services

# SCI's 9th Annual Risk Transfer and Synthetics Seminar

January 31, 2025



## SCI's 9th Annual Risk Transfer and Synthetics Seminar

February 5, 2025



**Christopher Horn**  
Partner



**Ivan Loncar**  
Partner



**Jed Miller**  
Partner

C A D W A L A D E R

Cadwalader is proud to sponsor **SCI's 9th Annual Risk Transfer and Synthetics Seminar** in New York.

Our partners are featured speakers on a number of panels detailed below:



### **Dawn of a New Era – US SRT Market and Regulatory Reforms**

February 5  
9:40 AM - 10:30 AM

**Christopher Horn**, *Partner*, Financial  
Services



### **Structuring a CRT Trade**

February 5  
11:40 AM - 12:30 PM

**Ivan Loncar**, *Partner*, Financial Services



### **New Assets**

February 5  
2:20 PM - 3:10 PM

**Jed Miller**, *Partner*, Financial Services



## 2025 Justice Served Campaign Kickoff

January 31, 2025



The 10th Anniversary of the 2025 Justice Served campaign supporting the Food Bank for New York City kicked off this week!

With an estimated 1.2 million New Yorkers experience food insecurity, the New York City legal community has joined together to help by donating funds and volunteering. Every dollar raised will directly support Food Bank For New York City's hunger-relief programs, which reach an estimated 1.6 million New Yorkers throughout the five boroughs.

Cadwalader's Financial Services partner, [Lary Stromfeld](#), serves as the Board's Executive Vice Chairman and founded the Justice Served campaign in 2015. Each year, the initiative unites more than 20 New York law firms and law departments in a six-week effort that has provided funding for over five million meals. This year, Cadwalader partner [Leah Edelboim](#) is contributing to the campaign's success as a member of the steering committee.

Learn more [here](#).

## Fund Finance Tidbits – On the Move

January 31, 2025

### CADWALADER FUND FINANCE 'ON THE MOVE'

The following individuals are on the move in the fund finance industry:



Izzy Frelinghuysen

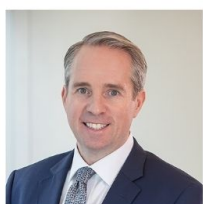
Congratulations to Izzy Frelinghuysen on joining L Catterton! Izzy joins the team as an Associate, where she will lead the fund finance efforts, manage fund-level financing, and support treasury operations. Prior to joining L Catterton, Izzy worked as an Associate on the Financial Sponsors team at Lloyds Bank, where she was a highly regarded member of the New York office.



Jeannie Kim

Congratulations to Jeannie Kim who has joined CIBC as Executive Director, focused on structured equity finance origination. In her role, Jeannie will be providing liquidity solutions for margin loans, secondaries, and single fund NAV financing. She was previously at Macquarie Group where she was the Global Relationship Manager for Fund Finance.

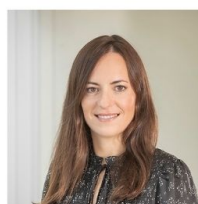
### Irish Law Firm Matheson LLP Announces Senior Fund Finance Appointments



Alan Keating – New York  
Partner | Fund Finance  
D: +1 332 910 7306  
E: [alan.keating@matheson.com](mailto:alan.keating@matheson.com)



Gearoid Murphy – Dublin  
Partner | Fund Finance  
D: +353 1 232 2709  
E: [gearoid.murphy@matheson.com](mailto:gearoid.murphy@matheson.com)



Lisa Tait – Dublin  
Partner | Fund Finance  
D: +353 1 232 2556  
E: [lisa.tait@matheson.com](mailto:lisa.tait@matheson.com)



Turlough Galvin – Dublin  
Partner | Fund Finance  
D: +353 1 232 2232  
E: [turlough.galvin@matheson.com](mailto:turlough.galvin@matheson.com)

Matheson LLP have recently appointed Gearoid Murphy and Lisa Tait as partners in the firm's Fund Finance practice. Gearoid rejoins the firm from the London office of Latham & Watkins LLP having previously worked within the firm's Fund Finance practice and has a wealth of experience advising financial institutions, asset managers and sponsors on high value cross-border fund finance transactions including subscription line / capital call facilities, asset backed loans / NAV facilities and hybrid facilities to private market funds located in the EU, US and APAC. Lisa has recently been promoted to partner, having joined Matheson LLP in 2024. Prior to joining Matheson LLP, Lisa worked in Clifford Chance LLP as well as other top 5 Irish firms. Lisa has extensive experience in fund finance, advising financial

institutions, asset managers and sponsors on finance transactions involving regulated and unregulated Irish fund structures. Lisa has recently worked on a number of finance transactions involving Ireland's newly revised Investment Limited Partnership (ILP) structure. Lisa attended the inaugural Women in Fund Finance industry gathering in Dublin last year.

## Fund Finance Hiring

January 31, 2025

Fund Finance Hiring

Here is who's hiring in Fund Finance:

**Fitch Ratings** is seeking an Director, Business Relationship Manager (BRM) - Fund & Asset Managers Group in New York. This role will be responsible for business development and providing both tactical and strategic support to the Fund & Asset Managers (FAM) Group. Learn more [here](#).

**M&T Bank** is seeking an Fund Banking Senior Relationship Manager to join its office in New York. This role will be responsible for an assigned portfolio of the most complex and or large dollar amount loan and/or deposit relationships with major businesses in the community. Learn more [here](#).

**MUTB-NY** is seeking an Fund Finance Account Officer- VP to join its office in New York. The VP will work through all aspects of the transaction lifecycle to help the team originate fund finance transactions, including both subscription finance and NAV based facilities. Learn more [here](#).