Tariff-struck companies exploring loans backed by refund claims

By **Laura Matthews** and **Timothy Aeppel**

April 2, 2026 6:02 AM EDT · Updated 3 hours ago

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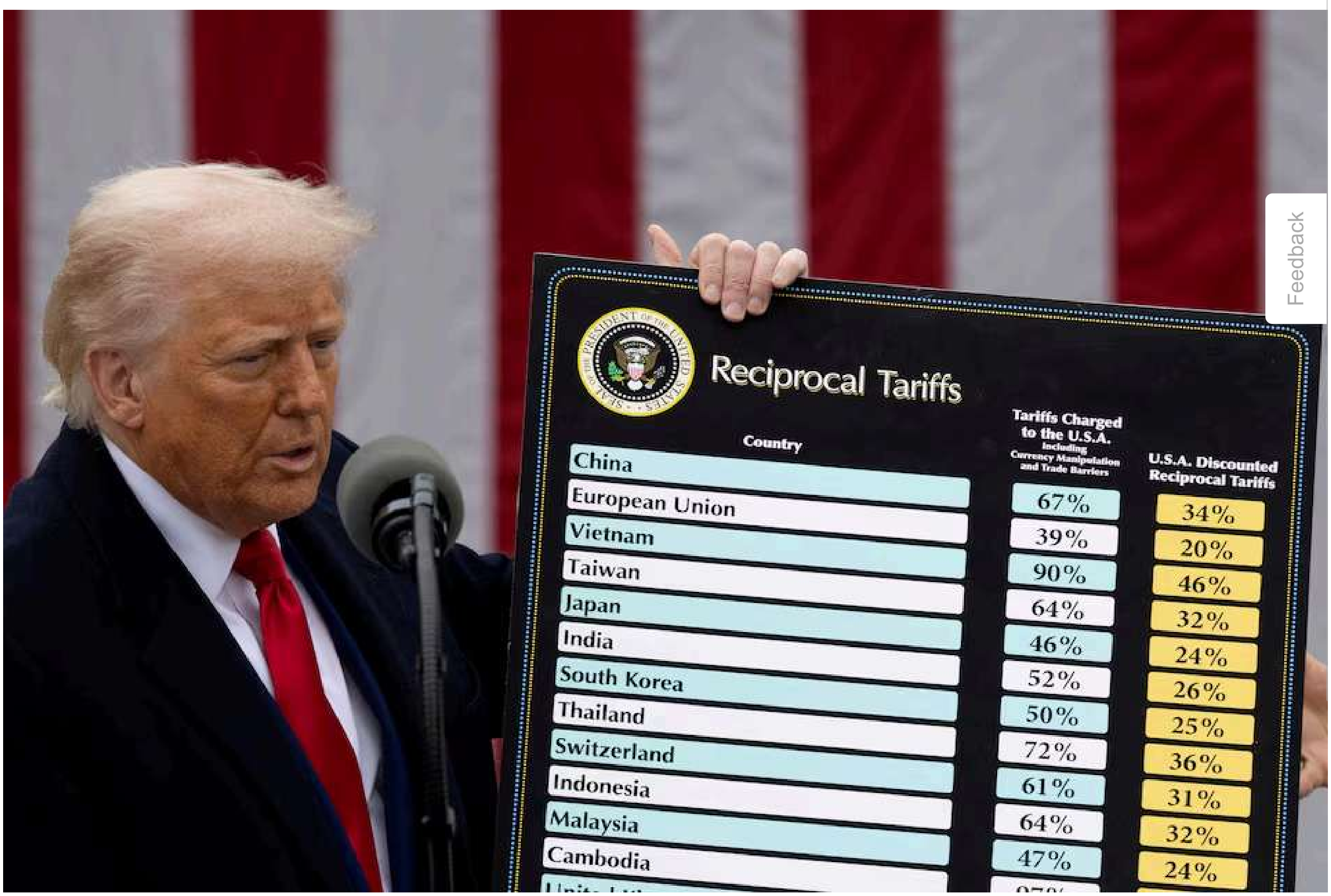

U.S. President Donald Trump delivers remarks on tariffs in the Rose Garden at the White House in Washington, D.C., U.S., April 2, 2025. REUTERS/Carlos Barria/File Photo Purchase Licensing Rights

Summary

Some importers are exploring loans backed by tariff refunds

- Companies could keep their claims, but interest rates could be high
- Tariffs were paid by more than 330,000 importers
- Companies seeking some $166 billion from Washington in refunds

NEW YORK, April 2 (Reuters) - Some tariff-whiplashed companies are exploring using refund claims as collateral for loans, in the latest example of creative financing arising from the complicated process of getting refunds from Donald Trump's now-overturned "Liberation Day" tariffs.

