

TREASURY DEPARTMENT MONTHLY LENDING AND INTERMEDIATION SNAPSHOT

Summary Analysis for June 2009

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Economic Environment

Treasury's seventh survey of banks' activities was conducted as the economy continued to contract, albeit at a slower pace than earlier in the year. Payrolls continued to shrink, though the unemployment rate was essentially unchanged. Housing starts rose 3.6 percent in June; this is more than 20 percent higher than April's record low, but is about 75 percent below the January 2006 peak. Consumer sentiment moved higher in June according to the University of Michigan survey. Financial market strains continued to ease in June as short-term credit spreads continued to narrow and securitization continued to improve. Even with the modest improvement in many indicators, the economy remained very weak; most forecasters see the unemployment rate rising throughout 2009.

June Survey Results

The overall outstanding loan balance (of all respondents) fell 1 percent from May to June at the top 22 participants in the Capital Purchase Program (CPP).¹ Total origination of new loans at the 22 surveyed institutions increased 13 percent from May to June. In June, the 22 surveyed institutions originated approximately \$312 billion in new loans. Total originations of loans by all respondents rose in five categories (mortgages, home equity lines of credit (HELOCs), commercial and industrial (C&I) renewals and new commitments, and commercial real estate (CRE) renewals), and fell in three loan categories (credit cards, other consumer lending products, and CRE new commitments). Attractive rates contributed to growth in mortgages. Renewals in C&I and CRE sectors were largely due to seasonality, as June is the start of the peak renewal season.

Many respondents reported strong mortgage application volume in the month of June, but indicated that applications were down slightly compared to May as rates began to rise in June. HELOCs saw an increase in total originations, although institutions indicated that demand is below 2008 levels. Declining home values also contributed to lower home equity demand. Households are facing growing pressures from a weakening labor market and further declines in their wealth. In this context, overall consumer spending fell and the savings rate increased. Outstanding credit card balances held by the surveyed institutions were flat in June, indicating stagnant spending. Other consumer lending saw mixed growth in June across institutions; some institutions indicated that an uptick in demand for auto loans was offset by the seasonal decline in demand for student loans.

¹ The Hartford Financial Services Group began reporting Snapshot information in July 2009, which included results from April 2009 to June 2009.

Banks again reported that demand in both the commercial real estate (CRE) market and the 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 through the beginning of the third quarter of 2009.

- The total average outstanding balance of all loans decreased 1 percent from May to June. The median change in total average outstanding balances was also a decrease of 1 percent. Of the 22 respondents, 4 reported increases in total outstanding balances from May to June (the largest increase was 15 percent) while 18 respondents experienced decreases in total outstanding balances (the largest decrease was 3 percent).

Total originations of all loans increased by 13 percent from May to June. Across all institutions, the median change in total originations was an increase of 18 percent. Of the 22 respondents, 19 experienced increases in total originations from May to June, 2 experienced decreases in total originations and 1 experienced no change in total originations.

- In general, new mortgage lending increased from May to June, while the total outstanding mortgage balance fell 1 percent. Total mortgage originations by all respondents increased by 12 percent. The median change in total mortgage originations was an increase of 14 percent. New home purchases were particularly strong in June, with all 18 banks that were active in mortgage lending reporting increases in new home purchase originations. The median change in new home purchases in June was an increase of 30 percent, in part due to attractive rates and falling home prices. New home purchases also tend to rise in June, as summer is the peak season for home buying. There was a slight decline in demand (although still strong) for refinancing as rates began to rise during June. The median percentage change in mortgage refinancing was an increase of 6 percent between May and June.
- The total outstanding balance of HELOCs fell by 1 percent from May to June, as a number of respondents reported that they experienced run-offs in HELOCs during June. Total HELOC originations increased by 2 percent in June. The median change in originations was an increase of 13 percent from May to June. Of the 16 entities active in the HELOC market, 13 experienced increases in originations and only 3 experienced declines in originations. While most respondents experienced monthly growth in originations, many noted that demand was below 2008 levels. Monthly changes in demand varied across respondents.
- The total credit card outstanding balance of all respondents was flat in June, indicating stagnant spending. Increased job losses, generally lower levels of consumer spending and higher savings rates contributed to flat credit card balances. Of the 14 respondents active in the credit card business, 8 experienced increases in outstanding balances, 5 experienced decreases in outstanding balances, and 1 experienced no change in outstanding balances. Similarly, origination activity was split; 7 of the respondents making originations experienced increases, while 6 of the respondents making

originations experienced decreases. Total credit card originations by all respondents decreased by 3 percent in June. The median change in credit card originations was flat.

