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Dimon Cautions on Private Credit Risks While Steering JPMorgan Into the Market

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JPMorgan Chase & Co. Chief Executive Officer Jamie Dimon has issued a strong warning about the dangers surrounding the rapid growth of private credit. Despite the risks, the bank plans to invest $50 billion into the sector, adopting a disciplined strategy aimed at both managing exposure and capturing long-term opportunity in what has become a dominant force in modern lending.

Private credit, also referred to as direct lending, involves non-bank institutions offering loans outside the regulatory reach of traditional banking. The sector has grown to roughly $700 billion in assets, according to data from the Private Credit Fund Index (PCFI). With firms like Ares Management Corporation and Blackstone Inc. leading the charge, private lenders have filled the gap left by banks, often offering looser terms and lighter oversight.

Speaking at a financial event earlier this year, Dimon didn't hold back. "Some areas of direct lending are fine, but others are reckless," he said. He warned that weak loan structures and interest-only deals resemble the lead-up to the 2008 financial crisis. A report by Moody's Analytics backed his concern, urging that large private credit funds face stress testing similar to commercial banks.

Ironically, JPMorgan exited this market in 2015 when it spun off its private credit division, now known as HPS Investment Partners. Dimon now acknowledges that decision as a strategic error. In response, the bank is returning to the space by lending directly from its balance sheet, carefully selecting deals. The shift came partly after JPMorgan lost a major financing opportunity to Apollo Global Management, spurring executives to reexamine their position in the market.

Troy Rohrbaugh, co-head of JPMorgan's commercial and investment banking unit, told *The Wall Street Journal*, "There could be some pain, but our approach is cautious and long-term." Kevin Foley, the bank's Global Head of Debt, added that JPMorgan intends to be the "Switzerland of financing," providing clients with both conventional and private credit solutions.

Dimon's move reflects a center-right principle: prudent leadership doesn't mean avoiding risk, it means managing it wisely. By identifying the threats in this booming market while stepping in with oversight and control, JPMorgan is positioning itself as a leader, not a bystander. The message is clear: innovation must walk hand-in-hand with responsibility.