



NEWS RELEASE

Comptroller of the Currency
Administrator of National Banks

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Comptroller Hawke Says Industry Still Faces Challenges, But Emerged from Difficulties of 2001 in Good Condition

NEW YORK -- Comptroller of the Currency John D. Hawke, Jr. told bankers here today that the industry emerged from the difficult months of 2001 in far better shape than anyone could have anticipated, but reminded them that many challenges lie ahead.

“We may still be six to nine months away from the point at which we can expect problem loans to peak,” Mr. Hawke said in a [speech](#) to the New York Bankers Association. “That means more additions to loan loss reserves, with the attendant impact on earnings for the affected banks.”

The Comptroller said that the problem loans that have shown up at large banks would likely begin to trickle down to small and mid-size institutions.

“Yet what is striking is how little has actually changed for the banking system since September 11,” Mr. Hawke said. “For all of the turmoil of these last months, evidence shows that the banking system is not in appreciably worse shape than it was when I testified before Congress last June.”

Mr. Hawke told the bankers that he is committed to assuring that the OCC’s supervision of national banks does nothing to impede economic growth.

“This does not by any means mean encouraging bad loans, or closing our eyes to them,” he said. “It does not mean that we should break out in a sweat every time some entrepreneur who is turned down for a loan sees a ‘credit crunch’ in the offing, like Henny Penny fearing that the sky is falling.”

The Comptroller said the OCC should neither encourage nor dissuade banks from making loans, but should address problems as they arise in a measured and forthright way.

“Our job is to do what we can to assure that when creditworthy loans are there to be made, our banks are in sufficiently good condition to make those loans,” he added. “If we are successful in doing this, we will have made the best contribution we can to a healthy economy.”

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Mr. Hawke told the New York bankers that it is not too late to deal effectively with many of the problems they face today. Because the industry is dealing from a position of strength, it has more options. The Comptroller said bankers should:

- Build and maintain strong credit analysis, portfolio monitoring, and loan review capabilities;
- Recognize and deal with deteriorating credits forthrightly;
- Build and maintain sound workout and collection operations capable of dealing effectively with troubled borrowers;
- Build and maintain a strong capital base and conservative loan loss reserves, even at a time when profits are being squeezed; and
- Continue to invest in enterprise-wide risk management and portfolio MIS.

“As an added benefit, bankers that upgrade their internal risk ratings capabilities will be one step ahead of the proposed Basel accord, which is likely to encourage and reward bankers to adopt more robust and accurate credit risk management processes,” Mr. Hawke said.

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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.