LENDING CLIMATE IN AMERICA

J.S. HELD LENDING SURVEY

Q3 2026 REPORT

Insights from US Lenders on Credit Conditions, Risk Appetite & Market Expectations

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EXECUTIVE SUMMARY

The Q3 2026 Lending Climate in America survey reflects an even more cautious lender outlook than prior quarters, driven by rising concerns around geopolitical instability, recession risk, and broader economic uncertainty. Geopolitical Risk/War remained the leading near-term concern, while the possibility of a US Recession became the second-most cited risk factor. Lenders also reported weaker expectations for both near-term and long-term economic performance, with economic outlook scores declining and a growing share of respondents assigning below-average grades to the US economy. At the same time, Financial Services remained the industry most frequently cited as likely to experience volatility, although concerns broadened across technology, energy, consumer-facing, and service-oriented sectors.

Despite the more cautious macroeconomic outlook, borrowers continue to pursue growth initiatives, including new product development, capital investment, market expansion, and hiring. Lenders remain more selective than in prior periods, with tightening concentrated in larger loans and greater flexibility observed in smaller loans. Meanwhile, expectations for Federal Reserve policy remained relatively balanced, suggesting a more measured, data-dependent interest rate outlook. Overall, the survey results indicate a lending environment characterized by increased risk awareness and softer economic expectations, even as borrowers continue investing in growth opportunities.

1. FACTORS WITH STRONGEST POTENTIAL TO AFFECT NEAR-TERM ECONOMY

Respondents were asked which two factors they believe are most likely to affect the economy over the next six months. Some respondents selected more than two factors. In Q3 2026, Geopolitical Risk/War remained the leading concern, cited by 34.9% of respondents, followed by US Recession (26.5%), Policy Risk, including interest rate-related concerns (26.0%), and Political Uncertainty (22.9%). Other frequently cited risks included Looming Debt Crisis (22.3%), Stock Market Stability (21.2%), US Budget Deficit (18.2%), and Constrained Liquidity in Capital Markets and Unstable Energy Prices, each at 14.0%.

The results suggest a gradual shift in the composition of perceived economic risks over the survey period. Political Uncertainty, which was the dominant concern in Q4 2025, declined sharply and remained well below prior peak levels through Q3 2026. While Geopolitical Risk/War remained the most frequently cited concern, it moderated from elevated levels in early 2026. By contrast, concerns regarding a US Recession increased overall throughout the period, reflecting rising apprehension about economic growth. Policy Risk remained a consistently significant concern across all quarters, while worries surrounding Constrained Liquidity in Capital Markets declined meaningfully from their Q2 2026 high. Overall, respondents appear to be placing greater emphasis on recessionary, fiscal, and geopolitical risks, while concerns tied to political developments and capital market liquidity have softened relative to earlier periods.

Factors Affecting Near-Term Economy	Q4'2025	Q1'2026	Q2'2026	Q3'2026
Geopolitical Risk/War	41.0%	46.2%	42.4%	34.9%
US Recession	20.5%	23.1%	27.1%	26.5%
Policy Risk (Interest Rates)	28.2%	31.3%	32.5%	26.0%
Political Uncertainty	46.2%	22.6%	26.6%	22.9%
Looming Debt Crisis	20.5%	23.6%	20.7%	22.3%
Stability of the Stock Market	15.4%	31.7%	27.1%	21.2%
US Budget Deficit	10.3%	21.2%	18.7%	18.2%
Constrained Liquidity in Capital Markets	17.9%	26.4%	27.6%	14.0%
Unstable Energy Prices	0.0%	13.9%	13.8%	14.0%

Note: Q4 2025 and Q1 2026 figures are from the prior report's comparison table. Q2 & Q3 2026 figures are from the Q2 & Q3 survey data. "Looming Debt Crisis" appears in the data but not in the prior comparison table reviewed for this report.

