

Beyond Traditional Lending: The Rise of Specialized Credit Solutions in Modern Banking

September 2026

Sensitivity: Public

Introduction

The financing needs of businesses have become more varied and more complex. Traditional lending products are no longer sufficient to meet the diverse financing needs of businesses as different industries operate with unique cash flow cycles, asset structures, and funding requirements. While conventional offerings such as term loans and revolving credit lines remain important, companies increasingly expect financing solutions that align with their specific business models, collateral bases, growth stages, and industry-specific risks. This has created stronger demand for specialized credit solutions and has encouraged lenders to move beyond generic lending products toward more tailored, relationship-led financing models.

This paper explains why specialized lending has become more important, how it addresses complex borrower needs, where the U.S. market is expanding, and why these products matter for lenders. It also discusses how credit risk assessment is changing as lenders place greater emphasis on sector knowledge, asset quality, cash flow visibility, and proactive risk monitoring.

What Are Specialized Lending Products?

Specialized lending products are financing structures built around a borrower's specific situation rather than a one-size-fits-all credit template. The structure may depend on the purpose of financing, the type of collateral available, the borrower's industry, or the way cash is generated and collected. For example, a construction project, an equipment purchase, a seasonal business, and a receivables-backed facility each require a different view of repayment risk. By adapting the loan structure to these realities, specialized lending helps businesses access capital in a manner that supports their growth and operational requirements.



Sensitivity: Public

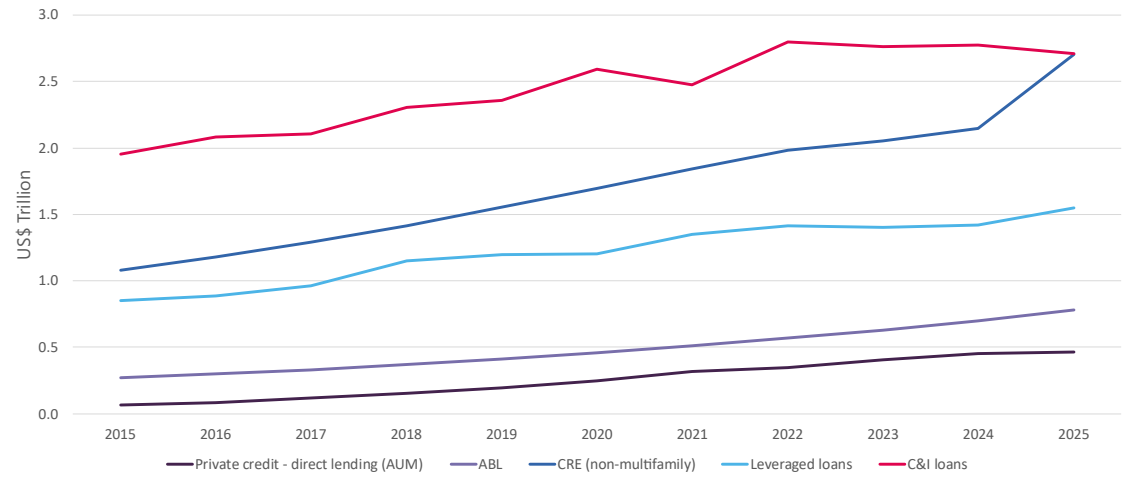
U.S. Specialized Lending: Market Overview

Over the past decade, the U.S. lending market has gradually become more specialized. While traditional lending remains a major source of commercial financing, specialized lending has emerged as one of the fastest-growing segments, supported by increased industry specialization, better data and underwriting tools, and greater participation from non-bank lenders.

The market data below suggests a clear shift in the credit landscape. By 2025, specialized lending products represented a much larger share of the U.S. credit landscape, with several segments growing 2-6x faster than traditional lending categories. While commercial and industrial (C&I) lending and commercial real estate (CRE) remain the largest categories by outstanding loan balances, the most rapid expansion has occurred within the private credit space, particularly direct lending. Driven by strong institutional investor demand and sustained private equity activity, direct lending has evolved into a market with more than half a trillion dollars in assets. According to PwC, expansion within private credit is increasingly being driven by specialized strategies such as asset-backed finance, infrastructure debt, real estate debt, distressed debt, and specialty finance. The expansion of lending platforms by large alternative asset managers such as Apollo, Ares, and Blackstone has further strengthened private credit's position as a mainstream funding solution for corporate borrowers.