The move is a sign that importers may be able to use their claims to meet short-term funding needs - long before they collect refunds on Trump's tariffs, which were declared illegal by the U.S. Supreme Court in February.

Those tariffs sent shockwaves through the U.S. business world when Trump announced them on April 2 last year, forcing companies to reorganize global supply chains and battle with customers over who would shoulder the costs of the taxes, which were ultimately paid by more than 330,000 importers. Companies, many of whom sued the administration, are seeking some $166 billion back from the government.

Several financial-services firms stepped in to buy refund claims from importers worried about ever seeing refunds, despite the court's decision. Now, some companies are looking to use their claims as collateral for loans, rather than selling them at a hefty discount to a buyer, said a lawyer and a broker advising clients in this space.

"There's a lot of money looking to be deployed," said Raniero D'Aversa, partner and chair of law firm Orrick’s restructuring team, who is advising buyers, sellers, investors and lenders in the transactions. "You're paying interest, but you're not giving away 50% of your claim. You still own the claim."

D'Aversa said commercial banks, hedge funds, and private credit funds are actively looking to lend against these claims as collateral.

Importers could still be on the hook for the loan, however, if the government does not issue refunds.

APPEAL OF BORROWING

The loans are structured as term loans with payment-in-kind interest, meaning interest accrues and is repaid from the refund.

Borrowing appeals to some importers because they still own the claim, instead of selling it at a discount. Prices for the rights to potential government refunds have surged since the high court's ruling, but are still going for less than the full value, analysts said.

Neil Seiden, managing director of Asset Enhancement Solutions, which arranges debt financing for companies, said the funds he works with require a minimum loan size of $10 million in order to lend against tariff refunds. They also must be backed by a tariff claim of at least $20 million.

The transactions carry risks for both sides. Borrowers face high interest costs, while lenders are exposed to collateral erosion or the possibility of borrower default. Importers can generally sell a $500,000 claim outright at roughly 55 to 75 cents on the dollar, according to Seiden.

"What happens if the market goes from fifty cents to twenty cents? Now my collateral value has diminished and my loan is at risk," D'Aversa said.

Timing is a crucial variable for companies considering whether to sell the claim or borrow against it. For instance, at a hypothetical 15% interest rate, the break-even point for borrowing versus selling the claim at 80 cents on the dollar is just over two years, Seiden said.

Seiden said trade experts believe refunds could take at least two years to resolve, citing, in part, the Trump administration's adversarial stance toward refunds as well as potential appeals, eligibility reviews, and administrative delays. The U.S. customs agency said Tuesday that it was making progress on setting up a process for refunds, but some payments may be delayed.

"Every company will make a different decision depending upon how their business is doing and when they think the refund will be received," Seiden said. He said lenders conduct extensive underwriting to ensure borrowers can repay the loan, and if the refund does not cover interest costs, then it must be paid out of pocket.

The firm has already brokered $20 million in tariff claim purchases, but has not yet closed a loan.

FINANCIAL BUYERS SEEK PROTECTION

Brian Coppola, managing partner at Outpost Capital Partners, who prefers to buy potential proceeds directly from importers, said he plans to deploy billions into refund claims and has already acquired several from large U.S. retailers.

As the market for claims grows, buyers are looking for ways to protect themselves. Tony Gulotta, principal at tax consultancy Ryan, said he has discussed using contingency insurance with at least one buyer looking to acquire claims outright, partly to guard against seller insolvency or the loss of cooperation on the refund.

Large retailers might carry added risk if tariffs were passed on to customers that later triggered class-action lawsuits, he said.

Reporting by Laura Matthews and Timothy Aeppel in New York; editing by Megan Davies and David Gaffen

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Tim Aeppel covers the intersection of economics and companies, with an emphasis on manufacturing. Previously, Tim served as the Chief Economics Correspondent at The Wall Street Journal after spending six years as the Journal's roving manufacturing correspondent. He began his career at the Christian Science Monitor, where he launched the paper's first environmental affairs beat. Tim has spent much of his career chasing stories on the world's factory floors and industrial byways, applying a sharp eye for detail coupled with a deep understanding of the macro forces that shape the economy. He is a graduate of The Fletcher School of Law and Diplomacy at Tufts University and of Principia College.

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