



# Private Credit Funds Redemption Restrictions: Market Context and Policy Issues

March 27, 2026

*Private credit* generally refers to a type of lending provided by [nonbank financial institutions](#), such as [alternative asset managers](#) of [private funds](#), to small- and medium-sized private companies. Although this [nearly \\$2 trillion](#) U.S. market is a fraction of the more than [\\$120 trillion](#) U.S. [capital markets system](#), multiple [redemption](#) (i.e., a process where investors can sell their shares back to the fund) restrictions by private credit funds ([Table 1](#)) in early 2026 have generated widespread concerns and [congressional attention](#) regarding its risks. This Insight provides explanations of the related market context and policy issues. For more background, see CRS In Focus IF12642, *Private Credit: Trends and Policy Issues*, by Eva Su.

## Recent Developments

Private credit funds are major lenders to software companies, such as [software-as-a-service](#) (SaaS) firms. As of December 2025, their exposures to SaaS were [estimated](#) at around \$500 billion. Automated software coding capabilities by [artificial intelligence](#) (AI) have [contributed](#) to reduced revenue streams at software companies, leading to a wave of redemption requests at private credit funds that lend to the sector. To manage liquidity pressure, certain funds have used redemption restrictions to reduce outflows. [Table 1](#) shows the extent to which some funds face redemption requests that exceed the redemption caps they implemented. These developments have led to sharp [stock price declines](#) at private credit fund asset managers.

**Table 1. Examples for Private Credit Funds with Redemption Restrictions as of March 2026**

Company	Fund Name	Fund Size	Redemption Cap	Redemption Request
Blue Owl	<a href="#">Blue Owl Capital Corp II</a>	\$1 billion	No more quarterly redemption	High, in light of a potential <a href="#">20%</a> valuation loss
Morgan Stanley	<a href="#">North Haven Private Income Fund</a>	\$7.6 billion	5%	10.9%
Ares Management	<a href="#">Ares Strategic Income Fund</a>	\$10.7 billion	5%	11.6%

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Company	Fund Name	Fund Size	Redemption Cap	Redemption Request
Apollo Global Management	<a href="#">Apollo Debt Solutions</a>	\$15.1 billion	5%	11.2%
BlackRock	<a href="#">HPS Corporate Lending Fund</a>	\$26 billion	5%	9.3%
Cliffwater LLC	<a href="#">Cliffwater Corporate Lending Fund</a>	\$33 billion	7%	14%
Blackstone	<a href="#">Blackstone Private Credit Fund</a>	\$82 billion	5%	7.9% <sup>a</sup>

**Source:** CRS, using data from media reports that are hyperlinked to the fund names.

**Notes:** Some funds enforced the redemption cap, while others fulfilled the redemption requests irrespective of the cap.

a. Several senior Blackstone employees [reportedly](#) invested in the fund to fulfill the investor request.

## How Does Private Credit Fund Redemption Work?

Investors in non-traded private credit funds (such as the funds in [Table 1](#)) [typically](#) have redemption restrictions at around 5% of the fund's net asset value per quarter. Because contractual redemption restrictions are a feature of many private credit funds, some industry participants [argue](#) that private funds are not designed to offer the degree of liquidity seen in [public funds](#).

[Private funds](#), including private credit funds, have [different](#) liquidity expectations and design mechanisms than public funds. Unlike public funds, which typically offer daily liquidity, private credit funds generally impose redemption restrictions consistent with their longer investment horizons. As a result, these investments are relatively illiquid, and investors often expect to earn an [illiquidity premium](#).

## Why Do Investors Want to Get Their Money Back?

Private credit investors' redemption behavior may be driven by asset valuation downgrades and rising default risks. One rating agency reports that the U.S. private credit default rate has reached [5.8%](#), with some observers expecting it to rise to [8%](#) as AI disruption in the software industry continues (compared with around [4%](#) for corporate speculative-grade bonds). Private credit is a lending instrument. Unlike private equity, which holds ownership stakes and participates in potentially unlimited upside, private credit investors' returns are generally capped at agreed-upon interest rates. That said, when faced with portfolio company defaults, equity investors typically absorb losses before private credit investors.

