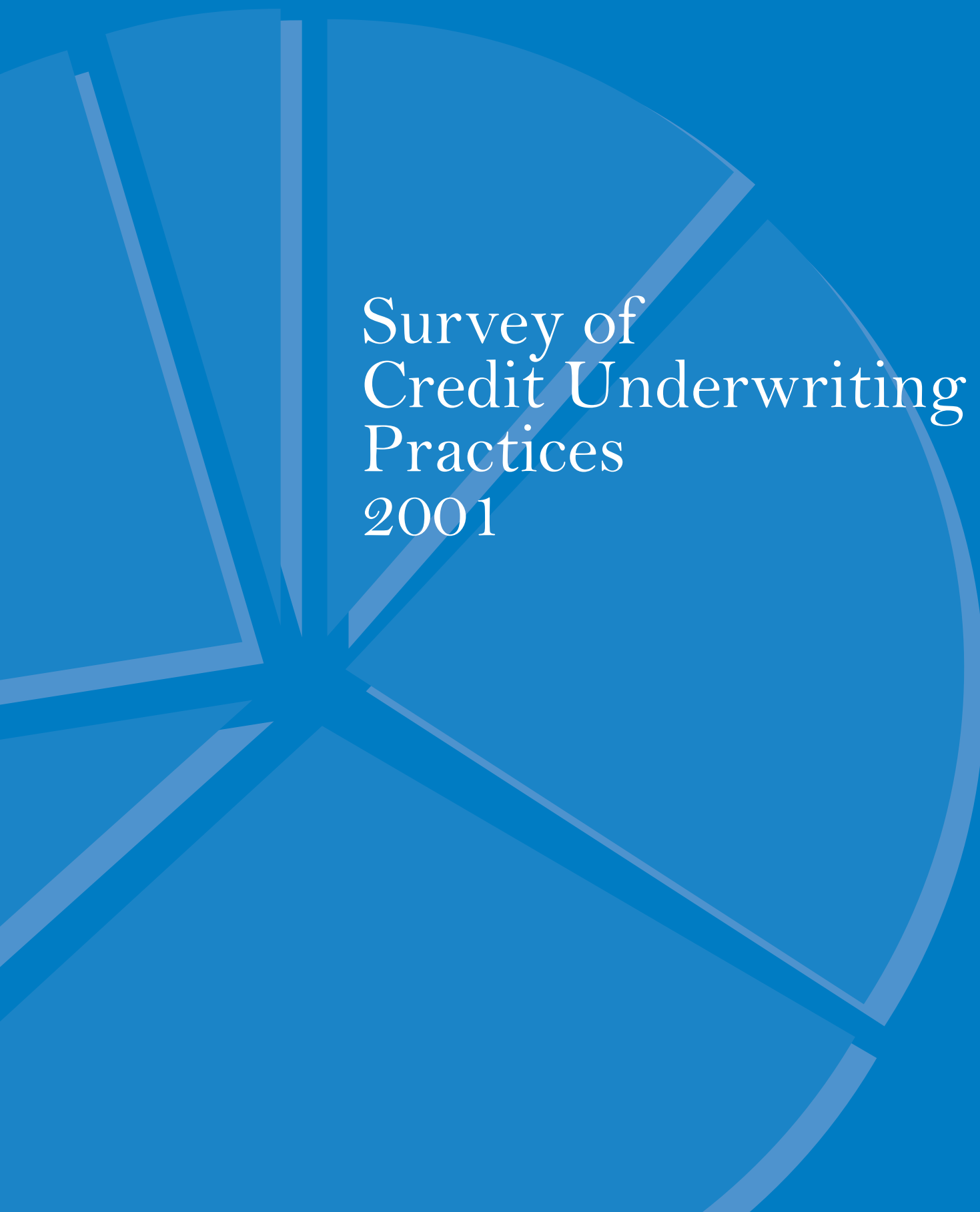




Comptroller of the Currency
Administrator of National Banks



Survey of Credit Underwriting Practices 2001



Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

June 2001

To: Board Members and Chief Executive Officers of National Banks

I am pleased to present the results of the 2001 Survey of Credit Underwriting Practices recently conducted by senior OCC credit examiners at sixty-six of the largest national banks. These banks collectively hold 90 percent of the total loans in the national banking system.

The survey shows that banks generally tightened their underwriting standards for commercial and retail loans during the 12-month period ending March 31, 2001. This was most pronounced in the syndicated national and structured finance (leveraged lending) commercial loan products, where standards had been eased most in prior years, and where credit problems developed even before the economy slowed. Reported tightening appears to be a rational response to prior practices and increasing problem loan levels in a slowing economy — examiners noted that the reasons most often cited for tighter standards were changes in risk appetites and concerns about the economy and portfolio quality.

I am pleased that bankers are now taking steps to improve credit risk recognition and increasing loan loss provisions. Notwithstanding these actions, however, our examiners report that the inherent level of credit risk has increased in banks' portfolios, due in large part to the embedded higher risk of loans booked in earlier years. These risks are now being manifested in higher levels of problem loans at many banks. While the overall volume of problem credits remains moderate, these problems were largely unanticipated by bank management and they indicate the need for improved risk identification and management.

I urge bankers to consider the lessons learned from this experience of allowing short-term earnings pressures to unduly influence their risk taking and risk management processes. In particular, the timeliness of risk recognition and the accuracy of credit risk ratings must improve before banks may safely set their own regulatory capital levels based on internal credit risk ratings, which is currently envisioned by the revised Basel Capital Accord. For banks to be fully capable of serving the interests of their customers and shareholders over the long term, they must maintain strong and stable risk management processes to ensure that risk is properly identified and managed and adequately supported by reserves and capital at all times.

Our examiners will continue to assess credit quality and underwriting on an institution-by-institution basis and will highlight conditions requiring board and management attention to avoid or mitigate credit problems as this credit cycle matures. I encourage you to discuss this survey and other credit issues with your OCC examiner-in-charge. Please also feel free to contact your local supervisory office or Barbara Grunkemeyer of the Credit Risk Policy division in Washington (202-874-5170) with questions or comments.

Sincerely,

A handwritten signature in blue ink that reads "John D. Hawke, Jr." The signature is written in a cursive, flowing style.

John D. Hawke, Jr.

