



NEWS RELEASE

Comptroller of the Currency
Administrator of National Banks

NR 2002-56

FOR IMMEDIATE RELEASE
June 27, 2002

Contact: Dean DeBuck
(202) 874-5770

OCC Survey Shows Measured Response By Banks to Slowing Economy

WASHINGTON-- The OCC's eighth annual Survey of Credit Underwriting Practices found that underwriting standards for commercial and retail loans tightened for the second consecutive year in a measured response to a slowing economy and pockets of deteriorating product performance.

As expected, tightening was most significant in the structured finance (leveraged lending) 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.

The survey's preliminary findings are:

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

The OCC surveyed the agency's examiners-in-charge at the 62 largest national banks and covered the 12-month period ending March 31, 2002. The aggregated loan portfolio of surveyed banks was approximately two trillion dollars and represented 90 percent of all outstanding loans in national banks.

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A complete copy of the *2002 Survey of Credit Underwriting Practices* is available on the OCC's Web site www.occ.treas.gov.

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The OCC charters, regulates and examines approximately 2,200 national banks and 52 federal branches of foreign banks in the U.S., accounting for more than 54 percent of the nation's banking assets. Its mission is to ensure a safe and sound and competitive national banking system that supports the citizens, communities and economy of the United States.