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U.S. DEPARTMENT OF THE TREASURY

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Treasury Releases First Monthly Bank Lending Survey

Despite Economic Downturn, Top 20 Banks Receiving Government Funds Continued Lending Activities; Survey Reflects Administration's Commitment to Greater Transparency, Communication Around Financial Stability Programs

WASHINGTON-- The U.S. Department of the Treasury released today its first monthly bank lending survey designed to provide new, more frequent and more accessible information on banks' lending activities to help taxpayers easily assess the lending and other activities of banks receiving government investments. Despite the negative effects of the economic downturn and unprecedented financial markets crisis, the first survey of the top 20 recipients of government investment through the Capital Purchase Program (CPP) found that banks continued to originate, refinance and renew loans from the beginning of the program in October through December 2008.

In the face of severe economic deterioration during this period--unemployment rose from 6.5 to 7.2 percent and more than 1.5 million jobs were lost as real GDP decreased by 3.8 percent--lending levels largely held steady and would have likely been lower absent capital provided to banks through CPP. The CPP directly infuses capital into viable banks, stabilizing the financial system and enabling banks to continue to play their vital roles as providers of credit to businesses and consumers. Some 400 banks in 47 states have participated since the program began.

As part of its commitment to greater transparency, Treasury will release a monthly survey summarizing the lending and other activities of the top 20 CPP recipients and post the findings on its web site. Today's survey tracks lending activity through the first three months of the CPP program, and subsequent reports will reflect data from the previous month.

Overall, loan origination and underwriting activities were weak from October to November 2008 but picked up from November through December, fueled by falling mortgage interest rates and the Federal Deposit Insurance Corporation's Temporary Liquidity Guarantee Program.

Over the period, the median change in residential mortgage loan balances was a decrease of 1 percent, while the median change in corporate loan balances was a decrease of 1 percent. Meanwhile, the median percent change in loan balances for U.S. credit cards was an increase of 2 percent, reflecting greater reliance on existing credit lines by consumers.

In commercial real estate, renewals of existing accounts increased significantly, while new commitments decreased. The median percent change in renewals of existing accounts was an increase of 55 percent, and the median percent change in new commitments was a decrease of 19 percent.

In sum, loan activity was resilient in the face of the worst economic downturn in decades.

Treasury launched the monthly bank lending survey as part of its commitment to Congress and the public to greater communication and transparency about its programs to stabilize the financial system. The Financial Stability Plan announced by Secretary Tim Geithner last week will further enhance the public's understanding of banks' lending, requiring companies receiving future government funds to report to Treasury how the money they receive preserves or generates new lending and to explain how they intend to use government assistance to strengthen their lending capacity.

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To read the Monthly Lending and Intermediation Snapshot click here

To view individual banks' reports click here