**SURVEY OF
CREDIT UNDERWRITING
PRACTICES
2001**

Office of the Comptroller of the Currency
National Credit Committee
June, 2001



TABLE OF CONTENTS

Introduction 1

Primary Findings..... 2

Commentary 4

Survey Population and Scope 5

PART I: OVERALL RESULTS

Commercial Underwriting Standards 6

Retail Underwriting Standards 10

Portfolio Credit Risk..... 14

PART II: RESULTS BY LOAN TYPE

Commercial Lending Portfolios 17

Retail Lending Portfolios 25

INTRODUCTION

The Office of the Comptroller of the Currency (OCC) conducted its seventh annual Survey of Credit Underwriting Practices during the first quarter of 2001. The purpose of the survey was to identify trends in credit risk within the national banking system. The questionnaire-based survey addressed changes in lending standards and credit practices since the previous survey for the most common types of commercial and retail credit offered by national banks. The OCC examiners-in-charge of the 66 largest national banks were asked to respond to the survey based on their firsthand knowledge of the banks they supervise. The survey covered the 12-month period ending March 31, 2001.

The term “underwriting standards,” as used in this report, refers to various requirements, such as collateral requirements, loan maturities, pricing, and covenants, that banks establish to originate and structure loans. Conclusions about the “easing” or “tightening” of underwriting standards are based on the observations of OCC examiners concerning changes banks have made to their underwriting standards since the 2000 survey. A conclusion that the underwriting standards for a particular loan category have eased or tightened does not indicate that all the standards for that particular category have been adjusted, but rather that the adjustments made by banks have the net effect of easing or tightening such underwriting criteria.

Part I of this report discusses the overall results of the survey for commercial and retail credit. Part II contains the results of the survey by type of loan product.

PRIMARY FINDINGS

- ▶ *Underwriting standards for commercial loans tightened significantly following two years of relatively modest tightening. Overall retail underwriting standards also tightened, although the magnitude of tightening was less than that for commercial loans.*
- ▶ *Economic outlook, changing risk appetite, and product performance/portfolio quality were the most frequently cited reasons for tightening standards.*
- ▶ *Examiners reported that inherent risk in commercial and retail lending portfolios increased over the past 12 months, and they expect portfolio risk to continue to increase in the next 12 months.*
- ▶ *Economic conditions and changes in portfolio quality were most frequently cited as reasons for the increases in product and portfolio credit risk.*

Underwriting standards tightened more significantly during the 12 months covered by the 2001 survey than in either of the previous two years. The percentage of banks tightening commercial underwriting standards increased from 25 percent in 2000 to 55 percent in 2001, while the percentage easing standards declined from 16 percent to 6 percent in the same period. Tightening occurred in all commercial loan products surveyed except international loans. Tightening was most prevalent in the structured finance (leveraged lending) and syndicated/national loan products, which continue to experience credit quality deterioration. For the first time since the OCC began conducting the survey, examiners reported tightening standards for middle market and commercial real estate loans.

Economic outlook was the most frequently cited reason for tightening standards, followed closely by change in risk appetite and product performance/portfolio quality. (Product performance/portfolio quality was a new reason added to the survey this year.) Examiners reported that the surveyed banks used pricing as the primary method to tighten commercial underwriting standards, followed by strengthened loan covenants and increased collateral requirements. Covenants and other structural underwriting criteria afford banks a greater measure of control in managing credit risk, while pricing adjusts returns for perceived risk.

Underwriting standards for retail loans also tightened, but to a lesser degree than those for commercial loans. In the 2001 survey, examiners reported that 32 percent of the banks tightened retail standards, while 20 percent eased standards for retail loans. As reported in previous years' surveys, the tightening of retail lending standards in 2001 was more pronounced among higher-risk products or products for which banks have experienced performance problems, such as consumer leasing, high loan-to-value (HLTV) home equity lending, and indirect consumer lending. The residential real estate

and credit card products, which make up the largest individual segments of the retail lending market, experienced nominal net tightening. The affordable housing product experienced no net change in underwriting standards.

Changing risk appetite, economic outlook, and product performance/portfolio quality were the most frequently cited reasons for tightening retail lending standards, while competition and market strategy were the reasons most frequently given for easing retail standards. Similar to last year's survey, examiners reported that the banks most frequently used pricing, followed by scorecards¹ and collateral, to tighten retail lending standards.

Examiners continued to report increasing levels of inherent portfolio credit risk. Fifty-one percent of surveyed examiners reported that commercial credit risk had increased since the last survey, and 63 percent expected it to increase over the next 12 months. Examiners' characterization of increasing portfolio risk was significantly more pronounced for commercial products than for retail products. This is consistent with underwriting trends for commercial portfolios, where eased standards prevailed in past years and where performance problems are currently more pronounced. Examiners indicated that risk increased the most for the structured finance, syndicated/national, and middle market commercial loan products. Among retail products, consumer leasing, indirect consumer loans, and credit card were most frequently cited for having increased risk.

Examiners overwhelmingly cited economic conditions and changing portfolio quality as the reasons for increasing portfolio credit risk.

¹ Scorecards provide an objective, numerical measure of a borrower's credit risk based on statistical models that evaluate performance, demographic, and other factors. Scorecards are widely used to underwrite retail credit.

COMMENTARY

During the seven years that the OCC has conducted the annual Survey of Credit Underwriting Practices, a number of factors have contributed to examiners' reports of rising credit risk levels. Now, in a less favorable economic climate, those factors — eased underwriting and risk selection practices, and rising business and household debt and leverage — are becoming manifest and affecting credit quality.

Most bankers have responded to the challenges posed by rising risk and emerging credit quality problems by raising their risk awareness and improving credit risk management. As this survey shows, bankers have tightened credit standards, especially for loan products where past lending excesses were most pronounced. In addition, bankers are placing greater emphasis on improving risk rating accuracy and problem loan identification, and are beginning to increase loan loss provisions. These are appropriate measures, but considerable challenges lie ahead. With past history as a guide, we remain concerned that shortsighted pressure on banks to sustain unrealistically high returns in a less favorable credit climate may inhibit management's resolve to act strategically.

With today's uncertain economic conditions and problem loan levels on the rise, banks should ensure that:

- Sufficient resources are available for problem loan identification, management and resolution;
- Management information systems are sufficient to identify and report credit risk trends, vulnerabilities, and concentrations at the customer, product, geographic, industry, and portfolio levels;
- Strong internal controls are in place; and
- The allowance for loan and lease losses is fully adequate to absorb inherent losses.

The OCC will continue to focus supervisory attention and resources to ensure that credit risk in national banks is accurately classified and that credit risk management practices and allowance for loan and lease loss levels are commensurate with risk levels.

SURVEY POPULATION AND SCOPE

The 2001 survey covered the 66 largest national banks. Although mergers and acquisitions have altered the survey population somewhat, the surveys for the last six years have covered substantially the same bank group. All companies in the 2001 survey have assets of \$2 billion or greater. The aggregate loan portfolio of banks included in the 2001 survey was approximately \$2 trillion as of December 31, 2000. This represents 90 percent of all outstanding loans in national banks.

