# Survey of
# Credit Underwriting
# Practices
# 2002

**Office of the Comptroller of the Currency**

**June, 2002**

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## Part I: Overall Results



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# Introduction

The Office of the Comptroller of the Currency conducted its eighth annual Survey of Credit Underwriting Practices during the first quarter of 2002. The survey identified trends in credit risk within the national banking system, including changes in lending standards and credit practices, for the most common types of commercial and retail credit offered by national banks.

The 2002 survey included the 62 largest national banks and covered the 12-month period ending March 31, 2002. Although mergers and acquisitions have altered the survey population somewhat, the surveys for the last seven years have covered substantially the same bank group. All companies in the 2002 survey have assets of $2 billion or greater. The aggregate loan portfolio of banks included in the 2002 survey was approximately $2 trillion as of December 31, 2001. This represents 90 percent of all outstanding loans in national banks.

The OCC examiners-in-charge of the surveyed banks were asked a series of questions concerning overall credit trends for 16 types of commercial and retail credit. For the purposes of this survey, commercial credit consisted of eight categories of loans: syndicated/national loans, structured finance, asset-based loans, middle market loans, small business loans, international credits, commercial real estate loans, and agricultural loans. Retail credit also consisted of eight categories of loans: residential real estate, affordable housing, credit cards, other direct consumer loans, indirect consumer paper (loans originated by others, such as car dealers), consumer leasing, conventional home equity, and high loan-to-value (HLTV) home equity loans.

The term “underwriting standards,” as used in this report, refers to various requirements, such as collateral, loan maturities, pricing, and covenants that banks establish when originating and structuring loans. Conclusions about “easing” or “tightening” of underwriting standards are drawn from OCC examiners’ observations since the 2001 survey. A conclusion that the underwriting standards for a loan category have eased or tightened does not indicate that all the standards for that category have been adjusted. It indicates that the adjustments that did occur had the net effect of easing or tightening such underwriting criteria.

Part I of this report discusses the overall results of the survey. Part II depicts the survey results in graphs and charts.

# Part I - Overall Results

## Primary Findings

- ***For the second year, the majority of surveyed banks tightened commercial loan underwriting standards. The tightening offsets widespread easing that occurred during prior periods and was a measured response to a slowing economy and pockets of deteriorating product performance.***

- ***Retail underwriting standards again evidenced more stability than did those for commercial loans. Most banks made no change to retail underwriting standards and those banks that did make changes primarily tightened standards.***

- ***The level of credit risk in both commercial and retail portfolios was reported to have increased during the past year and is projected to increase further over the next twelve months.***

- ***As expected, the economy was a major factor in the 2002 survey findings. Examiners reported that the economy was the most important credit issue confronting banks in addition to being the primary reason changes were made to underwriting standards.***

For the twelve months covered by the 2002 survey, examiners reported some degree of incremental tightening of commercial underwriting standards in 67 percent of surveyed banks as compared to 55 percent in 2001. The reported tightening of standards that has occurred over the last two years reflects concerns about unfavorable external conditions and product performance.

On a product-by-product basis, tightening was most significant for structured finance and syndicated/national loans — the products that experienced significant credit quality deterioration during the past three years. Standards for other commercial loan products were largely unchanged, but where standards were changed, the tendency was to tighten. Examiners reported that, among the other commercial loan products, standards for commercial real estate loans tightened the most. Weakened demand caused by unfavorable economic conditions has resulted in a number of commercial real estate markets and property types experiencing increased vacancies in the last year**.**

Though banks have tightened commercial underwriting standards in response to the current conditions, examiners also reported that the majority of surveyed banks expanded their loan portfolios and plan to continue to do so in the upcoming year.

Consistent with previous survey results, retail lending standards exhibited less change than commercial lending standards. More banks made “no change” to their retail standards than did those that eased or tightened these standards. When banks made changes to their retail lending standards, more tightened standards than eased them. Examiners reported 39 percent of the surveyed banks tightened standards in 2002 compared to 32 percent in 2001. The retail products with the most tightening were HLTV home equity loans, consumer leasing, and direct consumer loans. Credit cards was the only retail product to experience a material amount of easing, but on balance tightening outweighed easing for this product as well.

The reasons for tightening underwriting standards were similar for commercial and retail products. Examiners reported the three primary reasons for tightening were, in order of importance, economic outlook, risk appetite, and product performance. Seventy-five percent of the examiners cited the economic outlook as the reason for tightening commercial standards.

The methods used to tighten standards for commercial and retail lending products also overlapped. As in prior years, the most common methods used to tighten commercial standards were pricing, covenants, collateral, and adjusting the size of the credit line. Examiners reported that adjusting score card cut-offs, pricing, and collateral were the methods used most frequently to tighten retail standards.

Examiners continued to report increasing levels of inherent risk for both retail and commercial portfolios. Fifty-three percent of surveyed examiners reported commercial credit risk had increased, and 32 percent reported retail credit risk had increased since the last survey. Examiners reported increases in credit risk for all of the commercial products, with the greatest increases reported for middle market, structured finance, syndicated/national loans, and commercial real estate. Among retail products, consumer leasing, HLTV home equity loans, indirect consumer loans, and credit cards were most frequently cited for increased risk. Overall, the level of risk identified for retail products is considerably lower than for commercial products.

Examiners also reported that they expect credit risk to continue to increase over the next twelve months. Examiners cited changes in external conditions, followed by changes in portfolio quality, as the reasons for increased credit risk in both portfolios.

## Commentary

The tightening of lending standards that has occurred over the past two years, particularly the significant tightening reported in the syndicated/national and structured finance products, represents a rational response to the slowing economy and pockets of deteriorating product performance. Under these conditions, the excessive optimism of some banks, as described in previous underwriting surveys, has begun to manifest itself more clearly. While this year's survey indicated that lenders continued to selectively tighten standards for a number of loan products, the extent to which standards tightened and the pace of tightening were generally less pronounced than last year.

Even as they adjusted lending standards to reflect less favorable credit conditions, the 62 banks covered by the survey continued to expand their loan portfolios. For the year ending December 31, 2001, total loan portfolios for the surveyed banks grew over 7.5 percent with only a modest, slightly over 1 percent, decline in commercial and industrial loans (C&I). This decline occurred primarily at the largest banks covered by the survey (banks with total assets of approximately $20 billion and greater). These banks are more active participants in the syndicated/national credit markets in which, during the latter part of 2001, the most creditworthy customers increasingly turned to the public bond markets to meet their credit needs. C&I loans for the smaller banks covered by the survey grew by almost 6 percent during the same period. All other loan categories grew, though at less rapid rates than the latter 1990s and 2000.

The cumulative results of the OCC's annual Survey of Credit Underwriting Practices over the last several years indicate that credit risk management practices need to improve. In particular, credit risk recognition and rating systems need to be more objective and subjected to better independent oversight, and credit risk management needs to better identify and adjust risk exposures prospectively, rather than after credit quality has deteriorated. Accurately measuring and adjusting risk exposures throughout the credit cycle can help avoid abrupt and counterproductive swings in lending practices.

Objective, measurable criteria *(e.g.,* cash flow coverage, debt to worth, probability of default, loan-to-value ratios, etc.) should be incorporated into credit risk rating systems whenever possible. This data can then be used to differentiate, rate, and rank risk of default and risk of loss consistently throughout the credit cycle with portfolio exposures and risk levels adjusted as appropriate. Independent, objective oversight and testing processes should regularly be used to validate the accuracy and timeliness of individual risk ratings and the integrity and effectiveness of credit risk identification and rating systems.