U.S. Lending Products Market Size Trend

Selected lending products, 2015-2025; AUM or debt outstanding



Source: PitchBook, Preqin, the Federal Reserve, FDIC, MBA.org

Sensitivity: Internal

Across major segments, growth has been uneven but meaningful. Based on the chart above, which draws on data from PitchBook, Preqin, the Federal Reserve, FDIC, and MBA.org, U.S. private credit/direct lending AUM expanded at an estimated 21.5% CAGR from $66.6 billion in 2015 to $465.3 billion in 2025. Asset-based lending (ABL) also grew rapidly, with an estimated 11.2% CAGR, increasing from $270 billion to $780 billion, reflecting stronger corporate demand for flexible, collateral-backed financing. Non-

Sensitivity: Public

multifamily CRE lending grew at roughly 9.6% CAGR, more than doubling from $1.08 trillion to $2.70 trillion, making it one of the largest specialized lending markets in absolute dollar terms. Leveraged loans expanded at a more moderate 6.2% CAGR to $1.55 trillion, while C&I loans, the broadest traditional benchmark, grew at only 3.3% CAGR to $2.71 trillion. On a bottom-up basis, aggregating segments such as CRE, leveraged loans, private credit – direct lending, ABL, and equipment finance suggests a U.S. specialized lending opportunity of approximately $7-$8 trillion. This estimate should be read as an indicative market view because no single public source provides a consolidated definition or total market size for specialized lending.

Top 10 U.S. Active Specialized Lenders

Bank lenders vs. non-bank private credit (direct lending); loan deals over the last 2 years

Bank Lenders
U.S. leveraged loans

		SHARE
1	**JPMorgan**	**6.5%**
2	BofA Securities	5.7%
3	Goldman Sachs	4.8%
4	Wells Fargo	4.1%
5	Barclays	3.6%
6	Morgan Stanley	3.5%
7	Citi	3.2%
8	RBC Capital	3.1%
9	Truist Securities	2.9%
10	Deutsche Bank	2.7%

Non - Bank Lenders
Private credit – direct lending

		SHARE
1	**Ares Management**	**4.6%**
2	Antares Capital	4.5%
3	Churchill Asset Management	3.9%
4	Golub Capital	3.4%
5	Audax Private Debt	2.8%
6	Monroe Capital	2.4%
7	Barings	2.4%
8	TPG Twin Brook	2.2%
9	MidCap Financial	2.2%
10	Blackstone	2.0%

Source: PitchBook

Sensitivity: Internal

The market remains highly fragmented, with competition spanning large commercial and investment banks, specialty finance firms, and private credit managers. Each player typically focuses on distinct borrower segments, collateral types, and risk-return objectives. Large banks such as JPMorgan Chase, Bank of America, and Wells Fargo continue to play a major role in CRE and leveraged lending, supported by their scale, balance sheet capacity, client relationships, and capital markets capabilities. Specialty finance companies are especially active in ABL, equipment finance, and other collateral-driven areas. Private credit managers have gained share in middle-market and sponsor-backed transactions where borrowers often value flexible structures and the ability to negotiate with a single lender or small lending group. As banks, specialty lenders, and private capital providers expand into adjacent segments, the market is becoming more competitive and more specialized at the same time.

Sensitivity: Public

How Specialized Loans Help Lenders

For lenders, specialized lending is not only a product expansion opportunity. It can also strengthen returns, deepen client relationships, and improve credit discipline when supported by strong underwriting and monitoring practices.

- **Higher Returns:** Specialized loans typically command higher interest rates and fees than traditional corporate or consumer loans because they involve greater complexity, require active monitoring, and demand specialized expertise. This enables lenders to generate stronger returns.

- **Portfolio Diversification:** Specialized lending allows financial institutions to diversify beyond traditional consumer and commercial lending by expanding into sectors with varying economic cycles and collateral profiles.

- **Improved Customer Retention:** Borrowers are more likely to stay with lenders that understand their business and can provide practical solutions when standard financing does not fit their needs. This flexibility allows specialized lenders to serve underserved markets and creates opportunities for deeper, longer-term relationships.