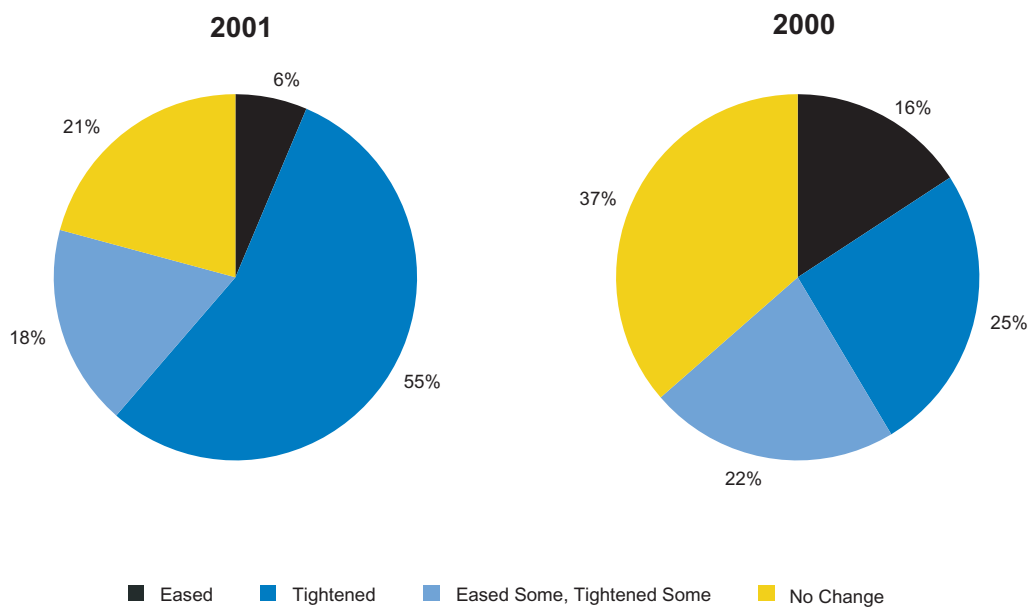
Examiners participating in the survey were asked a series of questions concerning 16 types of commercial and retail credit. Their responses were based upon their knowledge of the banks' lending activities. For the purposes of this survey, commercial credit consisted of eight categories of loans: syndicated/national 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 HLTV home equity loans.

PART I - OVERALL RESULTS

Commercial Underwriting Standards

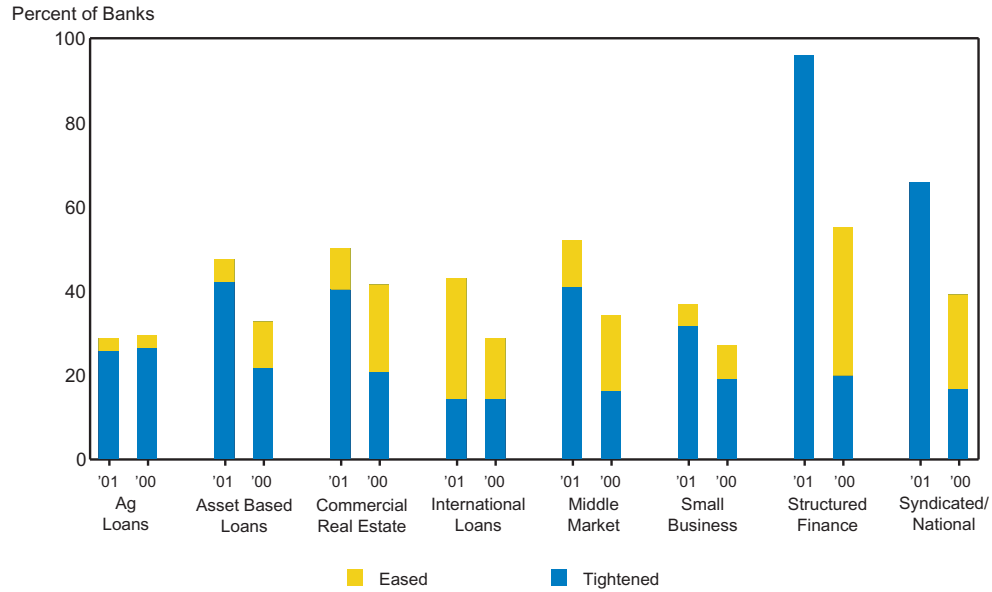
After two years of relatively modest tightening, examiners reported a significant increase in the tightening of commercial loan standards. The 2001 survey results indicate that more than half of the surveyed banks — 55 percent — tightened commercial underwriting standards, more than double the number of banks reported to have tightened in 2000 (25 percent). Only 6 percent of the surveyed banks eased commercial standards, down from 16 percent in 2000. For the remaining banks, examiners reported a mixture of tightening standards for some products and easing for others or they indicated that overall standards were unchanged.

Underwriting Standards for Commercial Loans



As depicted in the following chart, with the exception of international loans, all commercial products experienced significant tightening. The most extensive tightening occurred in structured finance (96 percent of the surveyed banks) and syndicated/national loans (66 percent of the surveyed banks). No banks were reported to have eased standards for either of these products. It is notable that this was the first survey in which examiners reported net tightening for commercial real estate (31 percent) and middle market loans (30 percent).

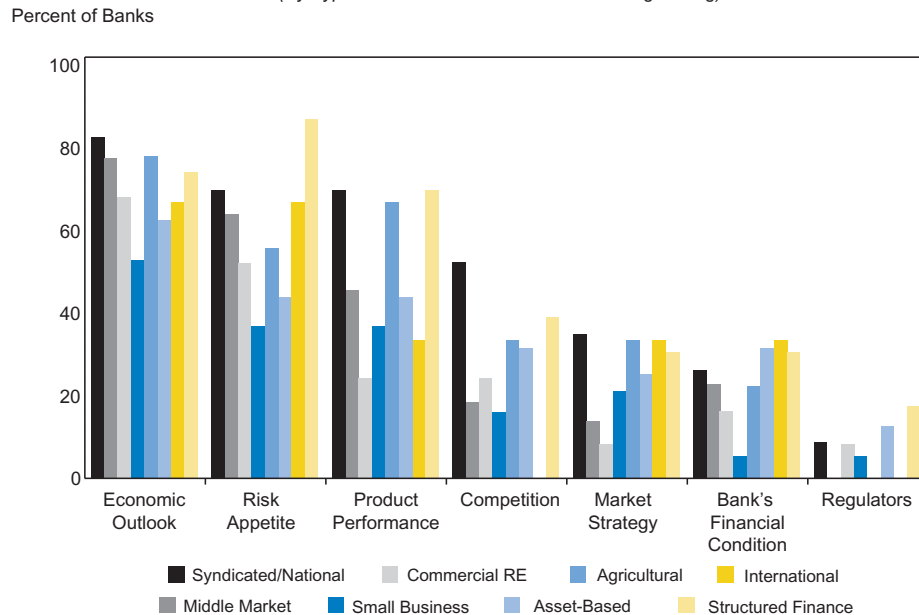
Changes in Underwriting Standards for Commercial Loans



Examiners reported that 71 percent of the surveyed banks cited concern about the economy as the leading reason for tightening commercial underwriting standards. This was followed by a change in risk appetite (60 percent) and changing product performance/portfolio quality (49 percent). Economic outlook and product performance/portfolio quality were cited most frequently for the syndicated/national, structured finance, and agricultural loan products. Competition, market strategy, and bank financial condition also influenced the decision to tighten standards (30 percent, 23 percent, and 22 percent, respectively). The following chart depicts the reasons for tightening standards.

