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Qualified Borrowers and Portfolio Company Loans

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Associate | Fund Finance

The credit parties under a subscription credit facility may require flexibility in providing funds to their portfolio companies. Instead of using their own capital to make an equity investment in one of their portfolio companies or making an interfund loan, the credit parties may request that lenders under the subscription credit facility provide loans directly to their portfolio companies. Most lenders will accommodate this request by permitting portfolio companies to borrow under the credit agreement as “qualified borrowers” while other lenders will provide the requested funds through a separate portfolio company loan agreement.

This article will provide an overview of qualified borrower mechanics in a traditional subscription credit facility versus establishing a separate portfolio company loan agreement.

Qualified Borrower

A qualified borrower often is defined in the credit agreement as any entity in which a borrower or guarantor (a “Fund Party”) owns a direct or indirect ownership interest, or through which a Fund Party may acquire an investment, the indebtedness of which entity will be guaranteed by such Fund Party pursuant to its limited partnership agreement. In practice, qualified borrowers are generally portfolio companies, holding companies, special purpose vehicles or other affiliate subsidiaries of a Fund Party. A qualified borrower may join a credit facility by (i) the execution of a joinder agreement to the credit agreement or a promissory note in favor of the lenders, and (ii) the execution of a guaranty by a Fund Party pursuant to which the Fund Party guarantees obligations of such qualified borrower under the Credit Agreement.

The hallmark of a subscription credit facility is the ability to secure loans by the unfunded capital commitments of the limited partners of each Fund Party and the collateral accounts into which capital contributions are funded. The lenders will rely on such unfunded capital commitments as their primary source of repayment. Because qualified borrowers do not have any third-party limited partners making capital commitments to such qualified borrower, lenders will provide loans to such qualified borrowers on an unsecured basis. However, any Fund Party that provides a guaranty for a qualified borrower's obligations will be liable for all loans made to such qualified borrower resulting in such loans ultimately being secured by the unfunded capital commitments of such Fund Party. While the Fund Parties may be jointly and severally liable for the loans made by qualified borrowers, qualified borrowers are only liable for loans made to such qualified borrower and are not likewise jointly and severally liable for loans made to Fund Parties or other qualified borrowers.

Upon joining the credit facility, qualified borrowers may receive loans and/or letters of credit on the same terms as a Fund Party under the credit agreement. Loans to qualified borrowers will accrue interest at the same rate, unless otherwise specified, which is most likely at a lower interest rate than it could obtain under its own debt facility because the lenders are relying on the guaranty of the Fund Parties and not the credit profile of the qualified borrower itself. Loans made to qualified borrowers will reduce the availability under the credit agreement in the same manner as Loans to Fund Parties and may create more opportunities to increase utilization of the credit facility. There may be a few financial covenants that are not applicable to qualified borrowers as such covenants will track the financial performance of the Fund Parties. Prior to joining a qualified borrower to the credit facility, lenders should evaluate the governing documents of the Fund Parties and whether such documents include any restrictions on guarantees as part of the overall leverage limitation or any other leverage limitation such as a limit on the amount of guarantees based on a percentage of aggregate capital commitments or a clean-down requirement with respect to guarantees.

Portfolio Company Loan Agreement

Instead of including qualified borrower mechanics in the credit facility, other lenders will prefer to document loans to such portfolio companies, holding companies, special purpose entities or other affiliate subsidiaries through a separate short-form loan agreement. This allows the lenders to structure the loans to portfolio companies on different terms from the credit facility. We frequently see these portfolio company loan agreements structured as term loans with principal obligations due on the maturity date, which is set to match the maturity date of the credit facility so that the maturity date of the portfolio company loan agreement will automatically extend with any extension of the maturity date under

the credit facility. The term loans will vary from one advance at the outset of the loan to multiple advances during the draw period not exceeding a specified amount. Lenders may maintain the same interest rate in the credit facility or consider a different interest rate, taking into account the credit profile of the portfolio company. Similar to the qualified borrower mechanics, loans to portfolio companies are on an unsecured basis and will require a guaranty from the related Fund Party.

