LENDING CLIMATE IN AMERICA

J.S. HELD LENDING SURVEY

Q4 2026 REPORT

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



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EXECUTIVE SUMMARY

Lender sentiment for Q4 2026 reflected a cautiously improving economic outlook despite continued concerns regarding geopolitical developments, policy uncertainty, and recession risk. Geopolitical Risk / War remained the most significant factor expected to impact the economy over the next six months, followed by Policy Risk, Political Uncertainty, and concerns about a potential US recession. Respondents also anticipate continued volatility across several industries, particularly Financial Services, Energy & Power, Real Estate, and Healthcare, reflecting ongoing uncertainty tied to interest rates, capital availability, and broader economic conditions. While concerns regarding capital market liquidity, stock market stability, and fiscal pressures moderated compared to earlier in the year, lenders remain focused on macroeconomic and geopolitical risks as they evaluate the operating environment heading into 2027.

Despite these concerns, survey results indicate that lenders are increasingly positive regarding future economic conditions and customer growth prospects. Customers continue to prioritize organic growth initiatives, including new product introductions, capital investments, raising additional capital, and expansion into new markets, while acquisition activity remains comparatively limited. Economic sentiment improved for Q4 2026, with both near-term and longer-term outlook scores increasing from the prior quarter, suggesting lenders are becoming more optimistic, though sentiment remains measured. Consistent with this balanced outlook, most lenders expect to maintain current underwriting standards while continuing to exercise greater caution on larger credit facilities. At the same time, expectations for Federal Reserve policy shifted meaningfully higher, with a majority of respondents forecasting interest rate increases or continued elevated rates over the next six months, reinforcing expectations for a disciplined credit environment and a higher-rate operating landscape entering 2027.

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.

Looking ahead to Q4 2026, Geopolitical Risk / War remained the leading concern, cited by 36.8% of respondents, followed by Policy Risk (including interest rate-related concerns) at 29.7%, Political Uncertainty at 26.8%, and US Recession at 26.5%. Other frequently cited risks included Stability of the Stock Market (20.3%), Looming Debt Crisis (17.7%), Unstable Energy Prices (14.8%), US Budget Deficit (14.5%), and Constrained Liquidity in Capital Markets (12.9%).

The results suggest a shifting mix of economic concerns throughout 2026. Geopolitical Risk / War remained the most prominent risk across all quarters, although concerns moderated from the elevated levels observed in Q1 and Q2, before rebounding modestly in Q4. Policy Risk remained a consistently significant concern and increased again in Q4, while Political Uncertainty rose this quarter after reaching a low point in Q3. Concerns regarding a US Recession increased through Q2 and remained elevated through the second half of the year, reflecting persistent apprehension about economic growth. By contrast, concerns surrounding Constrained Liquidity in Capital Markets, the US Budget Deficit, and the Stability of the Stock Market generally declined over the survey period.

Overall, respondents continue to place the greatest emphasis on geopolitical, policy, and recession-related risks, while concerns tied to capital market liquidity and broader financial market conditions have moderated relative to earlier in the year.

Factors Affecting Near-Term Economy	Q1'2026	Q2'2026	Q3'2026	Q4'2026
Geopolitical Risk/War	46.2%	42.4%	34.9%	36.8%
Policy Risk (Interest Rates)	31.3%	32.5%	26%	29.7%
Political Uncertainty	22.6%	26.6%	22.9%	26.8%
US Recession	23.1%	27.1%	26.5%	26.5%
Stability of the Stock Market	31.7%	27.1%	21.2%	20.3%
Looming Debt Crisis	23.6%	20.7%	22.3%	17.7%
Unstable Energy Prices	13.9%	13.8%	14%	14.8%
US Budget Deficit	21.2%	18.7%	18.2%	14.5%
Constrained Liquidity in Capital Markets	26.4%	27.6%	14%	12.9%

Note: Q1 2026 figures are from the prior report's comparison table. Q2 – Q4 2026 figures are from the Q2 – Q4 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.

Financial Services remained the industry most frequently cited as likely to experience volatility over the next six months at 39.7%, followed by Energy & Power (29.7%), Real Estate (23.5%), and Healthcare (21%). Other industries receiving notable responses included Consumer Products & Services (18.7%), Construction (18.7%), Food & Beverage (17.7%), Agriculture (16.1%), and Retail, Restaurant & Hospitality (15.2%).

Overall, respondents continue to anticipate broad-based industry volatility, although the distribution of concerns has shifted over the course of 2026. Financial Services remained the primary area of concern, despite materially declining from its Q1 2026 peak. Energy & Power remained consistently elevated across all four quarters, while concerns surrounding Real Estate increased steadily throughout the year, making it the third most-cited industry for Q4 2026. In contrast, expectations for volatility in Consumer Products & Services and Agriculture moderated following elevated readings in prior quarters.

The results suggest that respondents remain focused on sectors sensitive to interest rates, capital availability, and broader economic conditions. At the same time, concerns have become more concentrated in financial, energy, real estate, and healthcare-related industries as 2026 has progressed.