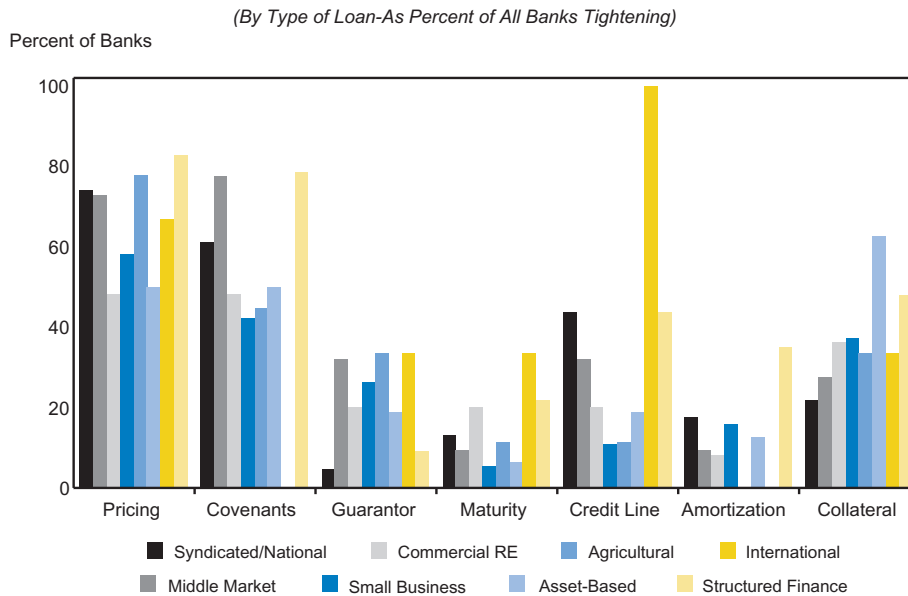
Reasons for Tightening Commercial Underwriting Standards

(By Type of Loan-As Percent of All Banks Tightening)



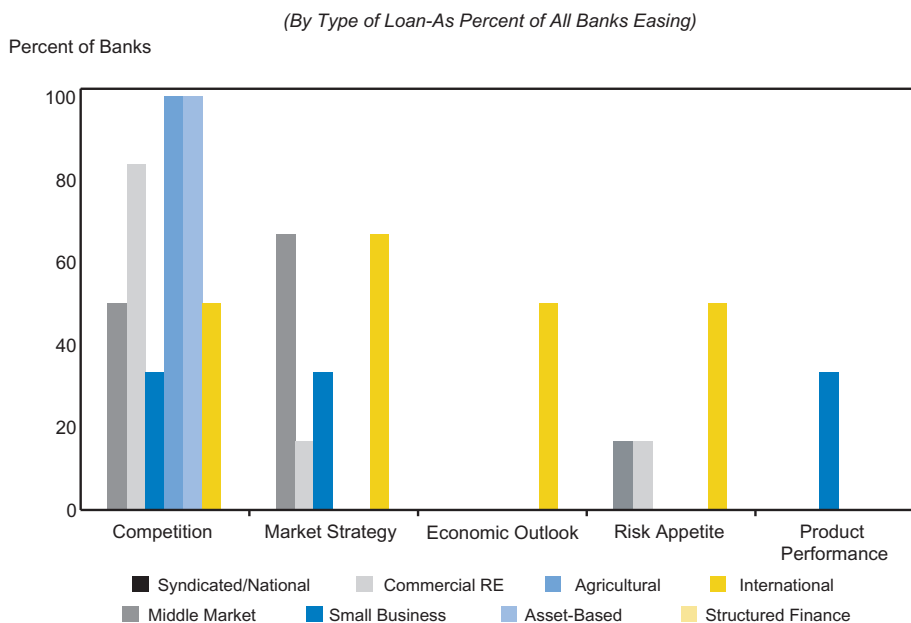
The following chart summarizes the methods used to tighten commercial lending standards. Similar to the results reported last year, pricing was the most prevalent method used to tighten standards (65 percent), followed by modifying covenants (56 percent), requiring increased collateral support (37 percent), and reducing credit line (27 percent). Examiners reported banks also required more guarantor support (20 percent), increased amortization requirements (15 percent), and shortened maturities (13 percent).

Methods Used to Tighten Commercial Underwriting Standards



The following charts depict the reasons and methods for easing commercial standards. Because only 6 percent of the surveyed banks were reported to have eased commercial underwriting standards, comments are not provided for these charts.

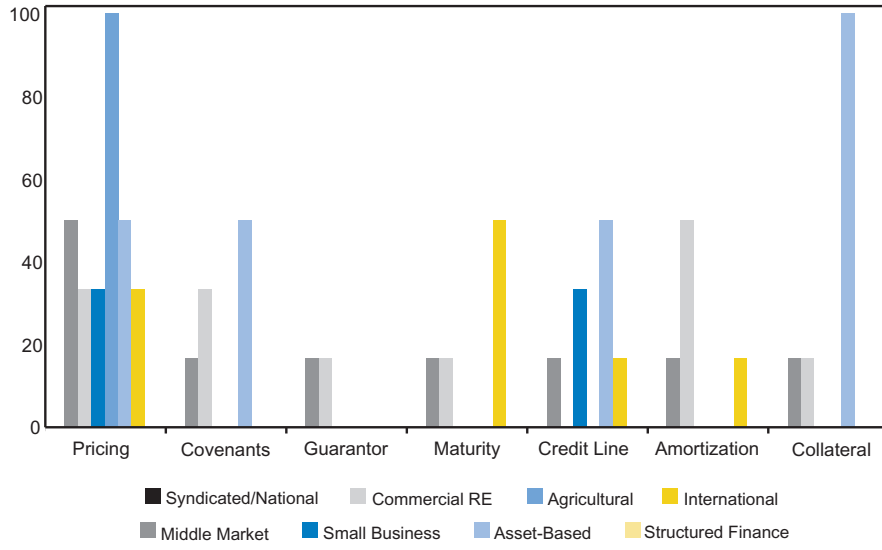
Reasons for Easing Commercial Underwriting Standards