Conclusion

The qualified borrower structure under subscription credit facilities offers a relatively quick and efficient means of providing liquidity solutions for the Fund Borrowers and their portfolio companies. From the lender's perspective, there is no increased credit risk lending to a qualified borrower or portfolio company as long as the guaranty and collateral remain in effect.

U.S. Banks Quarterly Survey

November 21, 2025



By **Chris van Heerden**

Director of Market Research | Fund Finance

In the latest installment of our U.S. Bank Quarterly Survey, we review the current banking landscape and its historical context with two questions in mind: First, what do bank fundamentals tell us about the state of the U.S. economy (recognizing that this is a retrospective or coincident analysis)? And, second, what can we infer about the capacity and willingness of banks to extend credit (a more forward-looking inquiry)?

We find that tepid aggregate loan growth excluding lending to non-depository financial institutions (“NDFIs”) reflects a bifurcated economy in which overall growth is concentrated in a few sectors (e.g., AI capex). A similar theme emerges in reported loan demand and credit performance.

NDFI loans have attracted significant lending capital, and may continue to do so in light of the overall delinquency rate for this segment sitting below 15 bps. Clean loan performance for NDFI loans fit with the short tenure loans and active collateral control mechanisms (e.g., borrowing base eligibility and exclusion criteria) often built into loans in the category, which should continue to support lending growth.

Access the full report [here](#).



Cadwalader partner **Nick Shiren** authored a chapter in the newly released second edition of *Brickfield's "The Working Guide to Fund Finance,"* a comprehensive guidance targeting lenders, lawyers, fund professionals and brokers practicing in the UK, European and offshore fund finance markets.

The chapter, "Securitisation and Fund Finance," examines the rapidly evolving intersection between fund finance and securitisation, detailing how traditional securitisation tools, once the preserve of consumer and commercial receivables, are being deployed across more complex fund assets such as subscription credit facilities and fund interests.

Highlights include:

- An analysis of the structure and mechanics of subscription facility securitisations, including the use of bankruptcy-remote vehicles, tranching, risk retention techniques and measures to address duration, liquidity and concentration risks.
- A review of CFOs and rated feeders, demonstrating how investors and managers can access private funds in increasingly efficient and flexible ways, while managing risk through diversified tranches and regulatory compliance.
- A comprehensive discussion of structuring considerations, spanning documentation and due diligence, confidentiality, transfer restrictions, limited partner default provisions and the fiduciary obligations of fund managers.
- An overview of the relevant regulatory frameworks in the EU, UK and U.S., including investor due diligence, transparency and risk retention requirements.

Nick's chapter highlights the growth of structuring innovation in private capital markets, noting that the convergence of fund finance and securitisation presents new opportunities (and challenges) for fund sponsors and institutional investors. As the industry adapts to new techniques and heightened regulatory standards, these structures are poised to play a key role in shaping the future of global fund finance.

Read the chapter in the full guide [here](#).

Fund Finance Expert Talk With Kristina Kulikova

November 21, 2025



The new episode of the Praxio Fund Finance Expert Talk hosted by Michael Mbayi, with Kristina Kulikova, Senior Vice President at Setter Capital, and host of the Women of Secondaries podcast is available!

Tune into this episode if you want to learn about:

- Kristina's career path.
- The story behind the creation of the Women of Secondaries podcast.
- The detailed structuring and process of GP led and LP led transactions.
- Secondary Market update.

Watch at it now [here](#).

Holiday with Heart: DFF Giveback

November 21, 2025



Celebrate the season of giving with the Diversity in Fund Finance Committee!