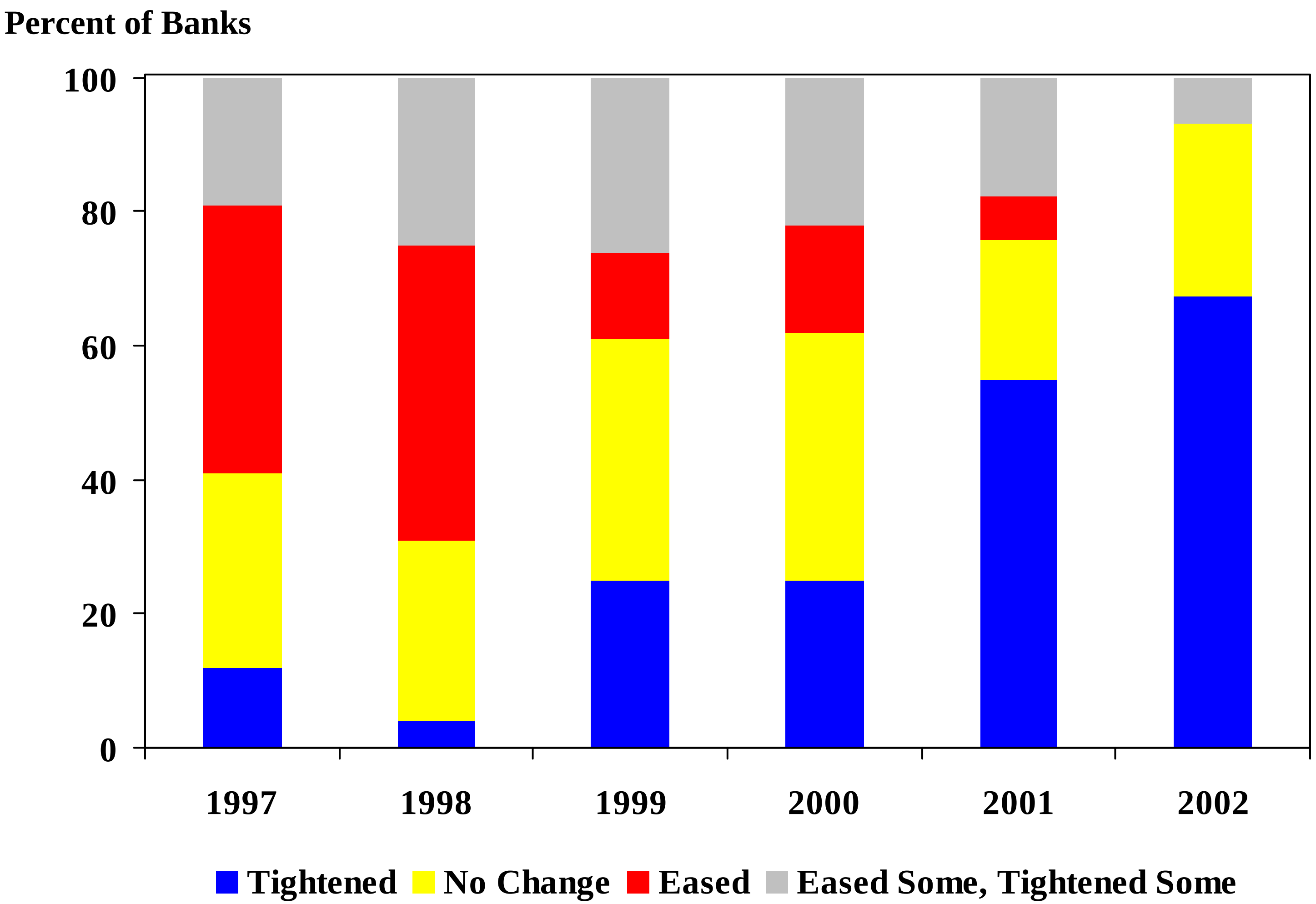
While banks have done a commendable job of improving the accuracy and timeliness of risk identification and ratings over the past several years, the improvement at some banks came as a result of regulatory prodding and only after credit problems became apparent.[1] Consistent application of sound underwriting standards and processes throughout the credit cycle enables banks to continue to make sound loans and to avoid the necessity for radical pull-backs when

[1] Proposed revisions to the capital standards issued by the Basel Supervisors Committee are expected to further raise the level of sophistication required in the risk management practices of many large banks over the next several years.

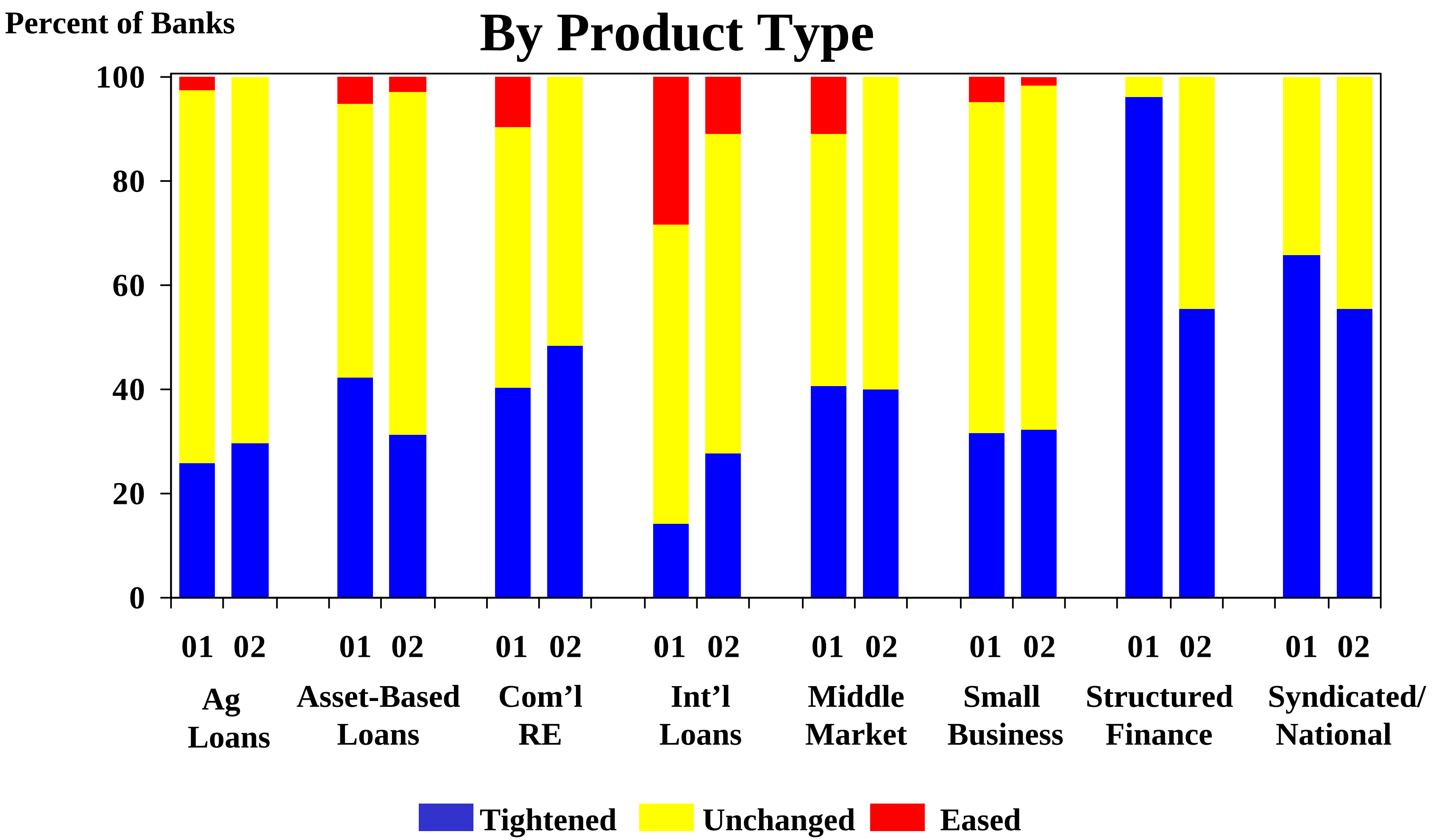
economic and borrower conditions begin to deteriorate.

# Part II – Graphs and Tables (All data is as of the end of the first quarter for the preceding four quarters.)

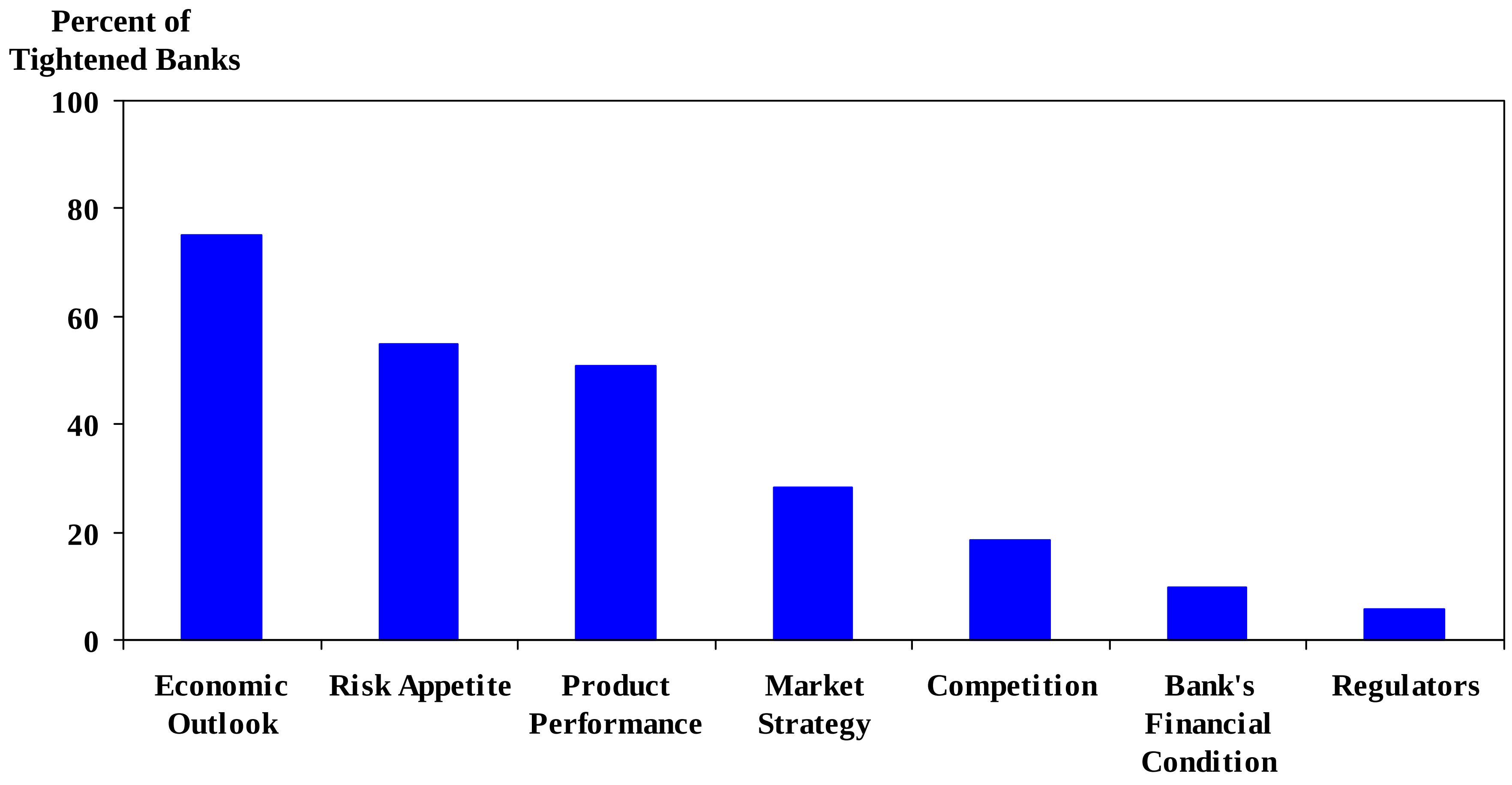
# Underwriting Standards for Commercial Loans



