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Fact Sheet:
Fourth Annual OCC Underwriting Survey

Bank lending standards eased for the fourth year in a row, according to the annual loan underwriting survey conducted by the Office of the Comptroller of the Currency. Highlights of the new survey, which was released today, include the following:

- Commercial loan standards have eased for the fourth straight year. Eased standards were more widespread among surveyed banks than in years past. Examiners primarily attributed the decline to increased competition.
- Price concessions were cited as the most prevalent method used by banks to ease underwriting standards. However, examiners reported that increasing numbers of surveyed banks granted structural concessions to borrowers, including more liberal financial covenants, reduced guarantor or collateral requirements, and extended maturities and amortization schedules. These concessions were cited far more frequently than in previous surveys.
- An exception occurred in international lending, where standards tightened, an apparent reaction to problems in Asia.
- Standards evidenced more pronounced easing in syndicated loans, middle market lending and real estate portfolios. The OCC cited this as a matter of particular importance since these portfolios comprise a significant portion of bank loan portfolios and historically have been responsible for a majority of the losses banks have experienced.
- In the consumer area, banks are continuing to tighten lending standards in most areas. Examiners reported tighter standards for credit card loans, direct consumer loans and indirect consumer loans. Examiners listed a number of factors for the tightening, including risk appetite, market strategy and potential change in the economic outlook.
- The one exception on the retail side is in home equity lending, where eased standards prevailed.
- The survey found increased levels of risk in all credit products, both commercial and retail. Examiners said they expect the level of risk inherent in bank loan portfolios to increase over the next 12 months.
- In the area of retail lending, portfolio risk continues to increase despite signs over the past two years of tightening standards. This reflects the current state of the retail markets, including competition, the desire to sustain growth levels, increasingly high debt burdens of customers, and the lag between underwriting practices and changes in the risk

profile of the loan portfolios.

This report represents the fourth annual Survey of Credit Underwriting Practices released by the OCC. The survey reflects the work of OCC examiners who evaluated lending practices at the national bank affiliates of the 77 largest bank holding companies. The banks in this survey had loan portfolios totaling approximately \$1.6 trillion, or 86 percent of all outstanding loans in national banks. All banks in the 1998 survey have assets of \$2 billion or greater.

For a copy of the 1998 Survey of Credit Underwriting Practices, write to: The Office of the Comptroller of the Currency, Communications Division, Washington, D.C. 20219. Copies can also be requested by fax at (202) 874-4448; by phone at (202) 874-5043; or by visiting the OCC's Public Reference Room at 250 E Street, S.W., in Washington, D.C. (9 a.m.-noon and 1-3 p.m., Monday-Friday).

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The OCC charters, regulates and examines approximately 2,600 national banks and 66 federal branches and agencies of foreign banks in the United States, accounting for 58 percent of the nation's banking assets. Its mission is to ensure a safe, sound and competitive national banking system that supports the citizens, communities and economy of the United States.