Methods Used to Ease Commercial Underwriting Standards

(By Type of Loan-As Percent of All Banks Easing)

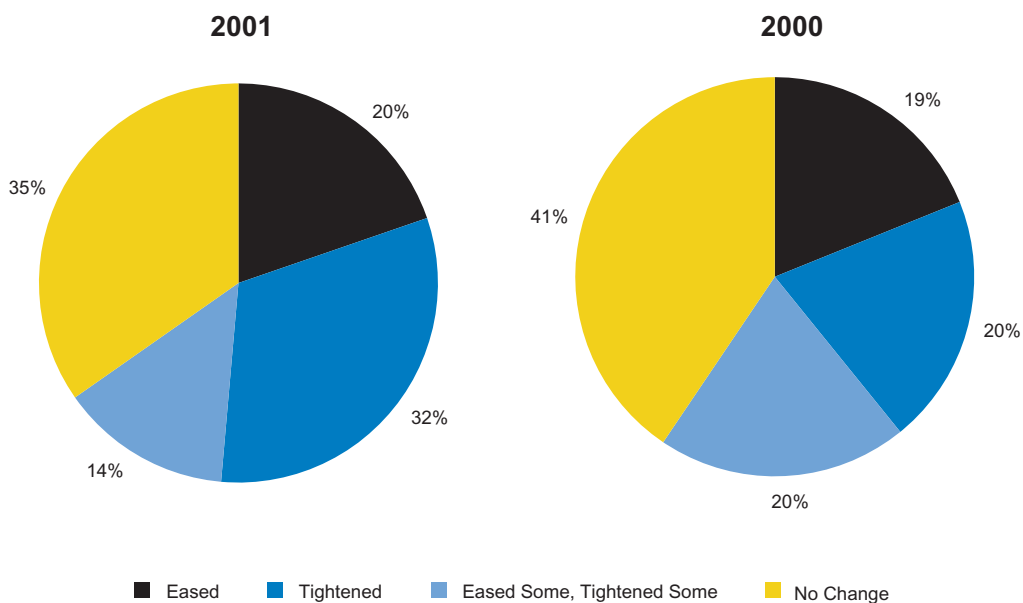
Percent of Banks



Retail Underwriting Standards

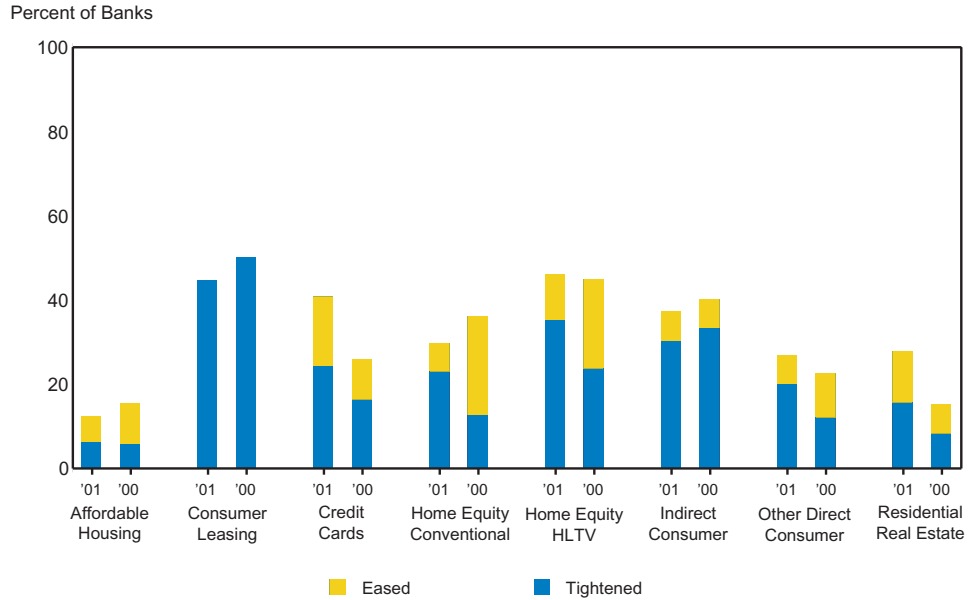
In the last year, retail underwriting standards displayed more stability than commercial underwriting standards. Retail standards, which have been tightening since 1997, exhibited an increased level of tightening in 2001, with 32 percent of the banks reportedly tightening standards compared to 20 percent in 2000. Despite the increase in tightening, the number of banks easing retail standards remained fairly constant (20 percent in 2001 compared to 19 percent in 2000). For the remaining banks, examiners either reported a mixture of tightening standards for some products and easing for others or noted no change.

Underwriting Standards for Retail Loans



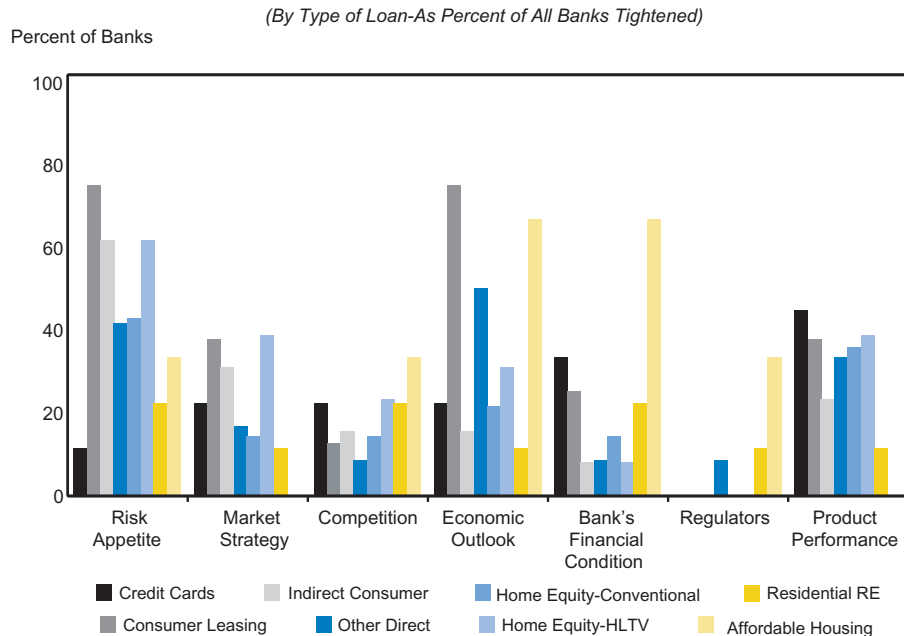
Examiners reported tightened standards for all retail products except affordable housing, where the degree of easing and tightening was equal. For the third consecutive year, consumer leasing and indirect consumer loans were most often cited as having tightened standards. Since the survey's inception in 1995, many banks have expanded their home equity portfolios. This year's survey marked the first time examiners reported net tightening for the conventional home equity product. Considerable tightening continued for the HLTV home equity product.

