March 13, 2026

House Committee on Appropriations
The Honorable Dave Joyce
Chairman
Subcommittee on Financial Services and General Government
House Committee on Appropriations

House Committee on Appropriations
The Honorable Steny Hoyer
Ranking Member
Subcommittee on Financial Services and General Government
House Committee on Appropriations

Dear Chairman Joyce and Ranking Member Hoyer:

As the Subcommittee begins writing the Fiscal Year (FY) 2027 Financial Services and General Government Appropriations bill, we respectfully request the inclusion of report language requiring the Financial Stability Oversight Council to design and conduct a stress test focused on nonbank financial institutions' private credit exposure and the associated financial stability risks.

Conducting a stress test has taken on increased urgency in recent months because the private credit market is demonstrating real and potentially-structural weaknesses. The more-than $3 trillion private credit lending market has expanded dramatically in recent years, and private credit risks extend far deeper into our economy than is regularly discussed.[1] For example, private credit loans now account for 35 percent of the investment portfolios of North American insurance companies.[2]

Unlike public debt, which is traded in the bond market and whose value is visible to regulators and analysts, private credit portfolios are opaque and generally not marked-to-market. This means the reported value of private credit portfolios can diverge from the real value of the assets they contain, and, without visibility into real-time valuations, price dislocations only become evident in extreme circumstances that have the capacity to cause market contagion.

As private credit becomes a bigger portion of the lending environment, regulators must understand whether contagion events associated with private credit losses (such as correlated write-downs vis-a-vis those that followed the discovery of fraud at manufacturer First Brands[3] and large-scale, fear-driven redemptions by retail investors from publicly-traded private credit vehicles[4]) pose a structural risk to financial stability. Therefore, we strongly recommend that you include the following language in the report accompanying the Fiscal Year 2027 appropriations bill:

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[1] Morgan Stanley, "Understanding Private Credit's Rapid Growth," Oct 3, 2025, https://www.morganstanley.com/ideas/private-credit-outlook-considerations

[2] Institutional Investor, "The IMF Is Raising the Alarm on Insurance Investments in Private Credit," Michelle Celarier, November 21, 2025, https://www.institutionalinvestor.com/article/imf-raising-alarm-insurance-investments-private-credit#:~:text=According%20to%20the%20IMF%2C%20private%20credit%20accounts,grade%2C%20more%20defaults%20are%20likely%20to%20occur.

[3] Financial Times, "First Brands creditor claims as much as $2.3bn has 'simply vanished,'" Eric Platt and Amelia Pollard, October 8, 2025, https://www.ft.com/content/36582d44-2592-4de7-a252-c2797fa65a48

[4] The Wall Street Journal, "Private-Credit Warning Signs Flash After Blue Owl Unloads $1.4 Billion in Assets," Matt Wirz, February 12, 2026 https://www.wsj.com/finance/investing/private-credit-warning-signs-flash-after-blue-owl-unloads-1-4-billion-in-assets-02494fab?gaa_at=eafs&gaa_n=AWEtsqewqnX-gnGK_7wWyoOTsTPbOcXSPNLAHz4lHxa5m1GSxcjkOgXQrzeHRR-RXRU%3D&gaa_ts=69af14c3&gaa_sig=AO6oWCMY9qYIsYIkw9kFC67r9PAakdMWZsfBeM_-DOhgBhLAoTLnyiEOLsw4NbvkX9OdDbZDLYzpxbzG_mMkFQ%3D%3D

"The Committee is concerned that nonbank financial institutions' private credit exposure may pose a structural risk to the financial stability of the United States. Therefore, the Committee requests that the Financial Stability Oversight Council work with the Office of Financial Research to design and conduct an exploratory stress test of nonbank financial institutions engaged in private credit activities, in alignment with recent exercises conducted by international financial regulators, that would assess their susceptibility to financial shocks and estimate the impact of stress in the private credit market on U.S. financial stability and the broader economy."

Innovative, flexible capital markets are critical to our nation's dynamism, but they must be accompanied by adequate regulation and risk management. As private credit markets expand rapidly—including into the portfolios of individual investors—Congress has a duty to ensure they are structurally sound.

Sincerely,

Seth Moulton
Member of Congress

Stephen F. Lynch
Member of Congress