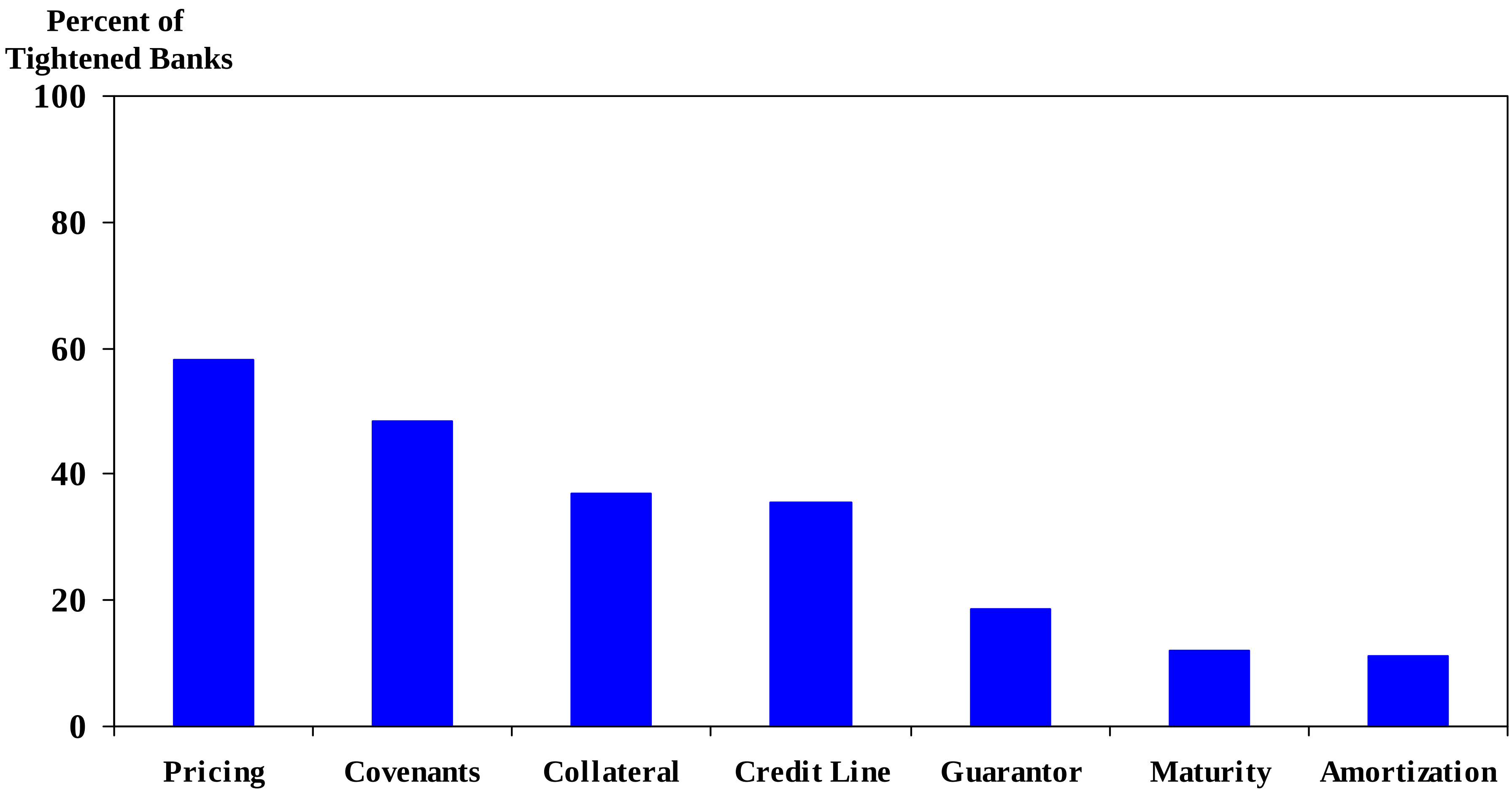
# 2001 – 2002 Changes in Underwriting Standards for Commercial Loans



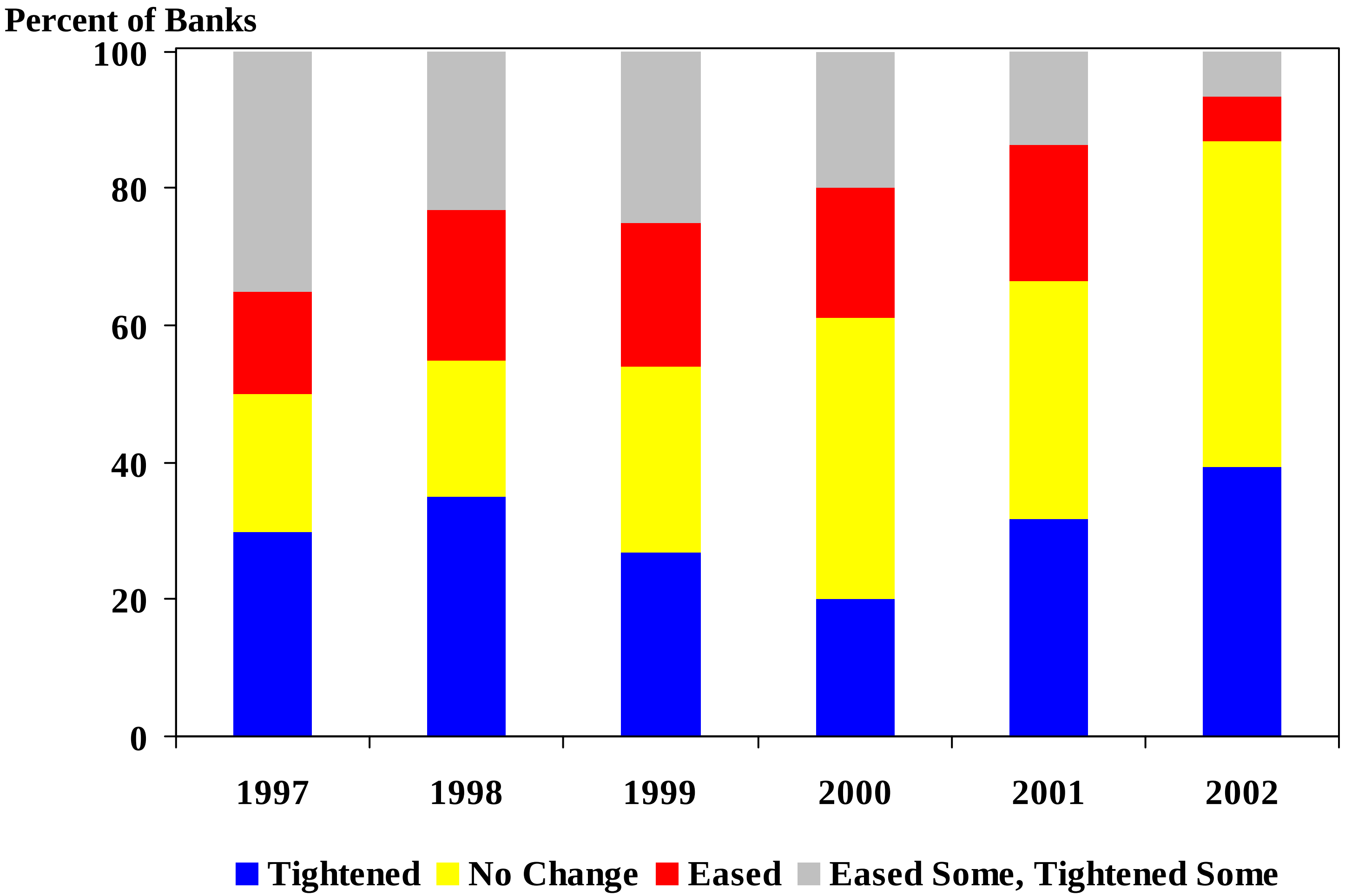
# Reasons for Tightening Commercial Underwriting Standards