- Other consumer lending saw mixed growth in June across institutions; some institutions indicated that an uptick in demand for auto loans was offset by the seasonal decline in demand for student loans. The total outstanding balance of other consumer lending products decreased by 1 percent in June. Of the 19 institutions active in other consumer lending, 13 institutions experienced decreases in outstanding balances, while 6 institutions experienced increases in outstanding balances. Total other consumer loan originations decreased by 2 percent from May to June. The median percentage change in other consumer loan originations was a decrease of 8 percent. The changes in originations at the institution level, however, were split; 10 of the 18 respondents active in other consumer lending experienced increases in originations while 8 experienced decreases in originations.
- The total outstanding balance of C&I loans fell 2 percent; the median change in average outstanding C&I balances was also a decrease of 2 percent. Economic uncertainty has caused borrowers to downsize, cut costs, reduce inventories, and delay capital expenditures. 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. Despite these overall conditions, some respondents indicated that specific business lines showed signs of improvement in June, including the middle market, global corporate, specialty businesses, institutional bank, and not-for-profit and public sectors.

Total renewals of existing C&I accounts increased by 17 percent in June, and the median change in renewals was an increase of 41 percent. The large increases in renewals can be attributed to seasonal patterns, as June is the peak season for renewals. Total new C&I commitments increased 20 percent in June, with 14 banks reporting increases in new commitments and 6 banks reporting decreases. The median change in new commitments was an increase of 17 percent.

- 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 are actively reducing their exposure to CRE loans, as banks expect CRE loan delinquencies to increase over the coming year. The outstanding balance of CRE loans of all respondents decreased by 1 percent, and the median change in outstanding balances was a decrease of 1 percent.

Total renewals of existing CRE accounts increased 19 percent from May to June. Similar to increases in C&I renewals, the large increases in CRE renewals can be attributed to seasonal patterns, as June is the peak season for renewals. The median change in CRE renewals from May to June was an increase of 21 percent. Total new CRE commitments

decreased 4 percent from May to June, although the median change in new commitments was an increase of 7 percent. Of the 17 institutions making new CRE commitments, 11 experienced increases in new commitments, 5 experienced decreases in new commitments, and 1 experienced no change in new commitments.

- The June survey included the third month of memoranda information on small business lending. In June, total small business outstanding balances decreased by 1 percent. Total small business originations increased by 26 percent. The median change in small business outstanding balances was a decrease of 1 percent and the median change in small business originations was an increase of 27 percent. As most small business originations are included in either C&I or CRE originations (renewals plus new commitments), this trend is in line with overall trends in C&I and CRE originations in June.
- Equity underwriting was down slightly in June compared to May, but respondents indicated that in general, the market exhibited overall stability in June. Positive earnings results from some companies and a general rally during the end of the second quarter contributed to stability.
- The chart on page 6 (“Growth in Loan Originations, June 2009 vs. May 2009”) illustrates the range of changes in lending activity among the 22 institutions. The bar on the far right, for example, indicates that the median change of loan originations of all types was an increase of 18 percent in from May to June; originations of all types rose by 9 percent for the institution at the 2^{5th} percentile, and originations of all types rose by 31 percent for the institution at the 7^{5th} percentile. There was considerable variability in lending activity across banks, especially within other consumer lending products, C&I lending, and CRE lending.

