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## America's Leading Banker Warns of Private Credit Surge That Could Trigger Financial Turmoil

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JPMorgan Chase & Co. Chief Executive Officer Jamie Dimon has sounded a serious warning about the explosive rise of private credit, a loosely regulated lending trend that, he argues, bears dangerous similarities to the mortgage-driven excesses that led to the 2008 financial crisis. At the same time, Dimon revealed JPMorgan is stepping

into the space with a \$50 billion investment, highlighting both the risks and rewards of this expanding corner of Wall Street.

Private credit, also known as direct lending, refers to loans issued by non-bank financial institutions outside traditional regulatory oversight. According to data from the Private Credit Fund Index (PCFI), the sector has ballooned to nearly \$700 billion in assets. Much of the growth has been led by firms like Blackstone Inc. and Ares Management Corporation, which offer flexible lending packages to highly leveraged businesses, often with minimal oversight or risk controls.

Speaking at a financial summit earlier this year, Dimon didn't mince words. "Parts of direct lending are fine," he said, "but others aren't. And that's where things can go wrong." He warned that loans structured with weak covenants and interest-only repayment terms resemble the practices that triggered the subprime mortgage collapse nearly two decades ago. Despite this concern, Dimon also acknowledged that JPMorgan's previous decision to spin off its private credit unit in 2015, now operating as HPS Investment Partners, was a missed opportunity.

Now, JPMorgan plans to re-enter the market, albeit cautiously. The firm aims to apply stricter internal standards and due diligence processes than many of its non-bank rivals. Troy Rohrbaugh, co-head of JPMorgan's commercial and investment banking division, told The Wall Street Journal, "There could be some pain in this space, but we're staying disciplined and long-term focused."

Critics argue that the Federal Reserve (Fed), the central bank of the United States, should impose tighter scrutiny on this sector before it becomes too large to manage. With rising interest rates and the potential

for defaults growing, even a modest disruption in the private credit market could send shockwaves through the broader economy.

For fiscally conservative observers, Dimon's caution reflects a broader truth: sound risk management and transparency should not be sacrificed in pursuit of yield. As Wall Street increasingly chases returns in murkier markets, the call for discipline, oversight, and strategic restraint has never been more urgent.