TREASURY DEPARTMENT MONTHLY LENDING AND INTERMEDIATION SNAPSHOT

Summary Analysis for March 2009

Summary Analysis

Economic Environment

The economy contracted sharply again in the first quarter of 2009 (Q1), and the downturn continues to pose challenges to consumers. The contraction was underlined by the GDP release for Q1 which showed the economy declined at an annual rate of 6.1 percent. On the business side, inventories – a significant part of short-term business credit demand – were cut sharply in Q1, and business investment also fell sharply. On the consumer side, confidence in the U.S. economy remained near its lowest level in almost 30 years in March. Consumer confidence showed signs of recovery in April, a trend that may begin to provide support for consumer loan demand should confidence continue to stabilize.

Total employment fell more than 700,000 per month in the first quarter, compared to an average monthly job loss of about 550,000 in the fourth quarter of 2008. The unemployment rate also reached the highest rate since mid 1983 in March, rising 0.4 percentage point to 8.5 percent, a further indication that the economy was weak. In April, unemployment rose again, and reached 8.9 percent. Job losses were substantial at 539,000, but this was the fewest jobs lost since October 2008. There were some modest signs of stabilization in Q1: the pace of the homebuilding decline slowed significantly, mortgage rates moved to historic lows, and consumer spending and confidence edged higher. There were also signs of easing in financial pressures outside the banking sector. For example, issuance of corporate bonds picked up sharply in the first quarter. Securitization also accelerated, as almost $11 billion in new asset-back securities were issued in March, compared to about half that amount in the previous two months combined.

March Survey Results

The top 21 participants in the Capital Purchase Program (CPP) reported that outstanding loan balances slipped 1 percent in March, as many institutions indicated that borrowers paid down outstanding debt. In spite of the declines in loans held on banks' balance sheets, originations of new loans accelerated. They reported an increase in total new lending of 27 percent from February to March (about $63 billion). Lending rose across all types of loans. Two factors contributed for the increased volume in originations. One, there were three additional business days in the March survey period (22 days) versus the February period (19 days). Two, loan volume typically rises at quarter end, a normal seasonal demand pattern.

Consumer originations were primarily driven by attractive interest rates, and respondents reported continued high application volume in March. But the increases in first lien mortgages and other consumer loans was smaller than in February. Households are facing growing pressures from a weakening labor market and further declines in their wealth. In this context, outstanding credit card balances held by major banks continued to fall, down 2.2 percent in March. In addition, total used and unused commitments for both credit cards and home equity lines of credit fell again in March as they have for every month of this survey. Renewals of existing accounts and new commitments increased in the commercial lending market, but banks reported that demand in both the commercial real estate (CRE) market and commercial and industrial (C&I) market is well below normal levels. As firms continue to downsize, cut costs, and reduce inventories, banks predict that lower demand will persist into the second quarter of 2009.

- Total originations (of all respondents) increased by 27 percent from February to March. The additional business days in March versus February contributed to the increase in originations. Across all institutions, the median change in total originations was an increase of 13 percent. Of the 21 respondents, 19 experienced increases in total originations from February to March, while only 2 experienced decreases in total originations.

  Total average outstanding balances, however, were essentially flat from February to March. The total average outstanding balances (of all respondents) decreased by 1 percent from February to March. The median change in total average outstanding balances was a decrease of 1 percent. Of the 21 respondents, 3 reported increases in total outstanding balances from February to March (although the largest increase was a modest 5 percent), while 18 respondents experienced decreases in total outstanding balances (the largest decrease was 10 percent). With originations up, flat total outstanding balances suggest that origination activity was offset by borrowers paying down outstanding debt, a factor cited by several institutions.

- First mortgage originations rose from February to March, as low interest rates sustained growth in mortgage refinancing and new home purchases. The median percentage change in mortgage refinancing was an increase of 6 percent between February and March. For new home purchases, the median percentage change from February to March was an increase of 38 percent, which was an increase from the comparable January to February figure (a 2 percent decrease). Of the eighteen banks that are active in the residential mortgage business, total originations increased at 12 banks and decreased at 6 banks. The median change in total originations was an increase of 11 percent.

- In addition, home equity lines of credit (HELOC) increased in volume, due in part to seasonal factors as most borrowers seek bank credit in the spring and summer to remodel

homes or for other home-related projects. The median change in HELOC originations was an increase of 17 percent from February to March. The increase was also partially driven by low interest rates. Demand was down slightly from normal levels, as some borrowers who would traditionally seek HELOCs may have applied for reverse mortgages given the low rates available in the month of March.

- Credit card lending balances decreased slightly in March compared to February, due both to the economic slowdown and the usual seasonal factors related to paying down balances from holiday spending. The median percent change in the average loan balance was a decrease of 2 percent from February to March while the median change in new account originations was an increase of 16 percent.

- Loan originations for other consumer lending products, including auto, student, and other consumer loans, increased slightly from February to March. The median percentage change in consumer loan originations was an increase of 4 percent. The typical seasonal decline in demand for student loans during March was offset by a modest increase in demand for auto loans, resulting in the slight increase in originations.