Changes in Underwriting Standards for Retail Loans



The survey questionnaire also asked examiners to report why surveyed banks changed retail credit underwriting standards. Examiners responded that most banks tightened standards primarily because of a change in risk appetite (46 percent) or the economic outlook (32 percent). Other reasons frequently cited were product performance/portfolio quality (31 percent), changes in market strategy (23 percent), bank financial condition (17 percent), and competition (17 percent). The following chart depicts what examiners reported as the primary reasons for tightening retail credit underwriting standards.

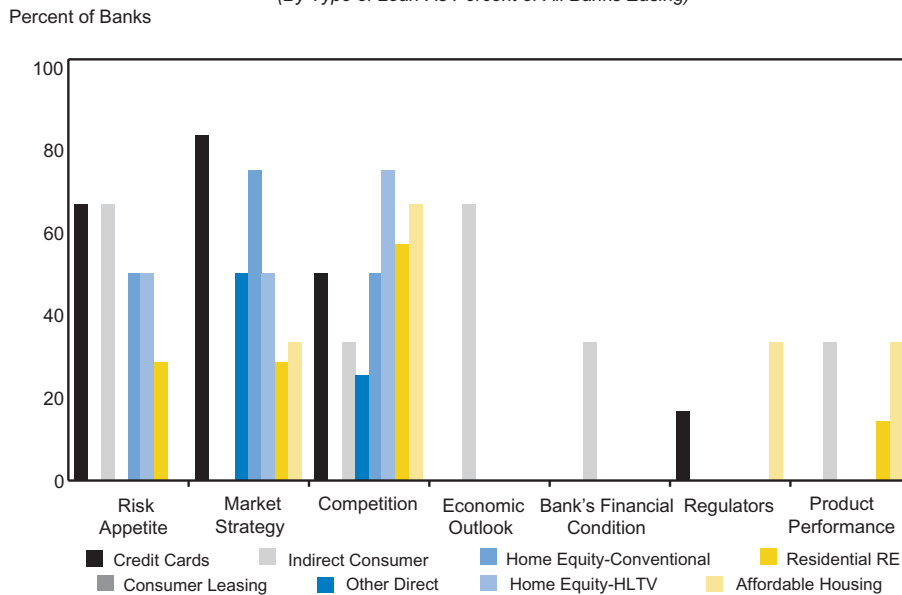
Reasons for Tightening Retail Underwriting Standards



Examiners indicated that banks eased standards for retail products primarily because of competitive factors. However, market strategy and risk appetite were also often listed as reasons for easing retail standards. These results follow the same pattern reported last year.

Reasons for Easing Retail Underwriting Standards

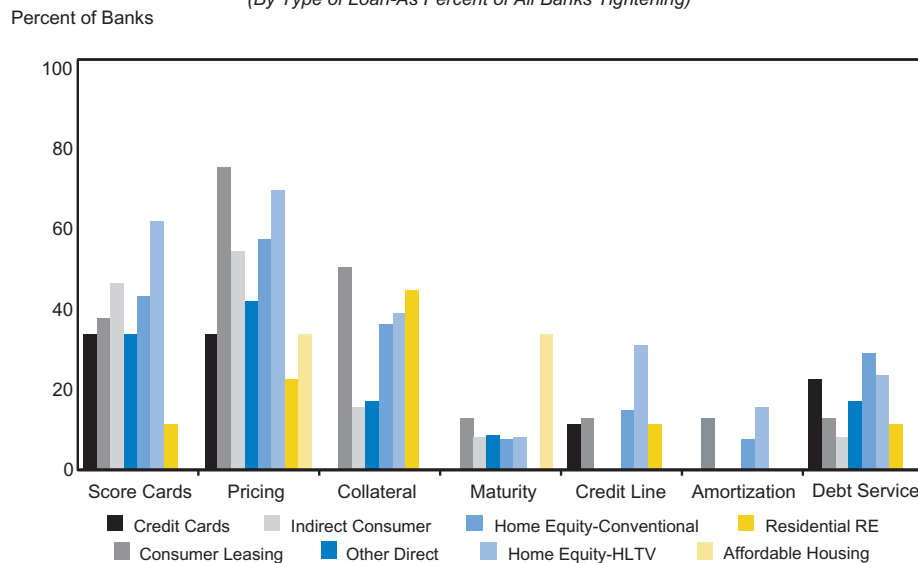
(By Type of Loan-As Percent of All Banks Easing)



The survey questionnaire asked examiners to report the methods banks used to change retail credit underwriting standards. Examiners indicated that surveyed banks choosing to tighten standards most often relied on pricing and loan fees (51 percent) followed by scorecards that is, raising the minimum cut-off score (38 percent). Examiners in 27 percent of the banks that tightened standards also cited collateral requirements, although this method was largely confined to real estate products. These three methods used to tighten standards are in the same order as reported in the 2000 and 1999 surveys, with only minor changes in percentages.

Methods Used to Tighten Retail Underwriting Standards

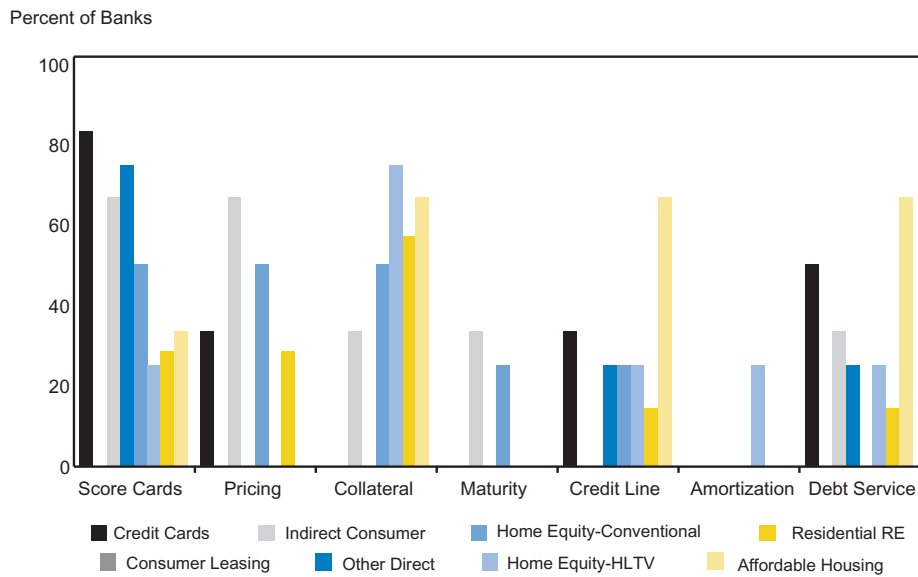
(By Type of Loan-As Percent of All Banks Tightening)



Most of the reported easing for retail products was centered in credit card and residential real estate products. Less than 20 percent of the surveyed banks eased underwriting for these products; however, the amount of easing reported increased from 2000. For credit cards, examiners reported scorecards and debt service requirements were the primary means to ease; for residential real estate, the primary means of easing were collateral requirements, pricing, and scorecards. For all retail products, the most frequently cited methods to ease were: scorecards (52 percent), collateral (39 percent), debt service (29 percent), and the size of the credit line (26 percent). Pricing, in previous years a leading method to ease retail standards, reportedly was used far less frequently during the past year.

