Factsheet

Loan IQ's Payment-in-kind module

Streamlined management of Payment-in-kind (PIK) structures allows lenders to efficiently grow their specialized lending business while also eliminating manual efforts

Payment-in-kind (PIK) interest is increasingly prevalent in today's private credit and leveraged lending markets. As rates rise and liquidity pressures mount, more borrowers are opting for PIK interest structures to preserve liquidity and manage refinancing risk. Recent data shows PIK features now appear in over 10% of new private credit deals*, with usage rising both at origination and through amendments to existing loans.

While PIK offers flexibility, it also introduces heightened credit risk and operational complexity, making it essential for lenders to have a system with robust functionality to efficiently manage these complicated deal structures.

PIK interest has long been a thorn in the side of operations teams that struggle to efficiently support it. Challenges lenders encounter with PIK include:

- Operational complexity: PIK structures are heterogenous and bespoke, requiring extensive expertise to manage
- Heavily manual: Historically, PIK has been a mostly manual process that involves multiple steps that are fraught with risk
- Trading inefficiencies: Open trades amounts must be manually updated to account for PIK events, creating risk and increasing settlement times
- Reporting: Multi-step, non standard processes causes errors and processing delays, increasing the risk of errors in reporting and the general ledger

According to Lincoln International, the share of private credit lending containing PIK interest increased from 6.8% in Q4 2021 to 10.7% in Q1 2025.*

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*https://pitchbook.com/news/articles/in-stress-measure-private-credit-lenders-take-over-17b-of-debt-lincoln

Why choose Loan IQ for PIK?

A purpose-built solution to seamlessly handle even the most sophisticated PIK structures

PIK is no longer a niche feature in the loan market and requires dedicated technology solutions to effectively support it. Loan IQ's Payment-in-Kind module offers comprehensive support for all PIK structures across the loan lifecycle.

Loan IQ enables lenders to scale their business, streamline operations, improve transparency and strengthen controls. From full PIK, double-accrual, PIK toggle and trading, Loan IQ provides the flexibility required to support the evolving needs of today's lending market.

Key Features:

- Flexibility to support varied deal structures with native functionality designed to automatically capitalize interest during servicing events for greater efficiency and control.
- Automation of PIK processing for trades, with PIK interest able to travel "for free" without manual intervention.
- Facility-level PIK rate management and ability to cap PIK interest, all reflected in Loan IQ's audit trails.
- Easily transfer PIK interest across facilities and loans regardless of type.
- Improved notices with clear breakdowns of PIK and cash interest on notices, bills and funding memos.

Key Benefits:

- Grow revenue by scaling your specialized credit business free of operational constraints
- Boost efficiency by seamlessly supporting complex, varied PIK structures across multiple loan types
- Reduce risk with structured workflows that reduce errors and improve downstream data integrity

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