Loan Originations, June 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	Small Business ¹	Total Originations ²	Change in Total Originations ³
American Express	N/A	N/A	\$1,384	N/A	N/A	N/A	N/A	N/A	N/A	\$1,384	41%
Bank of America	\$42,020	\$1,063	\$1,560	\$1,296	\$16,466	\$10,271	\$2,124	\$469	\$1,716	\$75,268	9%
Bank of New York Mellon	\$113	\$4	N/A	\$2	\$116	\$127	\$198	\$21	N/A	\$581	19%
BB&T	\$3,143	\$85	\$196	\$401	\$543	\$1,284	\$1,452	\$400	\$1,143	\$7,504	6%
Capital One	\$260	\$33	\$422	\$506	\$210	\$421	\$66	\$88	\$202	\$2,006	-1%
CIT	N/A	N/A	N/A	\$0	\$2,783	\$609	\$0	\$0	\$10	\$3,392	-1%
Citigroup	\$11,701	\$135	\$7,250	\$1,077	\$2,068	\$1,380	\$149	\$103	\$169	\$23,864	16%
Comerica	\$48	\$13	\$17	\$57	\$3,215	\$363	\$469	\$54	\$430	\$4,236	38%
Fifth Third	\$2,854	\$140	\$168	\$371	\$2,111	\$2,434	\$764	\$206	\$352	\$9,048	49%
Goldman Sachs	\$31	\$0	\$0	\$17	\$641	\$1,504	\$264	\$0	\$1	\$2,457	131%
Hartford	\$0	\$0	N/A	\$0	\$1	\$0	\$1	\$0	\$0	\$2	0%
JPMorgan Chase	\$15,090	\$196	\$3,389	\$2,586	\$14,005	\$12,887	\$838	\$975	\$956	\$49,966	5%
KeyCorp	\$225	\$106	\$0	\$24	\$1,625	\$830	\$266	\$94	\$40	\$3,170	47%
Marshall & Ilsley	\$368	\$78	\$7	\$100	\$408	\$76	\$166	\$86	\$38	\$1,289	27%
Morgan Stanley	\$68	\$0	N/A	\$412	\$1,019	\$3,190	\$0	\$0	\$179	\$4,689	20%
Northern Trust	\$123	\$100	N/A	\$112	\$910	\$326	\$24	\$72	\$34	\$1,667	10%
PNC	\$2,021	\$517	\$309	\$233	\$5,227	\$2,394	\$763	\$284	\$389	\$11,748	33%
Regions	\$1,100	\$129	N/A	\$114	\$1,774	\$1,159	\$2,187	\$446	\$702	\$6,909	21%
State Street	N/A	N/A	N/A	N/A	\$976	\$263	\$3	\$0	N/A	\$1,242	16%
SunTrust	\$6,255	\$147	\$16	\$401	\$1,462	\$881	\$377	\$306	\$91	\$9,845	12%
U.S. Bancorp	\$6,304	\$549	\$763	\$909	\$4,949	\$2,974	\$1,549	\$382	\$682	\$18,379	25%
Wells Fargo	\$45,074	\$613	\$1,225	\$1,931	\$13,407	\$7,328	\$2,505	\$1,332	\$2,894	\$73,415	8%
Total (All Institutions)	\$136,798	\$3,908	\$16,705	\$10,550	\$73,916	\$50,700	\$14,165	\$5,317	\$10,027	\$312,061	13%
<i>Change in Total (All Institutions)³</i>	<i>12%</i>	<i>2%</i>	<i>-3%</i>	<i>-2%</i>	<i>17%</i>	<i>20%</i>	<i>19%</i>	<i>-4%</i>	<i>26%</i>	<i>13%</i>	

¹ These loans are already accounted for in either consumer lending, commercial lending, or a combination of both.

² Total Originations does not include the "Small Business Originations" column.