Methods Used to Ease Retail Underwriting Standards

(By Type of Loan-As Percent of All Banks Easing)



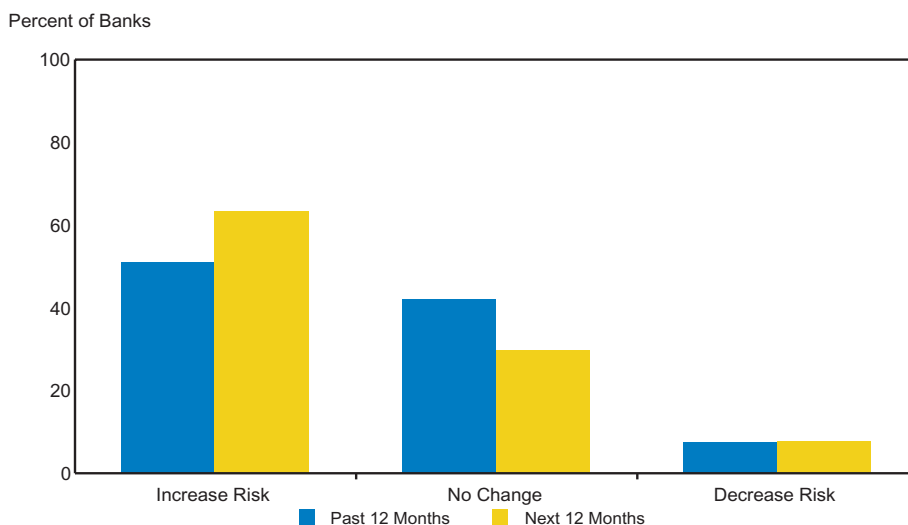
Portfolio Credit Risk

In addition to reporting about changes in underwriting, examiners were asked to characterize what happened to the level of inherent credit risk in their bank's loan portfolio since the last survey. Examiners reported that portfolio credit risk increased, by varying degrees, for all commercial and retail products. Examiners reported increasing risk more frequently for commercial loan products than for retail loan products. Examiners were also asked about their expectations for credit risk over the upcoming 12 months. By a wide margin, examiners expect banks to experience increased credit risk in all product categories. Again, the magnitude of increase is expected to be much greater for commercial products.

In the 2000 survey, and to a much greater extent in the 2001 survey, examiners' opinions about the direction of portfolio credit risk were increasingly influenced by actual or expected loan performance problems in a slower, less certain, economic environment. The factors that influenced prior examiner concern about rising credit risk (weak underwriting, the migration of bank risk selection standards to higher-risk products and customers, and rising business and household debt and leverage levels) are now being reflected in loan performance problems in the slower economic climate.

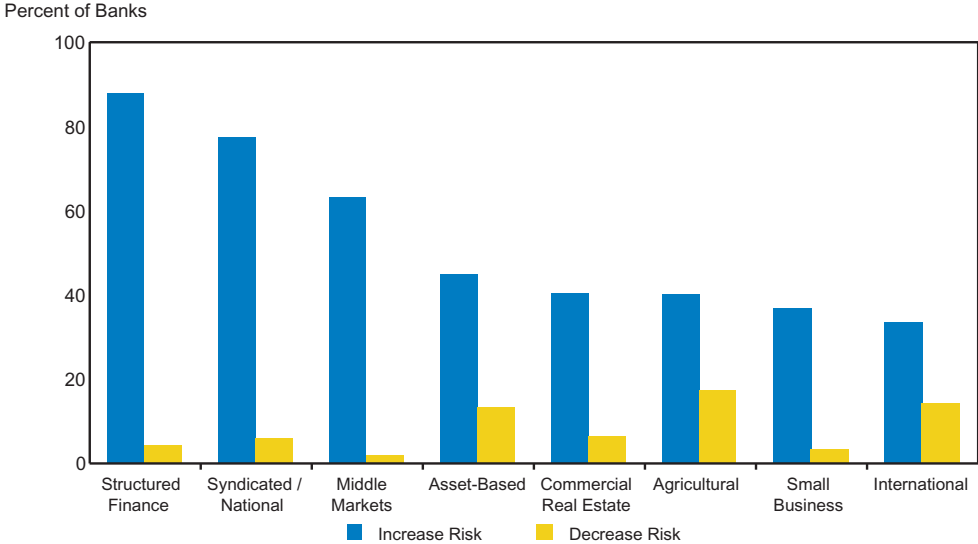
Examiners reported increased commercial credit risk in just over 50 percent of the surveyed banks. In addition, examiners expect that commercial credit risk will increase during the next 12 months in more than 60 percent of the surveyed banks. The following chart depicts the change since the 2000 survey and examiners' expectations for the next 12 months.

Credit Risk in Commercial Loan Portfolios



As the following chart depicts, inherent credit risk is also reported to have increased in each of the surveyed products. Survey results for structured finance, syndicated/national loans, and middle market loans indicated significant increased risk. For each of these products, examiners reported that more than 50 percent of the banks (88 percent for structured finance) experienced increased risk during the last year.