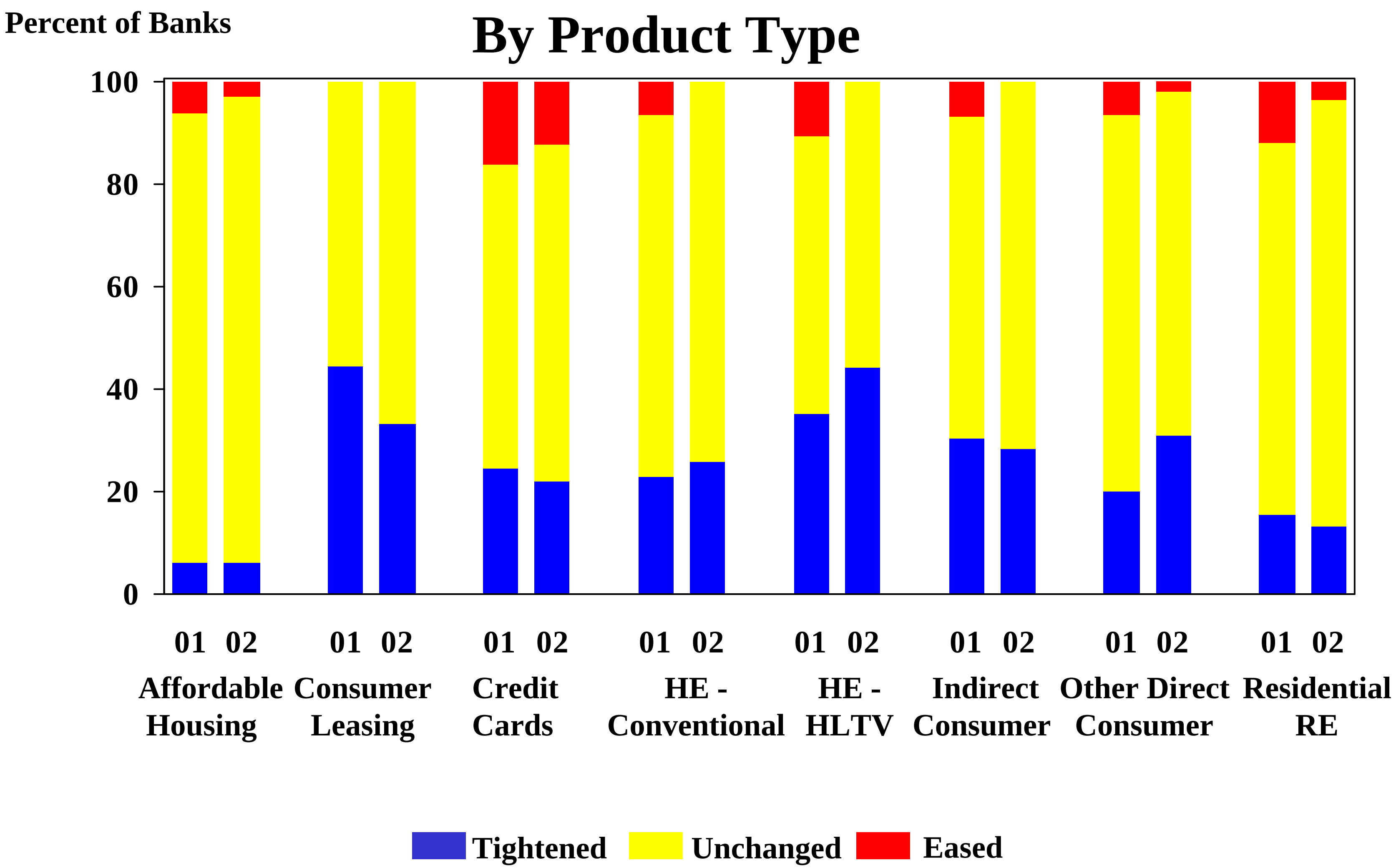
# Methods Used to Tighten Commercial Underwriting Standards



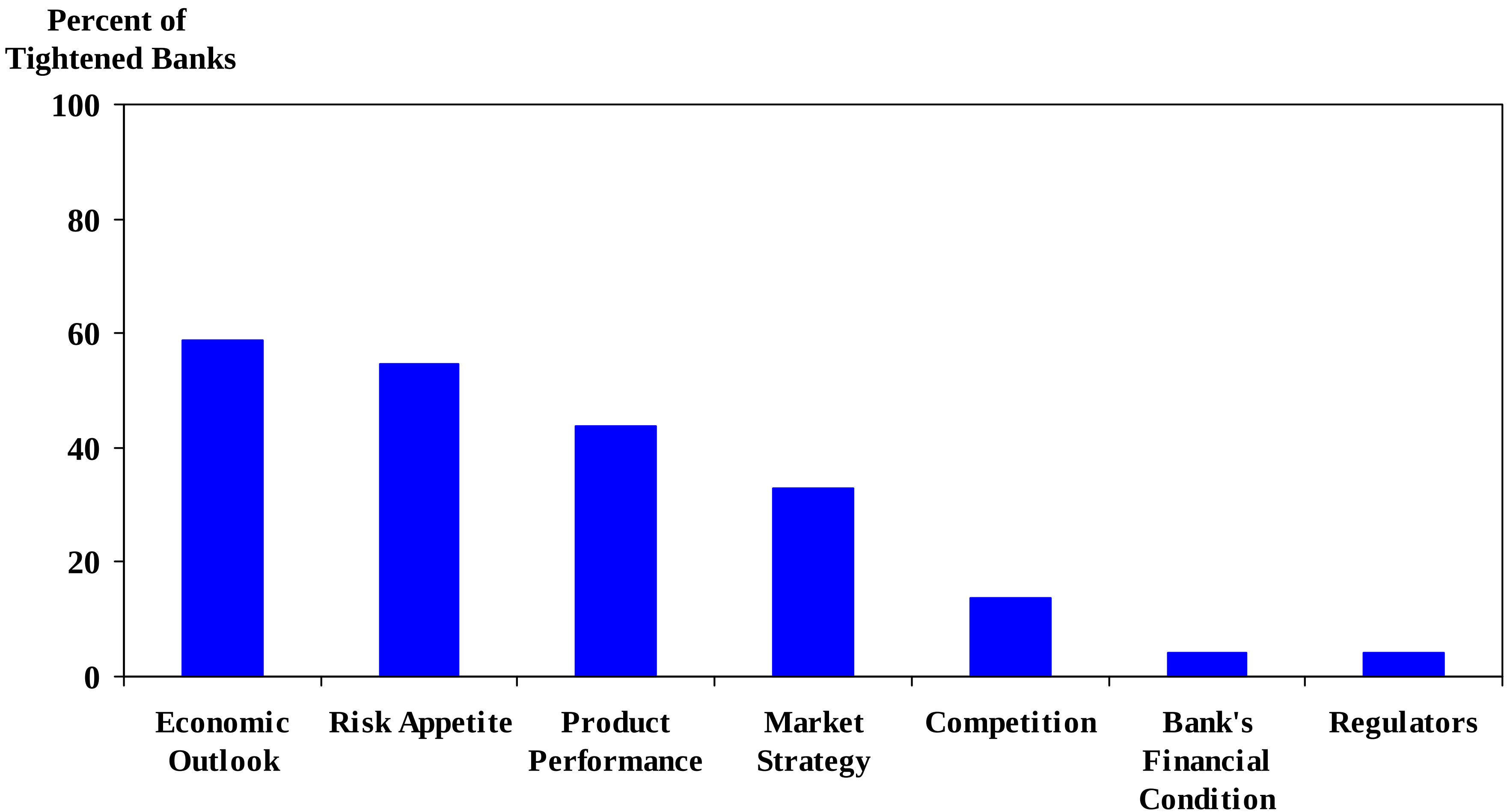
# Underwriting Standards for Retail Loans



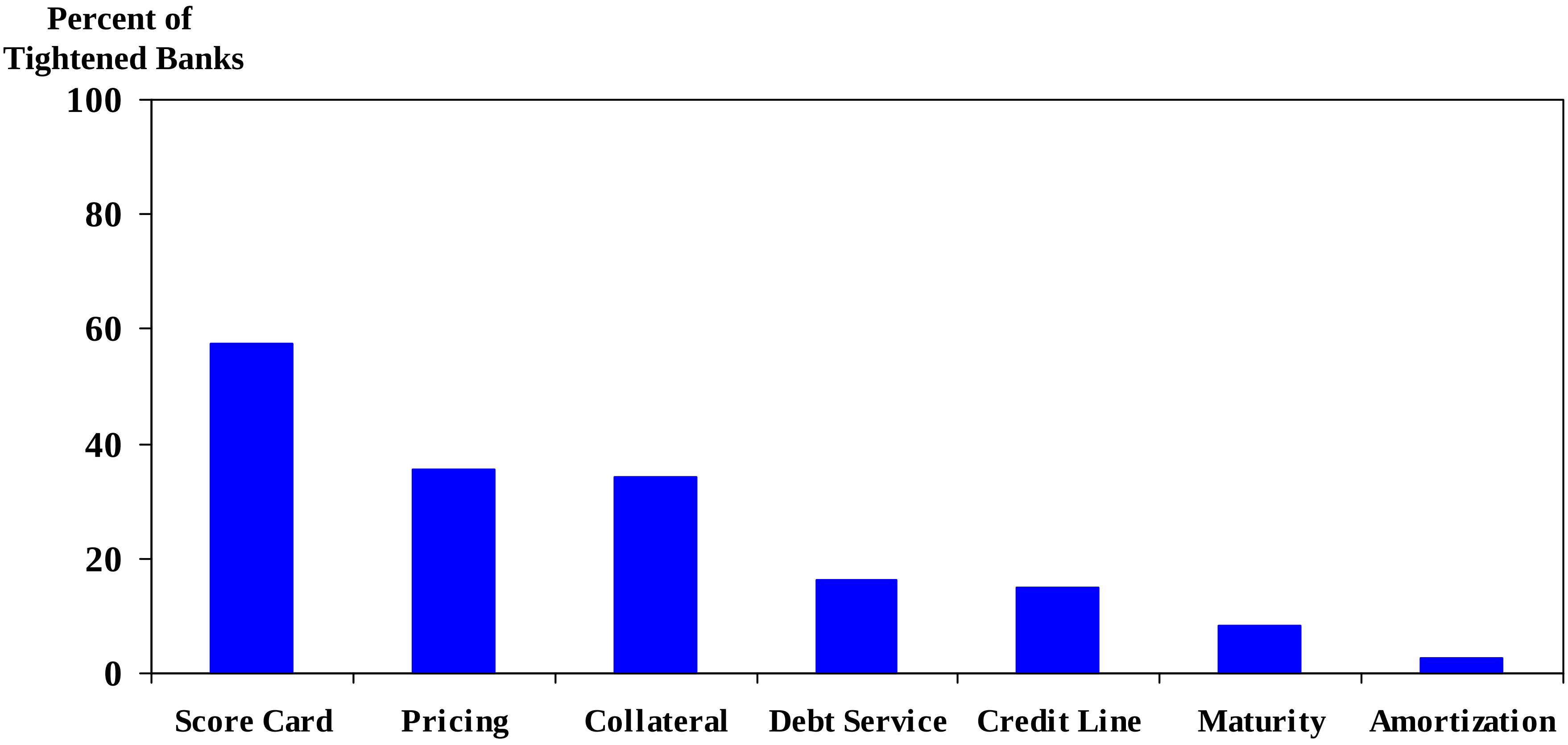
# 2001 – 2002 Changes in Underwriting Standards for Retail Loans