- Commercial and Industrial (C&I) balances continued to weaken: the median change in average outstanding C&I balances was a decrease of 2 percent. Uncertain economic conditions have resulted in borrowers downsizing, cutting costs, reducing inventories, paying down debt, and delaying capital expenditure. Lower overall merger and acquisition activity further contributed to the decreased demand for C&I credit. Nearly all respondents indicated that, throughout the recession, demand in C&I lending has remained well below pre-recession levels. Companies continued to focus on preserving liquidity, strengthening their balance sheets, and paying down existing debt rather than taking on new debt.

  The median change in renewal of existing loans, however, was an increase of 16 percent, and the median change in new commitments was an increase of 34 percent. Renewals can be attributed to seasonal factors, as many business clients submit annual audit results in March. The lack of liquidity normally supplied by the capital markets has also caused borrowers to rely on bank loans (specifically short term and bridge financing) more heavily than normal, which contributed to increases in renewals and new commitments. Additionally, banks reported that a rally in equity markets during March boosted March commitments.

- In commercial real estate (CRE), new loan demand remains low due to the lack of new construction activity. Real estate developers are reluctant to begin new projects or purchase existing projects under current poor economic conditions, which include a rising supply of office space, as firms downsize and vacancies rise. Finally, nearly all

respondents indicated that they actively reduced their exposure to CRE loans, as banks expect CRE loan delinquencies to increase over the coming year.

Both renewals of existing accounts and new commitments in CRE increased from February to March. The median change in renewals of existing accounts was an increase of 26 percent, and the median change in new commitments was an increase of 11 percent. Institutions reported that shorter term CRE renewals equated to more frequent renewals, which may have contributed to inflated activity in March. As in the C&I market, the increase in renewals was partially due to the lack of liquidity in the commercial mortgage backed securities (CMBS) market. The illiquidity forced borrowers to utilize short term bank financing. The rally witnessed in the markets during March also contributed to an increase in CRE commitments.

- The chart on page 6 ("Growth in Loan Originations, March 2009 vs. February 2009") shows the range of changes in lending activity among the 21 institutions. The bar on the far right, for example, indicates that the median volume of loan originations of all types rose by 23 percent in from February to March, while originations of all types rose by 13 percent for the institution at the 25th percentile and rose by 30 percent for the institution at the 75th percentile. There was considerable variability in lending activity across banks, especially within C&I and CRE renewals and commitments.

Loan Originations, March 2009

($ Millions)

Name	First Mortgage	HELOC (Lines and Increases)	US Card (Managed): Initial Line Amount	Other Consumer Lending	C & I: Renewal of Existing Accounts	C & I: New Commitments	CRE: Renewal of Existing Accounts	CRE: New Commitments	Total Originations	*Change in Total Originations**
American Express	N/A	N/A	$1,303	N/A	N/A	N/A	N/A	N/A	$1,303	*54%*
Bank of America	$33,641	$1,381	$1,763	$1,371	$14,237	$9,790	$2,576	$1,273	$66,031	*13%*
BB&T	$3,161	$81	$164	$296	$484	$1,281	$1,304	$430	$7,202	*13%*
Bank of New York Mellon	$68	$8	N/A	$14	$111	$59	$97	$3	$360	*-56%*
Capital One	$254	$19	$514	$606	$330	$410	$87	$124	$2,344	*3%*
CIT	N/A	N/A	N/A	$0	$2,934	$898	$0	$0	$3,832	*10%*
Citigroup	$7,809	$216	$6,066	$1,069	$755	$2,775	$159	$96	$18,945	*29%*
Comerica	$49	$12	$14	$53	$1,531	$460	$357	$58	$2,534	*53%*
Fifth Third	$1,995	$204	$156	$333	$2,387	$799	$1,081	$127	$7,082	*30%*
Goldman Sachs	$90	$0	$0	$12	$68	$3,345	$116	$0	$3,631	*388%*
JPMorgan Chase	$15,672	$290	$3,867	$3,025	$17,271	$22,860	$859	$1,603	$65,445	*65%*
KeyCorp	$188	$146	$0	$45	$373	$968	$740	$41	$2,501	*12%*
Marshall & Ilsley	$288	$62	$6	$79	$242	$93	$50	$65	$884	*-2%*
Morgan Stanley	$28	$0	N/A	$358	$1,992	$1,644	$0	$0	$4,022	*54%*
Northern Trust	$119	$132	N/A	$143	$340	$830	$4	$73	$1,641	*28%*
PNC	$2,175	$587	$271	$240	$3,996	$1,597	$524	$461	$9,851	*23%*
Regions	$969	$123	N/A	$94	$1,376	$782	$2,081	$375	$5,800	*19%*
State Street	N/A	N/A	N/A	N/A	$133	$1,311	$13	$0	$1,457	*25%*
SunTrust	$5,397	$175	$13	$262	$1,482	$790	$522	$234	$8,875	*17%*
U.S. Bancorp	$5,316	$552	$913	$818	$4,268	$2,600	$1,294	$511	$16,272	*23%*
Wells Fargo	$40,196	$745	$1,319	$2,035	$11,144	$5,736	$2,570	$1,065	$64,810	*16%*
Total (All Institutions)	$117,415	$4,733	$16,370	$10,852	$65,453	$59,026	$14,434	$6,539	$294,822	*27%*
Change in Total (All Institutions)*	*15%*	*18%*	*13%*	*7%*	*35%*	*63%*	*29%*	*14%*	*27%*	