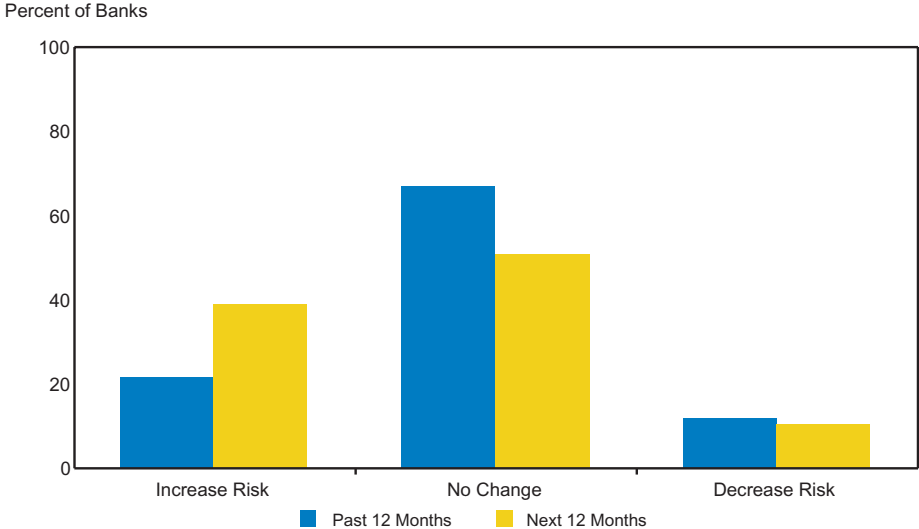
Changes in Credit Risk in Commercial Loan Portfolios Since 2000



The commercial products for which examiners most frequently reported an expectation of increased credit risk over the next 12 months were structured finance (92 percent), middle market loans (78 percent), syndicated/national credits (69 percent), and small business loans (63 percent).

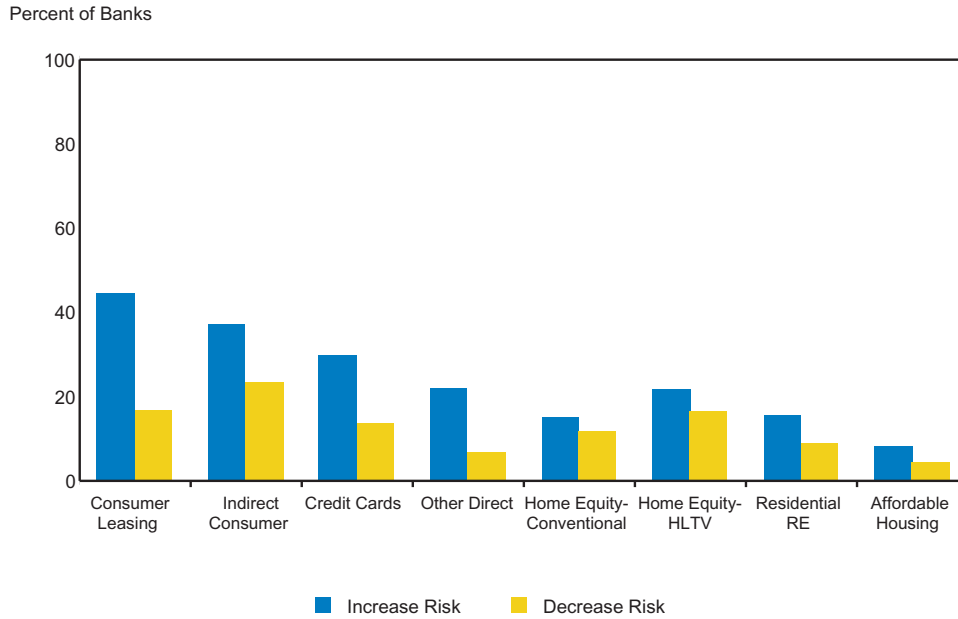
The majority of examiners (67 percent) reported no change in the level of credit risk in retail loan portfolios during the past 12 months. This conclusion likely reflects the effect of three years of tightening standards. However, where a change was noted, examiners reported a net increase in credit risk. As was the case with commercial lending portfolios, examiners also expect that credit risk will continue to increase over the next 12 months. The following chart depicts the change since the 2000 survey and shows whether retail credit risk is expected to increase, decrease, or stay the same during the next 12 months.

Credit Risk in Retail Loan Portfolios



For the survey period, examiners reported that increased risk is most evident in consumer leasing (44 percent), indirect consumer loans (37 percent), and credit cards (30 percent). Among retail real estate products, HLTV home equity loans (22 percent) were cited most frequently as having increased risk. Over the next 12 months examiners expect the following products to have the greatest potential for increased risk: consumer leasing (61 percent projected increased risk), HLTV home equity products (46 percent), and conventional home equity loans (39 percent).

Changes in Credit Risk in Retail Loan Portfolios Since 2000



PART II - RESULTS BY LOAN TYPE

Part II summarizes, in table format, the survey results for each type of loan. The first table shows how underwriting standards have changed. The second table delineates the changes in the level of credit risk and the expected change for the next 12 months.

Commercial Lending Portfolios

Agricultural Lending

Thirty-five of the 66 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

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
Future 12 Months	0	6	48	46	0

Asset-Based Loans

The asset-based loan product was added to the survey in 1999. Thirty-eight 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

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
Future 12 Months	3	8	39	50	0

Commercial Real Estate Lending

Sixty-two of the 66 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

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
Future 12 Months	0	8	36	56	0

International Lending

Only 21 of the 66 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

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
Future 12 Months	0	10	38	52	0

Middle Market Lending

Fifty-four of the 66 banks in the survey were engaged in middle market lending. As the chart depicts, credit risk continues to build in middle market portfolios.

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

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
Future 12 Months	0	7	15	78	0

Small Business Lending

Sixty of the 66 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

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
Future 12 Months	0	7	30	61	2

Structured Finance

Structured finance was added to the survey in 1999. Twenty-four of the 66 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

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
Future 12 Months	0	4	4	75	17

Syndicated/National Credits

Thirty-five of the 66 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

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
Future 12 Months	0	9	23	57	11

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 1- to 4-family and multifamily dwellings. Forty-nine of the 66 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

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
Future 12 Months	0	2	69	27	2

*NA (not available) responses excluded.

Consumer Leasing

Consumer leasing was offered by 18 of the 66 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

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
Future 12 Months	17	0	22	61	0

Credit Card Lending

Thirty-seven 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

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
Future 12 Months	3	5	38	54	0

*NA (not available) responses excluded.

Direct Consumer Lending

Sixty of the 66 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

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
Future 12 Months	0	13	52	33	2

Home Equity - Conventional Lending

Sixty-one of the 66 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

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
Future 12 Months	0	2	59	39	0

Home Equity - HLTV Lending

Thirty-seven of the 66 banks in the survey offered the HLTV home equity lending product.

Changes in Underwriting Standards in Home Equity — HLTV Loan Portfolios *(Percent of Banks)*

	Eased	Unchanged	Tightened
1999	20	61	19
2000	21	55	24
2001	11	54	35

Changes in the Level of Credit Risk in Home Equity — HLTV 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
Future 12 Months	3	13	38	46	0

Indirect Consumer Lending

Forty-three of the 66 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

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
Future 12 Months	2	19	28	49	2

*NA (not available) responses excluded.

Residential Real Estate Lending

Fifty-eight of the 66 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

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
Future 12 Months	0	10	67	23	0

*NA (not available) responses excluded.