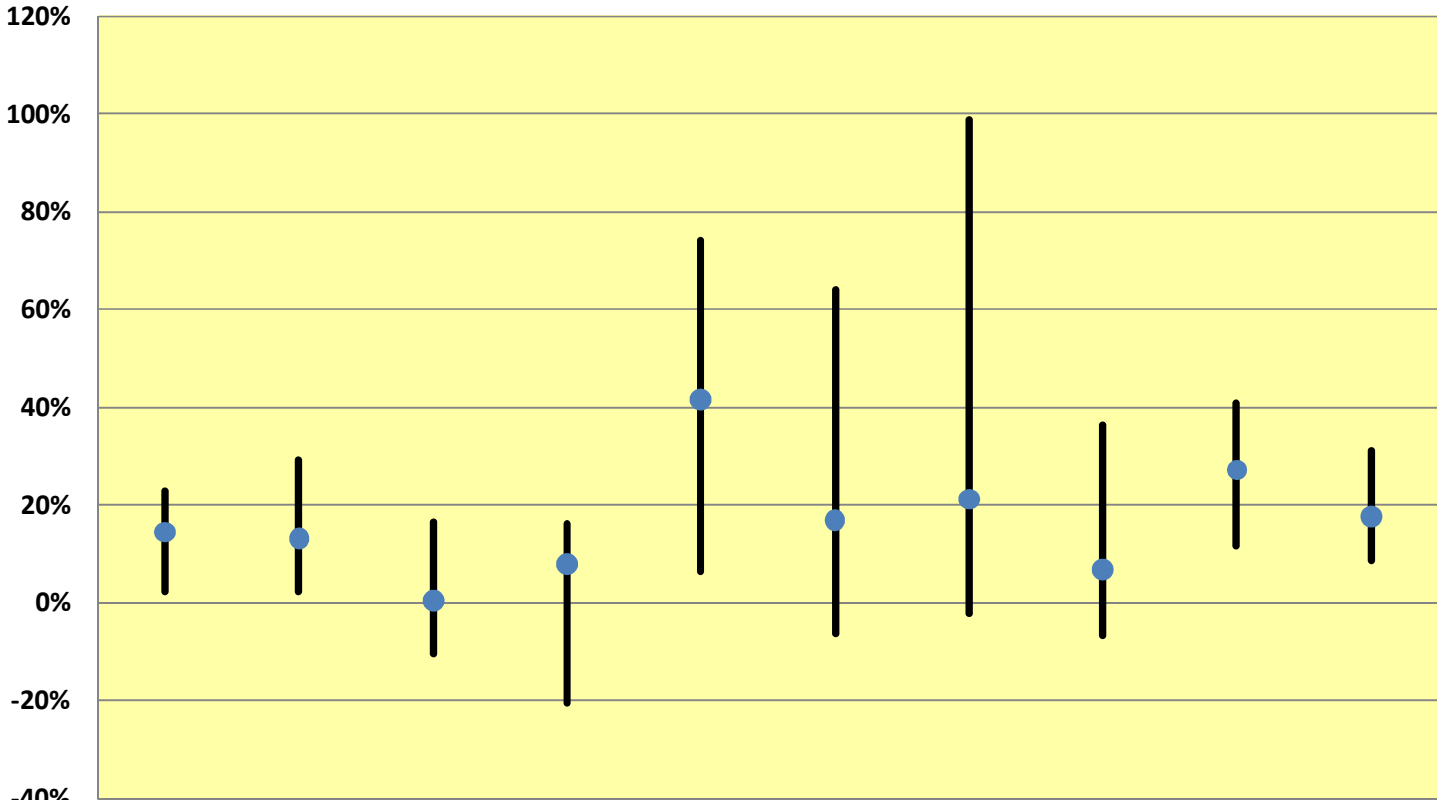
³ Percentage changes are calculated versus May 2009 figures.

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
Small Business	Loans to small businesses
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

June 2009 vs. May 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	Small Business Originations	Total
75th Percentile	23%	29%	17%	16%	74%	64%	99%	36%	41%	31%
25th Percentile	2%	5%	-10%	-20%	6%	-6%	-2%	-7%	12%	9%
● Median	14%	13%	0%	8%	41%	17%	21%	7%	27%	18%
Total (Across All Institutions)	12%	2%	-3%	-2%	17%	20%	19%	-4%	26%	13%