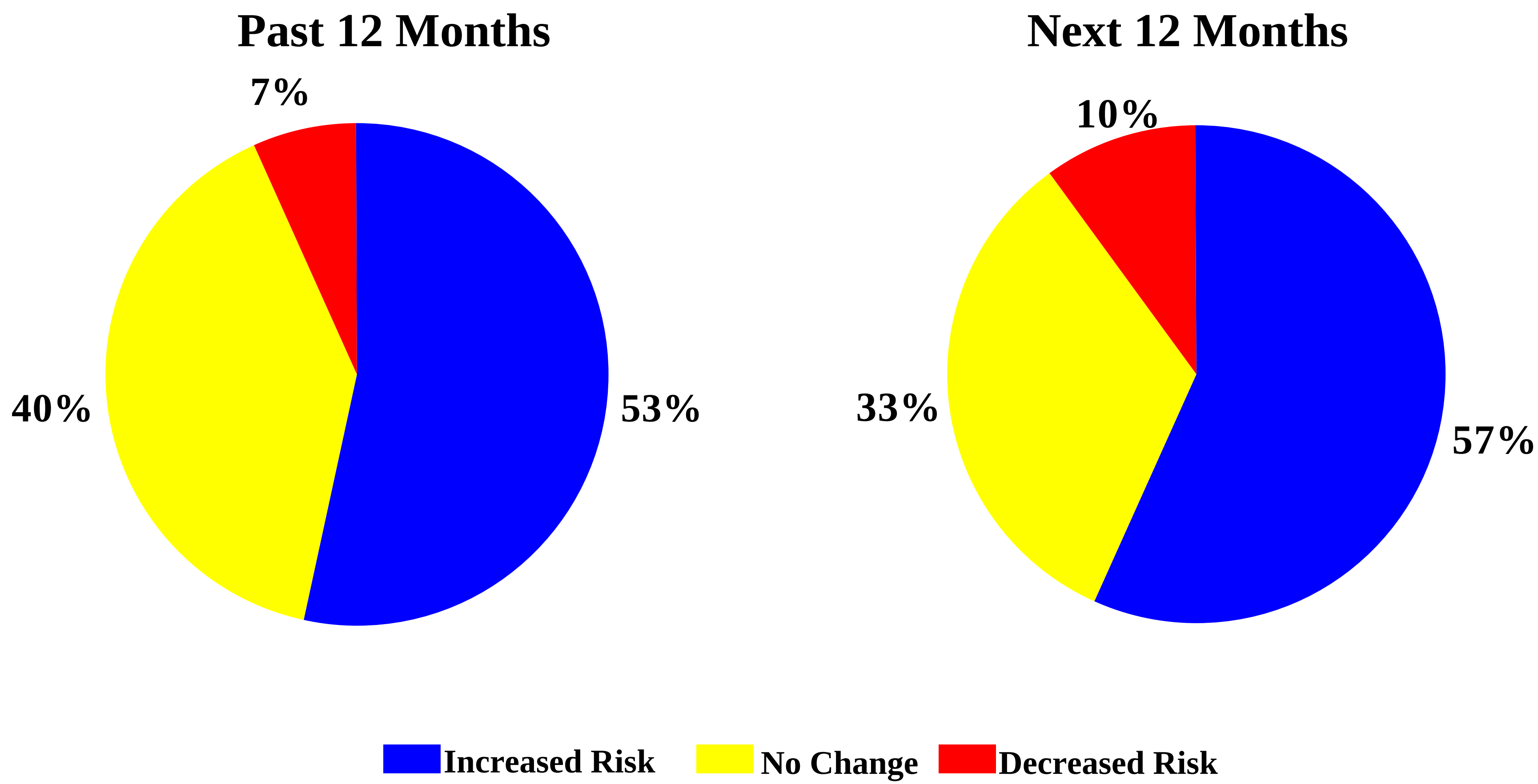
# Reasons for Tightening
# Retail Underwriting Standards



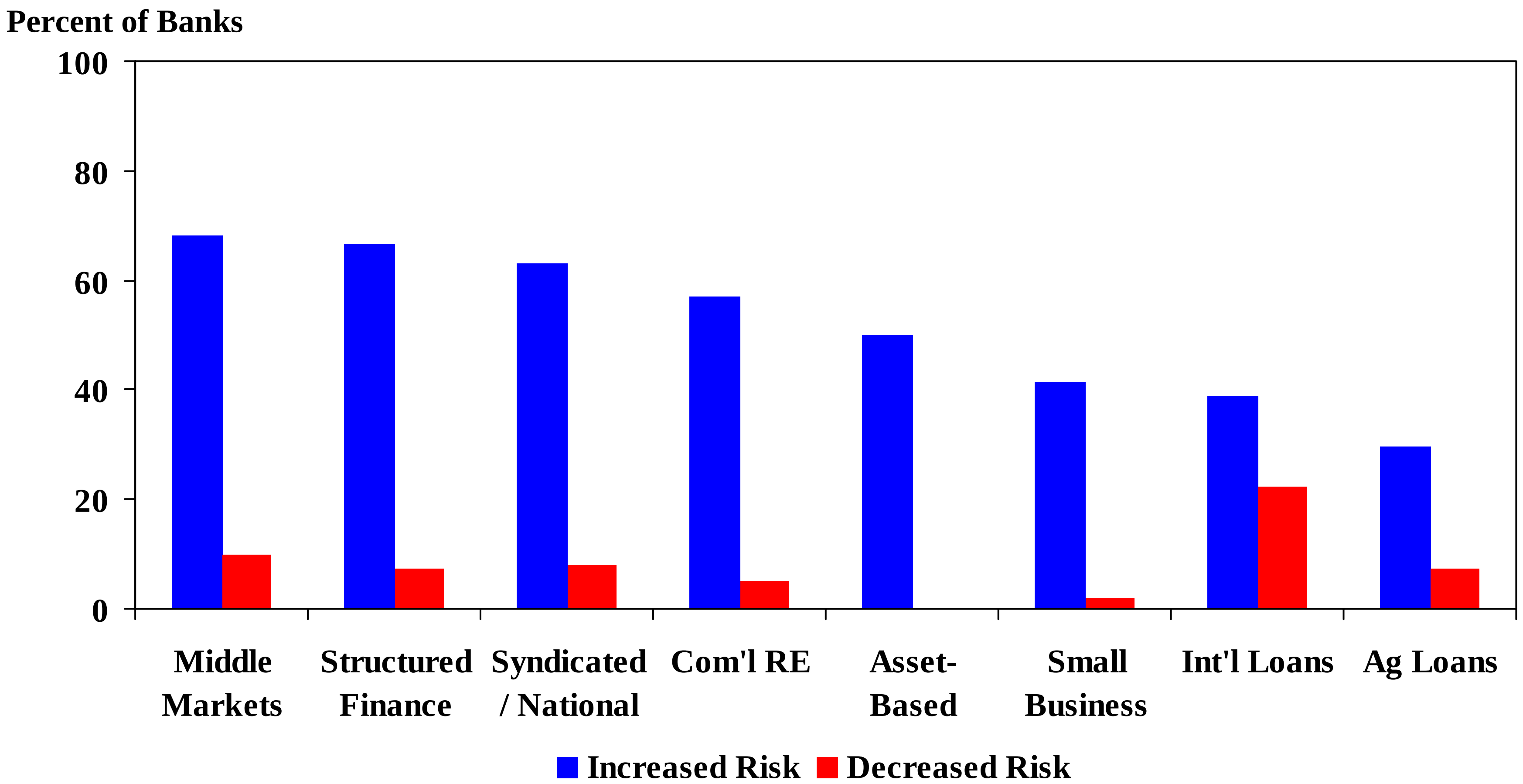
# Methods Used to Tighten Retail Underwriting Standards



