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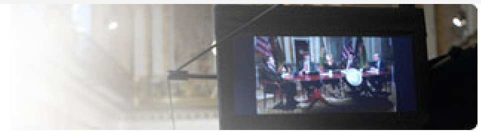

Treasury Releases May Monthly Bank Lending Survey

7/15/2009

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The U.S. Department of the Treasury today released results from its monthly bank lending survey for May with data from the top 21 recipients of government investments through the Capital Purchase Program (CPP). [1] The May survey found that outstanding loan balances were flat in May and there was modest growth in new loan originations in the 21 banks surveyed.

The economic environment in May, against which banks reported their lending and intermediation activities, experienced further deterioration, despite modest improvement in a number of indicators. That weakness is feeding into the financial system and credit markets and weakening overall demand for credit by consumers and businesses.

The lending survey results show that total outstanding consumer loans (the total of outstanding loans in all four consumer categories – first lien mortgages, home equity lines of credit, credit card loans, and other consumer loans) of all respondents were flat in May. Households are facing growing pressures from a weakening labor market and the recent declines in their wealth. In this context, consumers focused on paying down debt, driving the decreases in outstanding balances held by major banks.

As with consumer loans, the outstanding stock of total commercial and industrial (C&I) loans was flat in May. Banks reported that demand by businesses for C&I loans was well below normal levels. This decline was attributed to lower demand among businesses for capital expenditure loans and for loans to finance acquisitions, plants, equipment, inventories and accounts receivables. As firms continue to downsize, cut costs, and reduce inventories, banks predict that lower demand will persist through the second quarter of 2009.

In the commercial real estate (CRE) sector, the May survey results point to continuing poor market conditions and general caution by businesses. CRE loan balances at these 21 banks fell by 1 percent, and banks reported that demand for CRE loans remained well below normal levels as businesses continue to focus on strengthening their balance sheets, reserving for future losses, and downsizing. Additionally, the lower 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.

Total originations of loans by all respondents rose in four categories, specifically: mortgages, credit card loans, commercial real estate renewals and commercial real estate new commitments. Total originations fell in the following three loan categories: home equity lines of credit, other consumer lending products, and commercial and industrial renewals, and were flat in one loan category, commercial and industrial new commitments. Total originations of all loans (by all 21 respondents) increased by 1 percent. Fourteen banks posted increases in originations, and seven banks posted declines.

Small business lending showed growth in May. The total outstanding balance of small business loans increased by 1 percent in May, while total small business loan originations increased by 7 percent.

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 651 banks of all sizes in 48 states, Puerto Rico and the District of Columbia.

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[1]With about $4.2 trillion in net loans and leases outstanding in March 2009 **,** these banks account for more than half of the net loans and leases outstanding in depository institutions.

LINKS

- Tables
- The Monthly Lending and Intermediation Snapshot, 07/15/09
- Individual Banks' reports, 07/15/09
- Snapshot Data - excel
- Snapshot Data - pdf