2. INDUSTRIES EXPECTED TO EXPERIENCE GREATEST VOLATILITY

Respondents were asked, over the next six months, which industries will experience the most volatility (i.e., Chapter 11 filings, mergers and acquisitions, declining profits, etc.). Respondents were asked to select the top three industries. Some respondents selected more than three industries. Financial Services remained the industry most frequently cited as likely to experience volatility over the next six months at 34.9%, followed by Energy & Power (29.3%), Consumer Products & Services (25.7%), and Agriculture (22.1%). Real Estate & Rental/Leasing (20.3%) and Food & Beverage/Accommodation (20.0%) were also at or exceeded 20% in Q3 2026.

Overall, respondents continue to anticipate broad-based industry volatility. While Financial Services remains the primary area of concern, elevated responses across energy, consumer-oriented industries, agriculture, and several service sectors suggest expectations for economic disruption remain widespread and diversified across the economy.

Industries Experiencing Most Volatility	Q4'2025	Q1'2026	Q2'2026	Q3'2026
Financial Services	25.4%	54.8%	46.3%	34.9%
Energy & Power	10.2%	34.6%	34.0%	29.3%
Consumer Products & Services	35.6%	22.6%	26.1%	25.7%
Agriculture	30.5%	12.5%	22.7%	22.1%
Real Estate	25.4%	15.9%	17.7%	20.3%
Food & Beverage	12.7%	11.1%	14.3%	20.0%
Healthcare	38.1%	18.3%	22.2%	17.6%
Education	7.6%	11.1%	14.8%	16.1%
Cyber	NA	11.5%	13.3%	13.4%
Government	12.7%	14.9%	17.7%	13.1%
Technology, Media & Telecommunications	15.3%	26.0%	12.3%	13.1%
Construction	10.2%	19.2%	14.8%	12.8%
Retail, Restaurant & Hospitality	43.2%	12.5%	10.3%	12.5%
Insurance	NA	8.2%	9.4%	11.9%
Aerospace & Aviation	0.0%	12.5%	14.3%	10.7%
Industrial & Manufacturing	5.1%	10.1%	10.8%	8.7%
Cannabis	7.6%	8.2%	10.3%	7.8%
Private Equity	7.6%	8.2%	7.9%	5.4%
Transportation Infrastructure	12.7%	4.3%	5.9%	4.5%

3. CUSTOMERS' PLANS IN THE NEXT SIX TO TWELVE MONTHS

Respondents were asked which of the following actions their customers planned in the next six to twelve months. Lenders were asked to designate all potential customer actions that applied. Introducing New Products or Services was the most frequently cited planned customer action in Q3 2026 at 41.5%, although slightly below the Q1 and Q2 2026 levels of 45.7% and 46.3%, respectively. Raising Additional Capital remained a key priority at 41.2%, down from 48.3% in Q2 2026 but still above the Q1 2026 level of 37.5%. Capital Improvements closely followed at 40.9%, remaining well above the Q4 2025 level of 18.0% despite moderating from its Q1 2026 peak of 48.6%.

Entering New Markets and Hiring New Employees were each cited by 38.3% of respondents, reflecting sustained interest in growth-oriented initiatives. Both categories increased significantly from Q4 2025 levels and remained elevated relative to historical results. By contrast, Making an Acquisition remained one of the less frequently cited actions at 19.8%, despite increasing modestly from 16.7% in Q2 2026. "Other" initiatives received no responses for the second consecutive quarter.

Taken together, the Q3 2026 results suggest customers continue to prioritize organic growth and strategic investment over acquisition-driven expansion. New product development, capital raising, capital improvements, market expansion, and hiring all remained prominent priorities, indicating that many companies are focused on strengthening operations and pursuing growth opportunities. While acquisition activity showed a modest rebound, respondents continue to view internal investment and expansion initiatives as a more likely near-term course of action.

