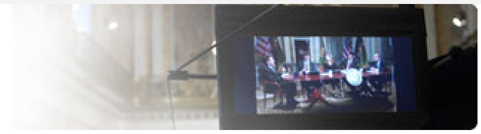
U.S. DEPARTMENT OF THE TREASURY

Press Center



Treasury Releases March Monthly Bank Lending Survey

5/15/2009

TG-135

WASHINGTON-- The U.S. Department of the Treasury today released results from its monthly bank lending survey for March with data from the top 21 recipients of government investments through the Capital Purchase Program (CPP). [1] Overall, balance sheets continued to contract. Outstanding loan balances at these banks slipped 1 percent in March. The survey also collects information on originations, which rose by 27 percent.

The results came amidst the ongoing contraction of the economy. Real GDP fell a sharp 6.1 percent at an annual rate, with particular weakness in spending on business inventories and plant and equipment. Total employment fell more than 700,000 per month in the first quarter, compared to an average monthly job loss of about 550,000 in the fourth quarter of 2008. Still, there were modest signs of stabilization in Q1: the pace of the homebuilding decline slowed significantly, mortgage rates moved to historic lows, and consumer spending and confidence edged higher. There were also signs of easing in financial pressures outside the banking sector. For example, issuance of corporate bonds picked up sharply in the first quarter. Securitization has also accelerated; almost $11 billion in new asset-backed securities were issued in March, compared to about half that amount in the previous two months combined.

The survey results presented here show that loans to consumers held on banks' balance sheets in three categories – first lien mortgages, home equity lines of credit, and other consumer loans – all increased in March. However increases in first lien mortgages and other consumer loans were smaller than they were in February. Households are facing growing pressures from a weakening labor market and further declines in their wealth. In this context, outstanding credit card balances held by major banks continued to fall, down 2 percent in March. In addition, total used and unused commitments for both credit cards and home equity lines of credit fell again in March as they have for every month of this survey.

Banks noted that the demand by businesses for commercial and industrial (C&I) loans was well below normal levels as a result of decreased business appetite for capital expenditure loans and loans to finance acquisitions, plants, equipment, inventories and accounts receivables. The outstanding stock of C&I loans to businesses fell 2 percent in March. As firms continue to downsize, cut costs, and reduce inventories, banks predict that lower demand will persist into the second quarter of 2009.

In the commercial real estate (CRE) sector, the survey results for March point to continuing poor market conditions and general caution by businesses, as was also reported in the February survey. While CRE loan balances at these 21 banks were up slightly, banks reported that demand for CRE loans remained well below normal levels, as businesses are focusing on strengthening their balance sheets, reserving for future losses, and downsizing. In addition, this general lower level of demand for new loans reflected a surplus in the market, as the supply of office space has increased due to firms downsizing and office vacancies rising. The Federal Reserve publishes weekly estimates of the main elements of commercial bank balance sheets, and their estimates suggest that large U.S. commercial banks continued to reduce their holdings of C&I and CRE loans in April and early May.

In spite of the declines in loans held on banks' balance sheets, originations of new loans accelerated. Originations of virtually all categories of loans increased notably in March. For example, both renewal of existing lines and new originations of C&I loans increased sharply in March. Establishment of new credit card and home equity lines of credit also increased. The median growth in total loan originations was 13 percent in March, with 19 banks posting increases in loan originations and 2 banks reporting declines. The increased volume in originations could be affected by seasonal factors and the three additional business days in the March survey period (22 days) versus the February period (19 days).

Through the CPP, Treasury invests in viable banks to stabilize the financial system by building up the capital bases of banks, enabling continued lending and economic recovery. Strong capital levels enable banks to continue to play their vital roles as providers of credit to businesses and consumers. Since the inception of the CPP, Treasury has funded 579 banks of all sizes in 48 states, Puerto Rico and the District of Columbia.

###

[1]With about $4.4 trillion in loans outstanding in December 2008, these banks account for over half of the loans outstanding in depository institutions.

REPORTS

- Tables
- Submissions March 2009
- Snapshot Data
- Summary Analysis