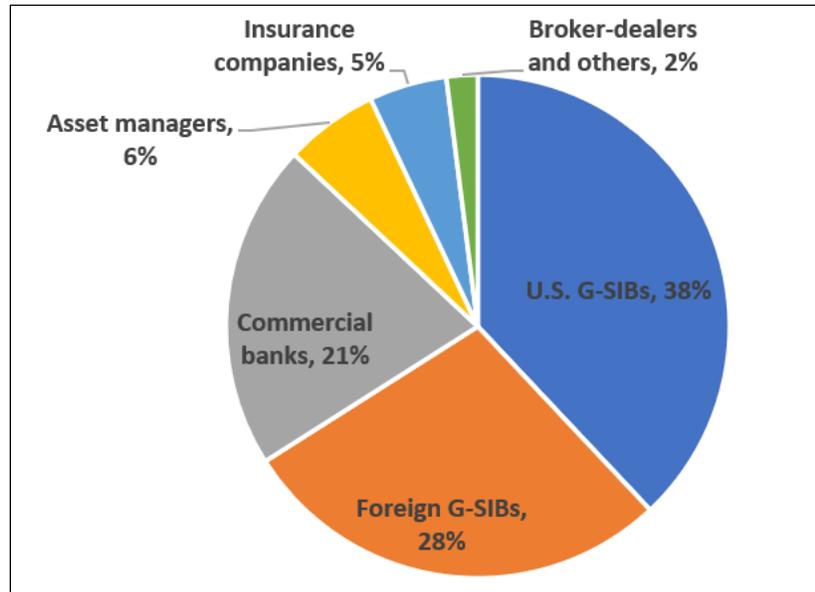
Given the relatively opaque and illiquid nature of private credit markets, generating reliable asset valuations can be challenging. For example, BlackRock [reportedly](#) wrote down a private loan from 100 cents on the dollar to zero within three months, illustrating both the difficulty of valuing illiquid assets and the potential speed of asset quality deterioration. In situations of significant portfolio write-downs, private credit funds may exhibit certain [run-like behavior](#). Earlier redeeming investors get cashed out at net asset value, creating an incentive to redeem before others if they think that the true value of a fund's portfolio is lower than its reported value, perhaps because a fund manager has not updated the valuation records appropriately.

## Will These Developments Affect Other Financial Markets?

Although the private credit industry is relatively small, it is part of an integrated financial system. Contagion effects may spread to other financial segments where lending and risk-sharing activities occur. A March 2026 [study](#) indicates that while many private credit funds use little or no [leverage](#), some rely on

bank funding, creating potential spillover channels to the broader financial system (**Figure 1**). These effects could include a [tightening](#) of overall credit conditions and potential asset [fire sales](#) by private credit funds seeking liquidity.

**Figure 1. Percentage of Lending to Private Credit by Creditor Type in 2024**



**Source:** Ted Berg and Jung Hoon Lee, “[Measuring Counterparty Exposures to Private Credit](#),” *Office of Financial Research*, Brief 26-02, March 12, 2026.

**Notes:** G-SIBs = [global systemically important banks](#).

## Policy Considerations

Private credit funds are funding sources for businesses. However, certain structural features can make it difficult for investors to assess and manage their associated risks, contributing to redemption pressures that may lead to liquidity constraints during periods of market stress. Investors with long time horizons may benefit from the illiquidity premium commonly associated with private credit; however, the recent wave of redemption requests suggests that some investors may not fully appreciate these illiquid features, particularly when asset valuations are uncertain. In response to concerns about risk transparency, some industry participants (e.g., Apollo Global Management) have [self-imposed](#) enhanced disclosures and certain [data infrastructure](#). More broadly, as policymakers evaluate risks in the private credit market, a key objective of capital markets policymaking is not to eliminate risks but to enable effective risk monitoring and accurate risk pricing.

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