Customers' Plans	Q4'2025	Q1'2026	Q2'2026	Q3'2026
Introducing New Products or Services	31.0%	45.7%	46.3%	41.5%
Raising Additional Capital	64.0%	37.5%	48.3%	41.2%
Capital Improvements	18.0%	48.6%	39.4%	40.9%
Entering New Markets	21.0%	34.6%	44.3%	38.3%
Hiring New Employees	10.0%	43.3%	37.9%	38.3%
Making an Acquisition	33.0%	21.2%	16.7%	19.8%
"Other" Initiatives	13.0%	1.4%	0.0%	0.0%

Note: Q4 2025 and Q1 2026 figures are from the prior report's comparison table. Q2 & Q3 2026 figures are from the Q2 & Q3 survey data. The Q1 report used "Capital Improvements"; the Q2 & Q3 survey uses "Making new capital investments."

4. US ECONOMY GRADE – NEXT SIX MONTHS

Respondents were asked how they expected the US economy to perform <u>during the next six months</u> on a grading scale of "A" through "F." Lender sentiment weakened in Q3 2026, with the weighted average grade declining to 1.96, down from 2.26 in Q2 2026 and 2.38 in Q4 2025. While "C" remained the most common response at 39.3%, the share of respondents assigning "D" and "F" grades increased to 21.7% and 10.5%, respectively, both the highest levels recorded from Q4 2025 to Q3 2026.

At the same time, more favorable ratings continued to decline. "B" grades fell to 18.2%, down from 34.5% in Q2 2026 and 49.0% in Q4 2025, while "A" grades decreased modestly to 10.2%.

Overall, the results suggest lender expectations for the US economy became more cautious in Q3 2026. Although a portion of respondents continue to anticipate above-average performance, the increase in lower grades and decline in "B" responses indicate a broader shift toward a more subdued economic outlook.

Grade	Q4'2025	Q1'2026	Q2'2026	Q3'2026
A	0.0%	17.8%	11.8%	10.2%
B	49.0%	24.0%	34.5%	18.2%
C	41.0%	33.7%	30.5%	39.3%
D	10.0%	18.3%	13.8%	21.7%
F	0.0%	6.3%	9.4%	10.5%
Weighted Average	**2.38**	**2.29**	**2.26**	**1.96**

Note: Q4 2025 and Q1 2026 figures are from the prior report's comparison table. Q2 & Q3 2026 figures are from the Q2 & Q3 survey data. Q3 weighted average is calculated using A = 4, B = 3, C = 2, D = 1, and F = 0, consistent with the prior report's grading structure.

5. US ECONOMY GRADE – BEYOND THE NEXT SIX MONTHS

Respondents were asked how they expected the US economy to perform <u>beyond the next six months</u> on a grading scale of "A" through "F." Lender sentiment regarding the longer-term economic outlook deteriorated in Q3 2026, with the weighted average grade declining to 2.04, down from 2.33 in Q2 2026 and 2.46 in Q4 2025. The share of respondents assigning a "B" grade fell to 23.0%, compared to 31.5% in Q2 2026 and 54.0% in Q4 2025. Meanwhile, "D" and "F" responses increased to 22.7% and 11.2%, respectively, the highest levels recorded from Q4 2025 through Q3 2026.

At the same time, "C" remained the most common response at 30.4%, while "A" grades declined to 12.8% from 16.7% in Q2 2026.

Overall, the results suggest lenders have become increasingly cautious about the economy beyond the next six months. The decline in favorable grades and increase in lower ratings indicate growing concern about longer-term economic conditions and a less optimistic outlook than was reported in late 2025.

Grade	Q4'2025	Q1'2026	Q2'2026	Q3'2026
A	3.0%	18.3%	16.7%	12.8%
B	54.0%	32.7%	31.5%	23.0%
C	31.0%	29.8%	28.6%	30.4%
D	13.0%	14.4%	14.8%	22.7%
F	0.0%	4.8%	8.4%	11.2%
Weighted Average	**2.46**	**2.45**	**2.33**	**2.04**

Note: Q4 2025 and Q1 2026 figures are from the prior report's comparison table. Q2 & Q3 2026 figures are from the Q2 & Q3 survey data. Q3 weighted average is calculated using A = 4, B = 3, C = 2, D = 1, and F = 0, consistent with the prior report's grading structure.