Industries Experiencing Most Volatility	Q1'2026	Q2'2026	Q3'2026	Q4'2026
Financial Services	54.8%	46.3%	34.9%	39.7%
Energy & Power	34.6%	34%	29.3%	29.7%
Real Estate	15.9%	17.7%	20.3%	23.5%
Healthcare	18.3%	22.2%	17.6%	21%
Consumer Products & Services	22.6%	26.1%	25.7%	18.7%
Construction	19.2%	14.8%	12.8%	18.7%
Food & Beverage	11.1%	14.3%	20%	17.7%
Agriculture	12.5%	22.7%	22.1%	16.1%
Retail, Restaurant & Hospitality	12.5%	10.3%	12.5%	15.2%
Technology, Media & Telecommunications	26%	12.3%	13.1%	14.5%
Cyber	11.5%	13.3%	13.4%	14.2%
Government	14.9%	17.7%	13.1%	13.5%
Education	11.1%	14.8%	16.1%	11.9%
Industrial & Manufacturing	10.1%	10.8%	8.7%	10.3%
Insurance	8.2%	9.4%	11.9%	9%
Private Equity	8.2%	7.9%	5.4%	8.7%
Cannabis	8.2%	10.3%	7.8%	8.1%
Aerospace & Aviation	12.5%	14.3%	10.7%	6.8%
Transportation Infrastructure	4.3%	5.9%	4.5%	2.6%

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 remained the most frequently cited planned customer action for Q4 2026 at 45.5%, rebounding from 41.5% in Q3 2026 and returning to levels consistent with the first half of the year. Making New Capital Investments followed closely at 44.8%, reflecting continued willingness among customers to invest in operations and growth initiatives. Raising Additional Capital remained a significant priority at 40.6%, while Entering New Markets was cited by 37.7% of respondents. Hiring New Employees moderated to 34.8% from 38.3% in Q3 2026, but remained a commonly cited growth-oriented initiative. Making an Acquisition remained one of the less frequently cited actions at 21%, although it increased modestly from the prior quarter. "Other" initiatives received no responses for the third consecutive quarter.

Taken together, the Q4 2026 results suggest customers continue to prioritize organic growth, investment, and expansion initiatives over acquisition-driven strategies. New product development, capital investment, capital raising, and market expansion remain the most frequently cited planned actions. These results indicate that many companies are focused on enhancing capabilities, supporting growth objectives, and strengthening competitive positioning. While hiring activity softened during the quarter, it remained elevated relative to acquisition activity, reinforcing the view that respondents expect customers to pursue growth primarily through internal investment and operational expansion rather than through mergers and acquisitions.

Customers' Plans	Q1'2026	Q2'2026	Q3'2026	Q4'2026
Introducing New Products or Services	45.7%	46.3%	41.5%	45.5%
Making new capital investments	48.6%	39.4%	40.9%	44.8%
Raising Additional Capital	37.5%	48.3%	41.2%	40.6%
Entering New Markets	34.6%	44.3%	38.3%	37.7%
Hiring New Employees	43.3%	37.9%	38.3%	34.8%
Making an Acquisition	21.2%	16.7%	19.8%	21%
"Other" Initiatives	1.4%	0.0%	0.0%	0.0%

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

4. US ECONOMY GRADE – NEXT SIX MONTHS

Respondents were asked how they expected the US economy to perform during the next six months on a grading scale of A through F.

Lender sentiment is viewed to improve meaningfully in Q4 2026, with the weighted average grade increasing to 2.86, up from 2.26 and 2.29 in the previous quarters. While "C" remained the most common response at 34.8%, the share of respondents assigning more favorable "A" and "B" grades increased to 15.2% and 21%, respectively. At the same time, the proportion of "D" grades remained relatively elevated at 21%, while "F" grades declined to 8.1% from 10.5% in Q3 2026.

The Q4 2026 results suggest lender expectations for the US economy became more constructive following the more cautious sentiment observed in Q3 2026. Although a significant portion of respondents continue to anticipate average or below-average economic performance, the increase in favorable ratings and decline in the most negative assessments indicate an improving outlook. Overall, lenders appear somewhat more optimistic about near-term economic conditions, though the continued prevalence of "C" and "D" responses suggests expectations remain measured rather than overwhelmingly positive.

Grade	Q1'2026	Q2'2026	Q3'2026	Q4'2026
A	17.8%	11.8%	10.2%	15.2%
B	24%	34.5%	18.2%	21%
C	33.7%	30.5%	39.3%	34.8%
D	18.3%	13.8%	21.7%	21%
F	6.3%	9.4%	10.5%	8.1%
Weighted Average	**2.38**	**2.29**	**2.26**	**2.86**

Note: Q1 2026 figures are from the prior report's comparison table. Q2 – Q4 2026 figures are from the Q2 – Q4 survey data. 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 beyond the next six months on a grading scale of A through F.

Lender sentiment regarding the longer-term economic outlook improved modestly in Q4 2026, with the weighted average grade increasing to 2.24, up from 2.04 in Q3 2026, though still below 2.33 in Q2 2026 and 2.45 in Q1 2026.

