



NEWS RELEASE

Comptroller of the Currency
Administrator of National Banks

NR 2004-102

FOR IMMEDIATE RELEASE
November 9, 2004

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OCC Survey Finds Easing of Commercial Credit Underwriting Standards

Washington – The Office of the Comptroller of the Currency (OCC) reported today that commercial loan standards eased over the past year, particularly in the areas of structured finance and syndicated/national loans—areas that had shown the greatest tightening in the four prior years.

The OCC's tenth annual [Survey of Credit Underwriting practices](#) also noted that slightly more banks eased credit underwriting standards than tightened them. Examiners reported that 13 percent of banks eased, 12 percent tightened, and 75 percent did not change their commercial standards. In 2003, by contrast, many more banks tightened than eased; examiners reported that 47 percent of banks tightened and only 5 percent eased. The survey found that underwriting standards for retail credit products also reflected more easing and less tightening, but the change from prior years was less pronounced. Most of easing of retail standards was centered in credit cards and home equity products.

“It is not surprising to find some adjustments to underwriting criteria due to improved loan portfolio quality, stepped-up competition and a more optimistic economic outlook,” said Barbara Grunkemeyer, Deputy Comptroller for Credit Risk. “However, ambitious growth goals in a highly competitive market can create an environment that fosters imprudent credit decisions. We are seeing that the products that have experienced the most easing are the same products that experienced the most volatility during the recent credit cycle. Banks need to be disciplined and adhere to the enhanced credit risk management practices they implemented in the past few years.”

The 2004 survey included the 72 largest national banks, that have assets of \$2 billion or greater and covered the 12-month period ending March 31, 2004. The aggregate loan portfolio of the surveyed banks was approximately \$2.3 trillion and represents 91 percent of all outstanding loans in national banks.

“Much has changed in ten years, and banks are in a better position to evaluate and manage the risk associated with easing underwriting standards,” said Ms. Grunkemeyer. “Advances in credit risk management have given banks better tools to differentiate risk and understand the implications of underwriting changes.”

Ms. Grunkemeyer emphasized that the OCC will continue to focus supervisory attention and resources to ensure that credit risk in national banks is appropriately identified and

that credit risk management practices are commensurate with risk levels.

This Survey of Credit Underwriting Practices 2004 can be found on the OCC web site at: www.occ.treas.gov.

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The OCC charters, regulates and examines approximately 2,000 national banks and 51 federal branches of foreign banks in the U.S., accounting for more than 56 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.