- **Strong Competitive Differentiation:** Specialized lending creates high barriers to entry because lenders need deep industry knowledge, experienced credit professionals, and sector-specific underwriting models. Lenders that build these capabilities can stand out in competitive markets.

- **Better Risk Assessment:** When lenders specialize, they become better at identifying credit risk. A bank that understands the operating cycles and business dynamics of complex industries (such as oil & gas, real estate, infrastructure, mining, and shipping) will underwrite more intelligently than one using a generic template. That means better covenant design, more realistic repayment structures, and more effective early warning monitoring.

- **Better Collateral Protection:** Many specialized loans are secured by tangible or financial assets. Collateral reduces loss severity and improves recovery rates during defaults.



Sensitivity: Public

The Shift in Credit Risk Evaluation

One of the most significant differences between traditional and specialized lending lies in how credit risk is evaluated. While both focus on a borrower's ability to repay, the underlying methodologies differ considerably due to the nature of the financing and the risks involved.

Traditional lending typically places significant weight on historical financial performance. Credit underwriting decisions are largely driven by a borrower's revenue trends, profitability, leverage, liquidity, debt service coverage, credit history, and collateral value. Because these products are designed for broad borrower segments, the credit process is often standardized and policy-led.

Specialized lending, on the other hand, adopts a more holistic, transaction-specific or asset-specific and forward-looking approach. Since each specialized lending product and industry vertical has unique cash flow characteristics, risk drivers, and structural protections, lenders evaluate a broader range of qualitative and quantitative factors. Beyond assessing the borrower's financial strength, they analyze the quality and value of the financed asset, the durability of cash flows, sector-specific risk drivers, sponsor strength and track record, the legal enforceability of collateral and contractual rights, and the downside recovery path. For example, in asset-based lending, the focus may be on receivables quality, inventory liquidity, and borrowing base discipline. In project finance, projected cash flows, contract structures, and counterparty strength become important underwriting considerations. In equipment finance, lenders consider asset utilization, residual asset value, and secondary market demand. This approach allows lenders to finance underserved borrower segments and complex transactions that may not fit within conventional underwriting models, while still maintaining a disciplined risk framework.

How Credit Risk Assessment Changes in Specialized Finance

From borrower-centric lending to deal- and asset-centric credit



*Risk-based categorization of specialized loans to determine regulatory capital requirements.

Sensitivity: Public

Summary

Specialized lending has evolved from a niche segment into one of the fastest-growing areas of the U.S. commercial lending market. Banks are expanding their specialized lending capabilities to capture higher-growth opportunities, deepen client relationships, and differentiate themselves from traditional lending competitors. The market's growth is further supported by increasing participation from private credit providers, rising private capital investments, and continued innovation in lending products.

As specialized lending portfolios become larger and more complex, lenders are increasingly investing in technology and data-driven decision-making capabilities. Competitive advantage is shifting toward institutions that can combine deep industry expertise with real-time portfolio monitoring, collateral analytics, covenant tracking, and predictive risk management. Artificial intelligence (AI) is emerging as a key enabler by automating data-intensive processes, improving operational efficiency, and providing faster insights across the credit lifecycle. These capabilities help lenders accelerate underwriting decisions, identify emerging risks earlier, optimize pricing, and manage portfolios more proactively.

AI is already transforming specialized lending across multiple products. In ABL, AI can automate the extraction and analysis of accounts receivable, inventory data, and borrowing-base certificates to identify collateral deterioration and exceptions more quickly. In CRE, AI-powered document intelligence can process rent rolls, lease agreements, occupancy metrics, and property performance data. For example, Lloyds Banking Group reported reducing CRE portfolio-schedule processing from as much as 60 minutes to under 2 minutes using AI-enabled processing. In private credit, AI supports due diligence, covenant monitoring, and portfolio surveillance by analyzing financial statements, credit agreements, amendments, and agent communications. S&P Global reported that straight-through processing increased from 5% to 50% following its AI rollout in private credit operations. While AI significantly enhances efficiency and monitoring capabilities, it is unlikely to replace specialized credit expertise. The greatest value will come from combining AI-driven analytics with experienced credit judgment, enabling lenders to scale specialized lending operations while maintaining disciplined risk management, strong governance, and informed decision-making.