The share of respondents assigning "A" and "B" grades increased to 16.1% and 27.4%, respectively, from 12.8% and 23% in Q3 2026. At the same time, "D" and "F" responses declined to 21.9% and 6.8%, respectively, indicating some improvement in longer-term economic sentiment.

Despite the improvement, "C" remained the most common response at 27.7%, underscoring that a substantial portion of lenders continue to hold a neutral outlook regarding economic conditions beyond the next six months.

Overall, the results suggest lenders became more constructive on the longer-term economic outlook during Q4 2026 following the more pessimistic sentiment reported in Q3 2026. While concerns regarding future economic conditions remain elevated relative to earlier periods, the increase in favorable grades and decline in the most negative assessments indicate expectations have stabilized and improved modestly heading into 2027. Nonetheless, the continued prevalence of "C" and "D" responses suggests lenders remain cautious and are not yet anticipating a broad-based improvement in economic conditions.

Grade	Q1'2026	Q2'2026	Q3'2026	Q4'2026
A	18.3%	16.7%	12.8%	16.1%
B	32.7%	31.5%	23%	27.4%
C	29.8%	28.6%	30.4%	27.7%
D	14.4%	14.8%	22.7%	21.9%
F	4.8%	8.4%	11.2%	6.8%
Weighted Average	**2.45**	**2.33**	**2.04**	**2.24**

Note: Q1 2026 figures are from the prior report's comparison table. Q2 – Q4 2026 figures are from the Q2 – Q4 survey data. 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 loan categories of different sizes.

While maintaining existing loan structures remained the most common response across all loan sizes in Q4 2026, lenders' credit posture was largely unchanged from all prior quarters. On average, 57% of respondents indicated they would maintain current structures, compared to 56% in Q3 2026 and 51% in Q2 2026. Meanwhile, 28% reported plans to tighten structures and 15% expected to relax terms, suggesting a measured approach to credit underwriting.

For loans greater than $25 million, lenders remained the most conservative, with 41% indicating plans to tighten structures, compared to 28% for loans between $15 million and $25 million and 24% for loans between $5 million and $15 million. In contrast, relaxation remained most prevalent among smaller credits, with 22% of respondents indicating plans to relax structures for loans under $5 million, compared to 10%–15% across larger loan categories.

Overall, the results suggest lenders continue to favor a predominantly maintenance-oriented approach while keeping a differentiated view based on loan size. Larger credits remain subject to heightened scrutiny and tighter underwriting standards, whereas smaller loan categories continue to benefit from a greater willingness to relax terms. The relatively stable mix of tightening and relaxation responses compared to Q3 2026 indicates that lenders remain cautious but are not materially increasing credit conservatism as they head into 2027.

	Q1 2026			Q2 2026			Q3 2026			Q4 2026		
	Tighten	Maintain	Relax	Tighten	Maintain	Relax	Tighten	Maintain	Relax	Tighten	Maintain	Relax
Loans > $25 million	37%	49%	15%	41%	46%	12%	39%	53%	8%	41%	48%	11%
$15 - 25 million	30%	58%	12%	33%	57%	9%	31%	59%	10%	28%	62%	10%
$5 - 15 million	18%	60%	22%	29%	53%	18%	25%	61%	14%	24%	61%	15%
Under $5 million	20%	55%	25%	26%	47%	27%	23%	51%	26%	19%	59%	22%
Overall Average	**26%**	**55%**	**19%**	**32%**	**51%**	**17%**	**29%**	**56%**	**14%**	**28%**	**57%**	**15%**

Note: Q1 2026 figures are from the prior report's comparison table. Q2 – Q4 2026 figures are from the Q2 – Q4 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 shifted noticeably higher in Q4 2026. The largest share of respondents continued to expect rate increases, with 36% anticipating a one-half-point increase or more and 27% expecting a one-quarter-point increase. In contrast, the remainder of respondents (36%) anticipated either no change or a rate decrease, including 11% expecting a decrease of one-half point or more.

Compared to Q3 2026, respondents became significantly more bullish on interest rate-increases, resulting in a weighted average expectation of approximately +0.22 percentage points, up from +0.03 percentage points in both Q2 and Q3 2026 and +0.12 percentage points in Q1 2026.

Overall, the results suggest lenders increasingly expect interest rates to remain elevated or move higher over the next six months. The increase in respondents forecasting rate increases, coupled with the decline in expectations for rate cuts, indicates a more hawkish outlook for monetary policy and reflects expectations that inflationary pressures or economic conditions may continue to support a higher-rate environment heading into 2027.

Bps Change	Q1'2026	Q2'2026	Q3'2026	Q4'2026
+ ½ point or more	26%	26%	26%	36%
+ ¼ point	**23%**	**20%**	**20%**	**27%**
Unchanged	25%	19%	19%	17%
- ¼ point	**11%**	**13%**	**13%**	**8%**
- ½ point or more	16%	22%	22%	11%
Weighted Average	**+0.12 bps**	**+0.03 bps**	**+0.03 bps**	**+0.22 bps**

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

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