6. LOAN STRUCTURE

Respondents were asked whether their financial institutions planned to tighten, relax, or maintain their loan structures (collateral requirements, guarantees, advance rates, loan covenants, etc.) in each of four different-sized loan categories. While maintaining existing loan structures remained the most common response across all loan sizes in Q3 2026, lenders continued to exhibit a more active credit posture than in late 2025. On average, 56% of respondents indicated they would maintain current structures, up modestly from 51% in Q2 2026 but below 74% in Q4 2025. Meanwhile, 29% reported plans to tighten structures, and 14% expected to relax terms.

For loans greater than $25 million, lenders remained the most conservative, with 39% indicating plans to tighten structures, compared to 31% for loans between $15 million and $25 million. In contrast, relaxation was most prevalent among smaller credits, with 26% of respondents indicating plans to relax structures for loans under $5 million, compared to just 8%-14% across larger loan categories.

Overall, the results suggest lenders continue to move away from the largely maintenance-focused approach seen in late 2025 and toward more differentiated underwriting strategies. While tightening remains elevated across larger loan sizes, increased willingness to relax terms for smaller credits indicates some lenders may be balancing risk concerns with competitive pressures and growth objectives.

	Q4 2025			Q1 2026			Q2 2026			Q3 2026		
	Tighten	Maintain	Relax	Tighten	Maintain	Relax	Tighten	Maintain	Relax	Tighten	Maintain	Relax
Loans> $25 million	15%	85%	0%	37%	49%	15%	41%	46%	12%	39%	53%	8%
$15 – 25 million	13%	85%	3%	30%	58%	12%	33%	57%	9%	31%	59%	10%
$5-15 million	23%	69%	8%	18%	60%	22%	29%	53%	18%	25%	61%	14%
Under $5 million	31%	59%	10%	20%	55%	25%	26%	47%	27%	23%	51%	26%
Overall Average	**21%**	**74%**	**4%**	**26%**	**55%**	**19%**	**32%**	**51%**	**17%**	**29%**	**56%**	**14%**

Note: Q4 2025 and Q1 2026 figures are from the prior report's comparison table. Q2 & Q3 2026 figures are from the Q2 & Q3 survey data. The overall average reflects the average across the four loan-size categories.

7. THE FED AND INTEREST RATES

Respondents were asked in what direction they thought the Fed would move interest rates and by how much in the coming six months. Lender expectations for interest rates stabilized in Q3 2026. The largest share of respondents continued to expect rate increases, with 26% anticipating an increase of one-half point or more and 20% expecting a one-quarter point increase. At the same time, 54% of respondents anticipated either no change or a rate decrease; notably, 22% expected a decrease of one-half point or more.

Compared to Q2 2026, responses were virtually unchanged, resulting in a weighted average expectation of approximately +0.03 percentage points, consistent with the prior quarter and below +0.12 percentage points in Q1 2026.

Overall, the results suggest that lenders continue to lean modestly toward higher rates, but expectations remain considerably more balanced than earlier in 2026. The stable weighted average and relatively even distribution of responses indicate a more measured and data-dependent outlook for Fed policy over the next six months.

Bps Change	Q4'2025	Q1'2026	Q2'2026	Q3'2026
+ 1/2 point or more	0%	26%	26%	26%
+ 1/4 point	0%	23%	20%	20%
Unchanged	3%	25%	19%	19%
- 1/4 point	21%	11%	13%	13%
- 1/2 point or more	77%	16%	22%	22%
Weighted Average	**-0.58 bps**	**+0.12 bps**	**+0.03 bps**	**+0.03 bps**

Note: Q4 2025 and Q1 2026 figures are from the prior report's comparison table. Q2 & Q3 2026 figures are grouped from the Q2 & Q3 survey responses to match the prior report format. The weighted average is calculated using the grouped categories shown above.

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