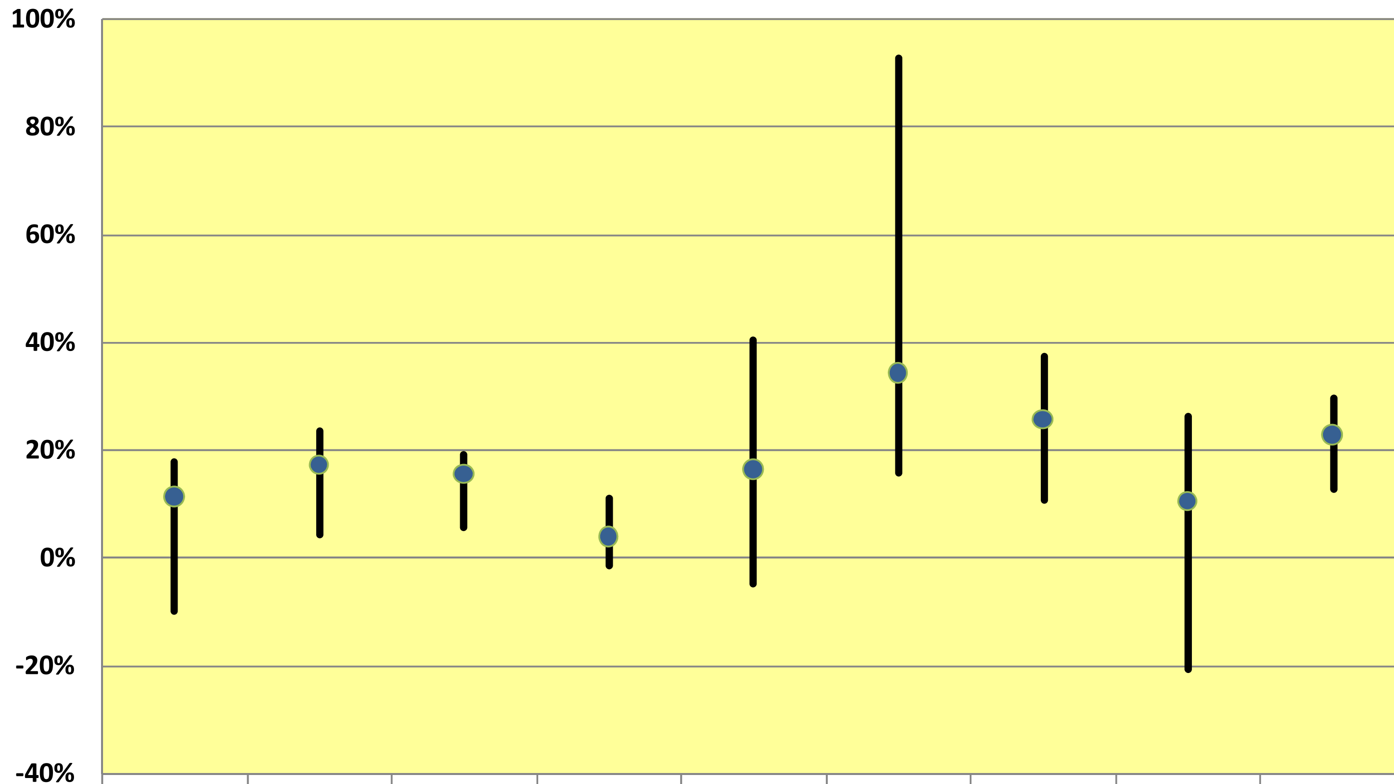
** Percentage changes are calculated versus February 2009 figures.*

Loan Category Key	
First Mortgages	Loans secured by first liens on residential real estate
HELOC	Home equity lines of credit
US Card (Managed)	US credit cards (managed)
C & I	Commercial and industrial
CRE	Commercial real estate
N/A	Denotes recipient is not active in this category

NOTE: Reliance on internal reporting means that aggregation by loan category varies for each reporting bank. Because of the differences in loan category definitions, comparisons of origination levels across firms may be imperfect.

Growth in Loan Originations

March 2009 vs. February 2009



	First Mortgage	HELOC (Lines and Increases)	US Card (Managed): Initial Line Amount	Other Consumer Lending	C & I: Renewal of Existing Accounts	C & I: New Commitments	CRE: Renewal of Existing Accounts	CRE: New Commitments	Total
75th Percentile	18%	23%	19%	11%	40%	93%	37%	26%	30%
25th Percentile	-10%	4%	6%	-1%	-5%	16%	11%	-21%	13%
Median	11%	17%	16%	4%	16%	34%	26%	11%	23%
Total (Across All Institutions)	15%	18%	13%	7%	35%	63%	29%	14%	27%