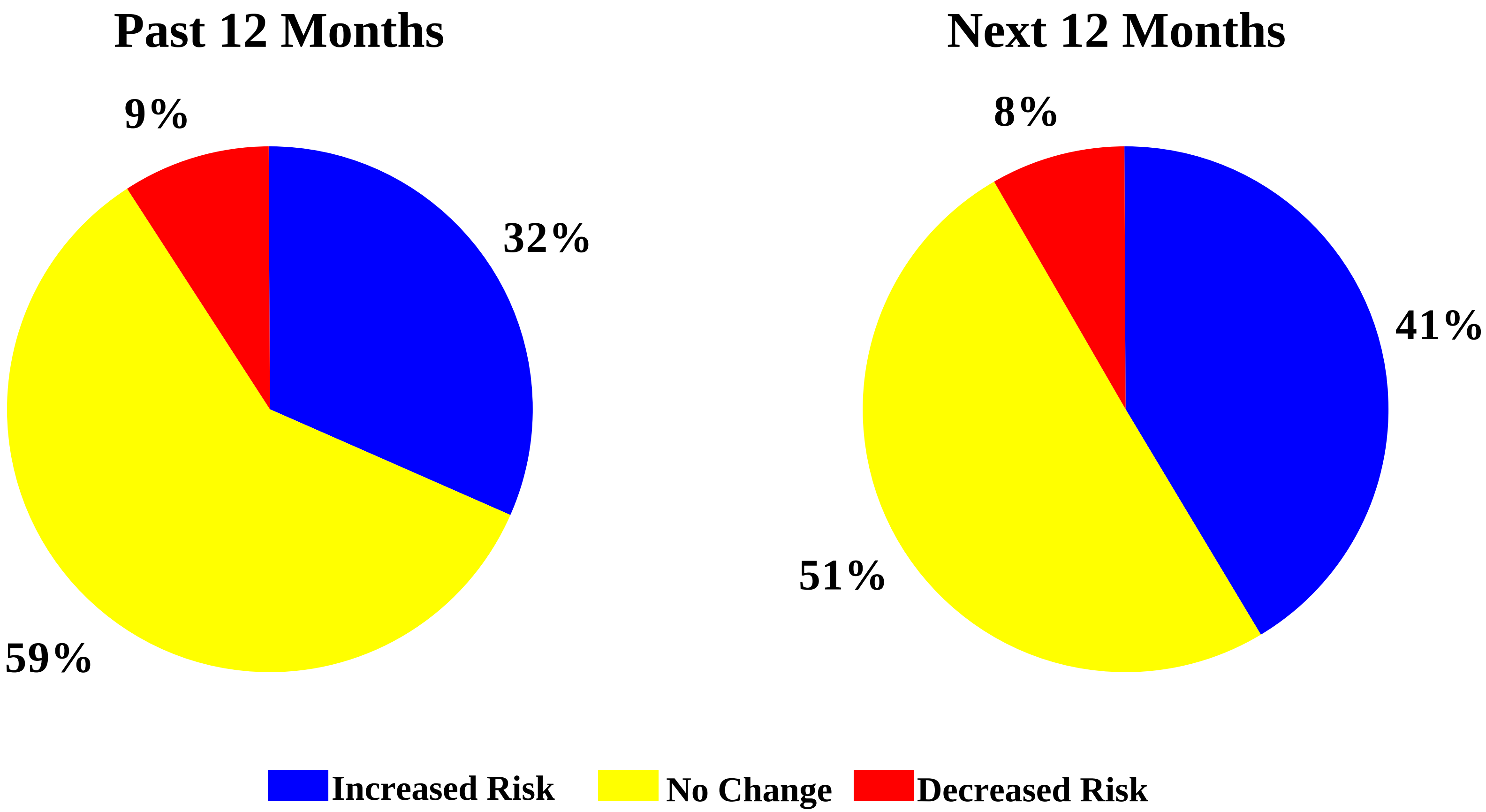
# Credit Risk in Commercial Loan Portfolios



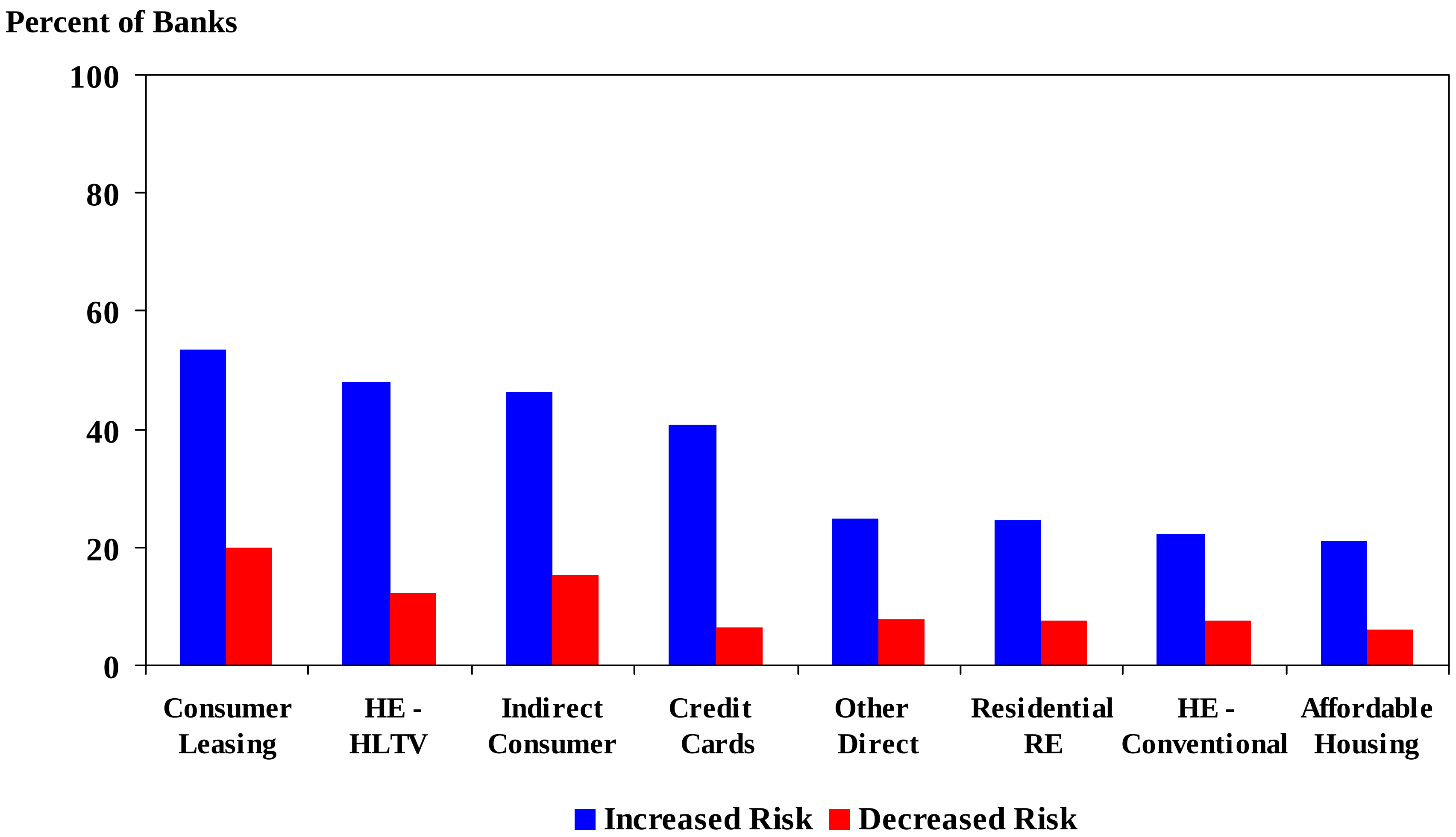
# Changes in Credit Risk in Commercial Loan Portfolios Past 12 Months



# Credit Risk in Retail Loan Portfolios



# Changes in Credit Risk in Retail Loan Portfolios Past 12 Months



# Commercial Lending Portfolios

## *Agricultural Lending*

Twenty-seven of the 62 banks in the survey were engaged in some form of agricultural lending.

**Changes in Underwriting Standards in Agricultural Loan Portfolios**
(Percent of Banks)

| | Eased | Unchanged | Tightened |
|---|---|---|---|
| 1996 | 2 | 95 | 3 |
| 1997 | 8 | 79 | 13 |
| 1998 | 18 | 74 | 8 |
| 1999 | 3 | 79 | 18 |
| 2000 | 3 | 71 | 26 |
| 2001 | 3 | 71 | 26 |
| 2002 | 0 | 70 | 30 |

**Changes in the Level of Credit Risk in Agricultural Loan Portfolios**
(Percent of Banks)

| | Declined Significantly | Declined Somewhat | Unchanged | Increased Somewhat | Increased Significantly |
|---|---|---|---|---|---|
| 1997 | 0 | 17 | 66 | 17 | 0 |
| 1998 | 0 | 13 | 64 | 23 | 0 |
| 1999 | 0 | 6 | 42 | 49 | 3 |
| 2000 | 0 | 15 | 41 | 44 | 0 |
| 2001 | 0 | 17 | 43 | 34 | 6 |
| 2002 | 0 | 7 | 63 | 30 | 0 |
| Future 12 Months | 0 | 11 | 56 | 33 | 0 |

## *Asset-Based Loans*

Thirty-two of the surveyed banks were engaged in this type of lending.