Hosted by the Diversity in Fund Finance Committee, Holiday with Heart brings the community together to wrap gifts for children through the New York Cares Winter Wishes program. Each year, this meaningful initiative connects volunteers with children and families across New York City to help make their holiday wishes come true through thoughtful, personalized gifts.

New York Cares, the city's largest volunteer network, mobilizes thousands of New Yorkers each year to meet pressing community needs and create a more equitable, compassionate city.

Come enjoy the festive atmosphere and good company to help spread a little joy this holiday season.

Event Details

Thursday, December 4

6:00–9:00 PM

Gibson Dunn, 200 Park Avenue, New York, NY 10166

Registration [here!](#)

Fund Finance Hiring

November 21, 2025

Fund Finance Hiring

Here is who's hiring in fund finance:

State Street is looking for a Subscription Finance Surveillance Senior Associate. Located in Boston, MA, the Senior Associate will sit in the Fund Finance department on the Alternatives Lending team. The ideal candidate will have an ability to work effectively with internal stakeholders to assist in the surveillance of subscription facilities. Surveillance and monitoring of the portfolio will be a core responsibility. The Alternatives team provides subscription finance products to some of the world's leading Private Equity Sponsors and Fund of Hedge Fund Managers. Learn more [here](#).

Coller Capital is looking for a Fund Financial Analyst. The Analyst will sit within the Fund Financing and FX Strategy Team, which has responsibility for structuring, executing and monitoring credit facilities, and developing strategic approaches to currency and interest rate risk management. Learn more [here](#).

Santander is looking for a Structured Finance VP Team Lead in New York. The candidate will be responsible for managing the underwriting and portfolio management of a defined portfolio of Fund Finance transactions across NAVs, subscription, ABLs and other related facilities. The position will work closely with the product teams to present and defend business opportunities to risk. The candidate will lead credit underwriting with risk and ensure all required portfolio management tasks are completed. Please contact erika.wershoven@santander.us with your resume and subject line *FF team lead*.

Partners Group is seeking a Structured Product Lawyer to join their Structuring Solutions team out of the New York or London office to contribute to the global set of structured product offerings, including new structured product opportunities, Collateralized Fund Obligations, Collateralized Loan Obligations, Rated Feeders and other similar structures. This individual will also work very closely with the Private Credit team. Partners Group's Structuring Solutions team is responsible for developing highly innovative investment structures for institutional and private investors globally. Learn more [here](#).

U.S. Bank's Subscription Finance team is seeking highly motivated, experienced professionals to join our Portfolio Management and Underwriting team, supporting various investment fund strategies. These roles offer a unique opportunity to work directly with top-tier private equity clients and contribute to the growth of a high-performing, client-centric business.

Other opportunities include:

Subscription Finance Portfolio Management Analyst - [Read the position profile here](#).

Subscription Finance Portfolio Manager – [Read the position profile here](#).

Juniper Square is seeking Account Executives in New York, Boston, Chicago, and Miami to join the private equity sales team. This team is primarily focused on selling fund administration solutions to PE investment managers. Juniper Square is already one of the fastest-growing administrators in real estate and venture capital, and private equity is the company's next area of focus. Learn more [here](#).

Cadwalader, Wickersham & Taft LLP is seeking associates with three to six years of relevant experience for its Fund Finance practice in New York, Charlotte or London. Qualified candidates will have experience in syndicated lending, commercial lending, leverage finance, fund formation, CLOs, asset-based lending, NAV financings or acquisition

financings. Candidates must possess excellent academic credentials and solid legal experience. Selected candidates will get extensive interaction with preeminent bank, asset manager and lending clients. If interested, please reach out to Margaret Cart at Margaret.Cart@cwt.com.

We'll Be Back!

November 21, 2025

Fund Finance Friday readers, as the Thanksgiving holiday approaches, we want to take a moment to express our gratitude for your continuous support throughout the year.

In celebration of the festivities and to recharge, we'll be taking a short break and will be back with the next issue on December 5th.