Sensitivity: Public

How Evalueserve Can Support

As specialized lending becomes more complex, banks and credit investors need stronger analytical support across underwriting, portfolio monitoring, covenant tracking, collateral analysis, and early warning surveillance. Evalueserve can support lenders by combining domain-led credit expertise with scalable operating models and technology-enabled analytics, helping teams evaluate borrower risk more consistently, monitor sector-specific developments, and improve decision-making across the lending lifecycle.

Evalueserve's Support Across Various Specialized Lending Products

End-to-end support across the specialized lending lifecycle, enabled by Agentic and Generative AI

Origination
- Target screening and profiling
- Sighting paper support
- Newsletter/market support
- Client business review
- KYC, compliance, and documentation checks

Underwriting
- Financial spreading
- Drafting credit underwriting applications
- Populating risk rating models (PD/LGD)
- Due diligence validation
- Loan onboarding, booking, and initial funding support
- Post-booking review

Portfolio Management
- Financial spreading
- Periodic reviews
- ACH reviews
- Covenant monitoring
- Portfolio management support
- Due diligence (e.g., LexisNexis searches)

Servicing
- Managing lifecycle events (e.g., repricing and amendments)
- Managing financial transactions (e.g., new disbursements, payments, and fees)
- Managing collateral and insurance
- Managing syndications
- Managing customer and investor inquiries

Product Coverage: Asset-Based Lending | CRE | Leveraged Lending | Private Credit | Fund Finance | Construction Loans | Trade Finance

Key AI and Automation Initiatives

Financial Spreading & Covenant Tracking
- Auto-spreads filings and tax forms across templates and sectors
- Tracks and calculates financial covenants

~21% efficiency gain vs. manual spreading and 99.6% data accuracy

Credit Memo
- GenAI generates credit memo first drafts
- Covers business, risk, industry, and financial analysis

30-40% faster credit review processing

Intelligent Document Processing
- Extracts data from loan, legal, and collateral documents
- Auto-prepares summary and analysis reports

~30% efficiency gain on complex documents

Early Warning Signals
- Real-time market insights
- Custom portfolio dashboards

Continuous portfolio surveillance

Specialized Lending – Case Studies

	Fund Finance	Private Credit	CRE
Client	• Provides comprehensive portfolio monitoring through detailed quarterly credit reviews for one of the leading North American banks	• Supports the debt investments team of a leading Oceania-based asset manager through a dedicated offshore team	• Supports a leading North American bank's CRE annual review process across the U.S. and Canada
Support Overview	• Interim reviews • Financial spreading and risk rating • Covenant compliance monitoring • Borrowing base validation • Loan utilization analysis • Investment performance assessment • Monitor LP concentration across all capital call facilities	• Credit assessments and investment memorandums for new money market investments • Portfolio monitoring for ~150 debt assets • Periodic credit model refreshes • Covenant and performance tracking • Dashboard development	• Asset Portfolio Management System • Financial spreading • Document Repository Portal • Risk rating and C&T testing • Lending dashboard • Loan Origination System
AI and Automation	• 70% time savings in LP exposure reporting	• 25% productivity gain in portfolio monitoring • 80% accelerated data extraction	• 60% efficiency in writing appraisal review summary • 40% faster lease abstraction

Sensitivity: Public

Authors



Nishant Sehgal

Director, Corporate and Investment Banking LoB

Nishant has over 15 years of experience in corporate and commercial credit risk functions across multiple banks.



Amit Grover

Associate Director, Corporate and Investment Banking LoB

Amit has more than 17 years of experience managing complex credit portfolios, including syndicated loans, fund finance, and high-yield debt.



Jatin Arora

Senior Manager, Corporate and Investment Banking LoB

Jatin has more than 18 years of experience in credit risk assessment and leveraged finance.

Sensitivity: Public

Evalueserve Disclaimer

The information contained in this report has been obtained from reliable sources. The output is in accordance with the information available on such sources and has been carried out to the best of our knowledge with utmost care and precision. While Evalueserve has no reason to believe that there is any inaccuracy or defect in such information, Evalueserve disclaims all warranties, express or implied, including warranties of accuracy, completeness, correctness, adequacy, merchantability, and/or fitness of the information.

Sensitivity: Public