**Changes in Underwriting Standards in Asset-Based Loan Portfolios**
(Percent of Banks)

| | Eased | Unchanged | Tightened |
|---|---|---|---|
| 1999 | 10 | 78 | 12 |
| 2000 | 11 | 67 | 22 |
| 2001 | 5 | 53 | 42 |
| 2002 | 3 | 66 | 31 |

**Changes in the Level of Credit Risk in Asset-Based Loan Portfolios**
(Percent of Banks)

| | Declined Significantly | Declined Somewhat | Unchanged | Increased Somewhat | Increased Significantly |
|---|---|---|---|---|---|
| 1999 | 0 | 10 | 66 | 24 | 0 |
| 2000 | 0 | 8 | 62 | 30 | 0 |
| 2001 | 5 | 8 | 42 | 45 | 0 |
| 2002 | 0 | 0 | 50 | 50 | 0 |
| Future 12 Months | 0 | 9 | 53 | 38 | 0 |

## *Commercial Real Estate Lending*

Fifty-eight of the 62 banks in the survey were engaged in commercial real estate lending.

**Changes in Underwriting Standards in Commercial Real Estate Loan Portfolios**
(Percent of Banks)

| | Eased | Unchanged | Tightened |
|---|---|---|---|
| 1996 | 16 | 73 | 11 |
| 1997 | 38 | 52 | 10 |
| 1998 | 43 | 51 | 6 |
| 1999 | 23 | 60 | 17 |
| 2000 | 21 | 58 | 21 |
| 2001 | 10 | 50 | 40 |
| 2002 | 0 | 52 | 48 |

**Changes in the Level of Credit Risk in Commercial Real Estate Loan Portfolios**
(Percent of Banks)

| | Declined Significantly | Declined Somewhat | Unchanged | Increased Somewhat | Increased Significantly |
|---|---|---|---|---|---|
| 1997 | 0 | 12 | 57 | 28 | 3 |
| 1998 | 0 | 9 | 59 | 32 | 0 |
| 1999 | 0 | 7 | 51 | 40 | 2 |
| 2000 | 0 | 8 | 65 | 27 | 0 |
| 2001 | 0 | 6 | 53 | 39 | 2 |
| 2002 | 0 | 5 | 38 | 57 | 0 |
| Future 12 Months | 2 | 7 | 27 | 64 | 0 |

## *International Lending*

Only 18 of the 62 banks in the survey were active in international lending.

**Changes in Underwriting Standards in International Loan Portfolios**
(Percent of Banks)

| | Eased | Unchanged | Tightened |
|---|---|---|---|
| 1996 | 11 | 89 | 0 |
| 1997 | 34 | 63 | 3 |
| 1998 | 5 | 53 | 42 |
| 1999 | 4 | 54 | 42 |
| 2000 | 14 | 72 | 14 |
| 2001 | 29 | 57 | 14 |
| 2002 | 11 | 61 | 28 |

**Changes in the Level of Credit Risk in International Loan Portfolios**
(Percent of Banks)

| | Declined Significantly | Declined Somewhat | Unchanged | Increased Somewhat | Increased Significantly |
|---|---|---|---|---|---|
| 1997 | 0 | 7 | 70 | 23 | 0 |
| 1998 | 5 | 9 | 42 | 42 | 2 |
| 1999 | 8 | 8 | 42 | 38 | 4 |
| 2000 | 0 | 33 | 53 | 14 | 0 |
| 2001 | 0 | 14 | 53 | 33 | 0 |
| 2002 | 0 | 22 | 39 | 28 | 11 |
| Future 12 Months | 0 | 11 | 39 | 44 | 6 |

### *Middle Market Lending*

Fifty of the 62 banks in the survey were engaged in middle market lending.

**Changes in Underwriting Standards in Middle Market Loan Portfolios**
(Percent of Banks)

| | Eased | Unchanged | Tightened |
|---|---|---|---|
| 1996 | 19 | 75 | 6 |
| 1997 | 42 | 55 | 3 |
| 1998 | 47 | 50 | 3 |
| 1999 | 18 | 73 | 9 |
| 2000 | 18 | 66 | 16 |
| 2001 | 11 | 48 | 41 |
| 2002 | 0 | 60 | 40 |

**Changes in the Level of Credit Risk in Middle Market Loan Portfolios**
(Percent of Banks)

| | Declined Significantly | Declined Somewhat | Unchanged | Increased Somewhat | Increased Significantly |
|---|---|---|---|---|---|
| 1997 | 0 | 8 | 64 | 28 | 0 |
| 1998 | 0 | 4 | 61 | 35 | 0 |
| 1999 | 0 | 8 | 56 | 36 | 0 |
| 2000 | 0 | 2 | 50 | 46 | 2 |
| 2001 | 0 | 2 | 35 | 59 | 4 |
| 2002 | 2 | 8 | 22 | 66 | 2 |
| Future 12 Months | 2 | 10 | 24 | 64 | 0 |

## *Small Business Lending*

Fifty-three of the 62 banks in the survey are lending in the small business market.

**Changes in Underwriting Standards in Small Business Loan Portfolios**
(Percent of Banks)

| | Eased | Unchanged | Tightened |
|---|---|---|---|
| 1996 | 13 | 84 | 3 |
| 1997 | 15 | 69 | 16 |
| 1998 | 24 | 72 | 4 |
| 1999 | 13 | 75 | 12 |
| 2000 | 8 | 73 | 19 |
| 2001 | 5 | 63 | 32 |
| 2002 | 2 | 66 | 32 |

**Changes in the Level of Credit Risk in Small Business Loan Portfolios**
(Percent of Banks)

| | Declined Significantly | Declined Somewhat | Unchanged | Increased Somewhat | Increased Significantly |
|---|---|---|---|---|---|
| 1997 | 0 | 9 | 70 | 20 | 1 |
| 1998 | 0 | 6 | 68 | 25 | 1 |
| 1999 | 0 | 8 | 67 | 23 | 2 |
| 2000 | 0 | 3 | 72 | 22 | 3 |
| 2001 | 0 | 3 | 60 | 37 | 0 |
| 2002 | 0 | 2 | 56 | 40 | 2 |
| Future 12 Months | 0 | 6 | 34 | 60 | 0 |

## *Structured Finance*

Twenty-seven of the 62 banks in the survey provided structured finance loans.

**Changes in Underwriting Standards in Structured Finance Loan Portfolios**
(Percent of Banks)

| | Eased | Unchanged | Tightened |
|---|---|---|---|
| 1999 | 24 | 44 | 32 |
| 2000 | 35 | 45 | 20 |
| 2001 | 0 | 4 | 96 |
| 2002 | 0 | 44 | 56 |

**Changes in the Level of Credit Risk in Structured Finance Loan Portfolios**
(Percent of Banks)

| | Declined Significantly | Declined Somewhat | Unchanged | Increased Somewhat | Increased Significantly |
|---|---|---|---|---|---|
| 1999 | 0 | 4 | 36 | 56 | 4 |
| 2000 | 0 | 0 | 20 | 80 | 0 |
| 2001 | 0 | 4 | 8 | 46 | 42 |
| 2002 | 0 | 7 | 26 | 52 | 15 |
| Future 12 Months | 0 | 15 | 18 | 63 | 4 |

### *Syndicated/National Credits*

Thirty-eight of the 62 banks in the survey were active in the syndicated/national credit market.

**Changes in Underwriting Standards in Syndicated/National Credit Portfolios**
(Percent of Banks)

| | Eased | Unchanged | Tightened |
|---|---|---|---|
| 1996 | 18 | 73 | 9 |
| 1997 | 50 | 44 | 6 |
| 1998 | 54 | 37 | 9 |
| 1999 | 18 | 50 | 32 |
| 2000 | 22 | 61 | 17 |
| 2001 | 0 | 34 | 66 |
| 2002 | 0 | 45 | 55 |

**Changes in the Level of Credit Risk in Syndicated/National Credit Portfolios**
(Percent of Banks)

| | Declined Significantly | Declined Somewhat | Unchanged | Increased Somewhat | Increased Significantly |
|---|---|---|---|---|---|
| 1997 | 0 | 8 | 52 | 40 | 0 |
| 1998 | 0 | 2 | 48 | 50 | 0 |
| 1999 | 0 | 0 | 45 | 45 | 10 |
| 2000 | 0 | 0 | 36 | 61 | 3 |
| 2001 | 0 | 6 | 17 | 63 | 14 |
| 2002 | 0 | 8 | 29 | 53 | 10 |
| Future 12 Months | 0 | 10 | 29 | 58 | 3 |

# Retail Lending Portfolios

## *Affordable Housing Lending*

For the purposes of this survey, affordable housing loans included all types of loans on affordable housing for low- and moderate-income individuals and families, including single- to four-family and multifamily dwellings. Thirty-three of the 62 banks in the survey were reported to be making affordable housing loans.

**Changes in Underwriting Standards in Affordable Housing Loan Portfolios**
(Percent of Banks)

| | Eased | Unchanged | Tightened |
|---|---|---|---|
| 1996 | 10 | 82 | 8 |
| 1997 | 11 | 74 | 15 |
| 1998 | 9 | 86 | 5 |
| 1999 | 16 | 70 | 14 |
| 2000 | 10 | 84 | 6 |
| 2001 | 6 | 88 | 6 |
| 2002 | 3 | 91 | 6 |

**Changes in the Level of Credit Risk in Affordable Housing Loan Portfolios**
(Percent of Banks)

| | Declined Significantly | Declined Somewhat | Unchanged | Increased Somewhat | Increased Significantly |
|---|---|---|---|---|---|
| 1997* | 1 | 4 | 76 | 15 | 3 |
| 1998 | 0 | 5 | 78 | 15 | 2 |
| 1999 | 2 | 2 | 78 | 18 | 0 |
| 2000 | 0 | 6 | 83 | 11 | 0 |
| 2001 | 2 | 2 | 88 | 8 | 0 |
| 2002 | 0 | 6 | 73 | 21 | 0 |
| Future 12 Months | 0 | 9 | 61 | 30 | 0 |

*****NA (not available) responses excluded.

## *Consumer Leasing*

Consumer leasing was offered by 15 of the 62 banks in the survey.

**Changes in Underwriting Standards in Consumer Leasing Portfolios**
(Percent of Banks)

| | Eased | Unchanged | Tightened |
|---|---|---|---|
| 1998 | 4 | 67 | 29 |
| 1999 | 5 | 54 | 41 |
| 2000 | 0 | 50 | 50 |
| 2001 | 0 | 56 | 44 |
| 2002 | 0 | 67 | 33 |

**Changes in the Level of Credit Risk in Consumer Leasing Portfolios**
(Percent of Banks)

| | Declined Significantly | Declined Somewhat | Unchanged | Increased Somewhat | Increased Significantly |
|---|---|---|---|---|---|
| 1998 | 0 | 4 | 38 | 58 | 0 |
| 1999 | 0 | 5 | 50 | 45 | 0 |
| 2000 | 0 | 5 | 67 | 28 | 0 |
| 2001 | 6 | 11 | 39 | 44 | 0 |
| 2002 | 7 | 13 | 26 | 47 | 7 |
| Future 12 Months | 0 | 13 | 47 | 40 | 0 |

### *Credit Card Lending*

Thirty-two of the surveyed banks were engaged in credit card lending.

**Changes in Underwriting Standards in Credit Card Loan Portfolios**
(Percent of Banks)

| | Eased | Unchanged | Tightened |
|---|---|---|---|
| 1996 | 8 | 62 | 30 |
| 1997 | 3 | 38 | 59 |
| 1998 | 3 | 59 | 38 |
| 1999 | 8 | 66 | 26 |
| 2000 | 9 | 75 | 16 |
| 2001 | 16 | 60 | 24 |
| 2002 | 12 | 66 | 22 |

**Changes in the Level of Credit Risk in Credit Card Loan Portfolios**
(Percent of Banks)

| | Declined Significantly | Declined Somewhat | Unchanged | Increased Somewhat | Increased Significantly |
|---|---|---|---|---|---|
| 1997* | 1 | 8 | 27 | 47 | 15 |
| 1998 | 9 | 15 | 33 | 41 | 2 |
| 1999 | 0 | 13 | 47 | 36 | 4 |
| 2000 | 0 | 16 | 66 | 16 | 2 |
| 2001 | 8 | 5 | 57 | 27 | 3 |
| 2002 | 0 | 6 | 54 | 31 | 9 |
| Future 12 Months | 0 | 9 | 38 | 50 | 3 |

*****NA (not available) responses excluded.

## *Direct Consumer Lending*

Fifty-two of the 62 banks in the survey were engaged in direct consumer lending.

**Changes in Underwriting Standards in Other Direct Consumer Loan Portfolios**
(Percent of Banks)

| | Eased | Unchanged | Tightened |
|---|---|---|---|
| 1996 | 16 | 69 | 15 |
| 1997 | 15 | 59 | 26 |
| 1998 | 13 | 65 | 22 |
| 1999 | 7 | 74 | 19 |
| 2000 | 10 | 78 | 12 |
| 2001 | 7 | 73 | 20 |
| 2002 | 2 | 67 | 31 |

**Changes in the Level of Credit Risk in Other Direct Consumer Loan Portfolios**
(Percent of Banks)

| | Declined Significantly | Declined Somewhat | Unchanged | Increased Somewhat | Increased Significantly |
|---|---|---|---|---|---|
| 1997 | 0 | 4 | 60 | 34 | 2 |
| 1998 | 1 | 9 | 55 | 35 | 0 |
| 1999 | 0 | 7 | 65 | 28 | 0 |
| 2000 | 0 | 9 | 74 | 15 | 2 |
| 2001 | 0 | 7 | 71 | 20 | 2 |
| 2002 | 2 | 6 | 67 | 25 | 0 |
| Future 12 Months | 0 | 10 | 55 | 35 | 0 |

## *Home Equity - Conventional Lending*

Fifty-four of the 62 banks in the survey offered the conventional home equity lending product.

**Changes in Underwriting Standards in Home Equity - Conventional Loan Portfolios**
(Percent of Banks)

| | Eased | Unchanged | Tightened |
|---|---|---|---|
| 1996 | 16 | 81 | 3 |
| 1997 | 38 | 58 | 4 |
| 1998 | 33 | 60 | 7 |
| 1999 | 23 | 67 | 10 |
| 2000 | 23 | 64 | 13 |
| 2001 | 7 | 70 | 23 |
| 2002 | 0 | 74 | 26 |

**Changes in the Level of Credit Risk in Home Equity - Conventional Loan Portfolios**
(Percent of Banks)

| | Declined Significantly | Declined Somewhat | Unchanged | Increased Somewhat | Increased Significantly |
|---|---|---|---|---|---|
| 1997 | 0 | 3 | 55 | 42 | 0 |
| 1998 | 0 | 6 | 61 | 30 | 3 |
| 1999 | 0 | 0 | 69 | 29 | 2 |
| 2000 | 0 | 5 | 73 | 20 | 2 |
| 2001 | 0 | 11 | 74 | 13 | 2 |
| 2002 | 0 | 7 | 71 | 22 | 0 |
| Future 12 Months | 2 | 2 | 54 | 42 | 0 |

### *Home Equity - High LTV Lending*

Twenty-five of the 62 banks in the survey offered the high LTV home equity lending product.

**Changes in Underwriting Standards in Home Equity - High LTV Loan Portfolios**
(Percent of Banks)

| | Eased | Unchanged | Tightened |
|---|---|---|---|
| 1999 | 20 | 61 | 19 |
| 2000 | 21 | 55 | 24 |
| 2001 | 11 | 54 | 35 |
| 2002 | 0 | 56 | 44 |

**Changes in the Level of Credit Risk in Home Equity - High LTV Loan Portfolios**
(Percent of Banks)

| | Declined Significantly | Declined Somewhat | Unchanged | Increased Somewhat | Increased Significantly |
|---|---|---|---|---|---|
| 1999 | 0 | 6 | 47 | 44 | 3 |
| 2000 | 0 | 13 | 58 | 24 | 5 |
| 2001 | 5 | 11 | 62 | 16 | 6 |
| 2002 | 0 | 12 | 40 | 44 | 4 |
| Future 12 Months | 0 | 4 | 44 | 52 | 0 |

## *Indirect Consumer Lending*

Thirty-nine of the 62 banks in the survey were engaged in indirect consumer lending.

**Changes in Underwriting Standards in Indirect Consumer Loan Portfolios**
(Percent of Banks)

| | Eased | Unchanged | Tightened |
|---|---|---|---|
| 1996 | 21 | 60 | 19 |
| 1997 | 16 | 51 | 33 |
| 1998 | 13 | 39 | 48 |
| 1999 | 7 | 56 | 37 |
| 2000 | 7 | 60 | 33 |
| 2001 | 7 | 63 | 30 |
| 2002 | 0 | 72 | 28 |

**Changes in the Level of Credit Risk in Indirect Consumer Loan Portfolios**
(Percent of Banks)

| | Declined Significantly | Declined Somewhat | Unchanged | Increased Somewhat | Increased Significantly |
|---|---|---|---|---|---|
| 1997* | 2 | 3 | 45 | 42 | 5 |
| 1998 | 0 | 21 | 32 | 43 | 4 |
| 1999 | 2 | 23 | 42 | 33 | 0 |
| 2000 | 7 | 16 | 55 | 22 | 0 |
| 2001 | 2 | 21 | 39 | 33 | 5 |
| 2002 | 3 | 13 | 38 | 43 | 3 |
| Future 12 Months | 3 | 10 | 36 | 48 | 3 |

*****NA (not available) responses excluded.

### *Residential Real Estate Lending*

Fifty-three of the 62 surveyed banks were engaged in residential real estate lending.

**Changes in Underwriting Standards in Residential Real Estate Loan Portfolios**
(Percent of Banks)

| | Eased | Unchanged | Tightened |
|---|---|---|---|
| 1996 | 5 | 91 | 4 |
| 1997 | 14 | 83 | 3 |
| 1998 | 9 | 87 | 4 |
| 1999 | 14 | 77 | 9 |
| 2000 | 7 | 85 | 8 |
| 2001 | 12 | 72 | 16 |
| 2002 | 4 | 83 | 13 |

**Changes in the Level of Credit Risk in Residential Real Estate Loan Portfolios**
(Percent of Banks)

| | Declined Significantly | Declined Somewhat | Unchanged | Increased Somewhat | Increased Significantly |
|---|---|---|---|---|---|
| 1997* | 0 | 5 | 73 | 20 | 0 |
| 1998 | 1 | 4 | 74 | 18 | 3 |
| 1999 | 3 | 5 | 71 | 21 | 0 |
| 2000 | 0 | 3 | 83 | 12 | 2 |
| 2001 | 0 | 9 | 76 | 15 | 0 |
| 2002 | 0 | 8 | 68 | 24 | 0 |
| Future 12 Months | 0 | 8 | 58 | 34 | 0 |

*****NA (not available) responses excluded