

TREASURY DEPARTMENT MONTHLY LENDING AND INTERMEDIATION SNAPSHOT

Summary Analysis for February 2009

Snapshot Design

The snapshot contains quantitative information on three major categories of lending – consumer, commercial, and other activities – based on banks’ internal reporting, as well as commentary to explain changes in lending levels for each category. In addition, the Snapshot contains a qualitative section that provides market color on lending demand and credit standards generally to help Treasury and the public meaningfully and accurately interpret the quantitative data.

Why base the quantitative data on internal reporting? *Treasury believes that it is critical to provide the public and Congress with as much information as possible about the programs we are implementing to stabilize the financial system. In this spirit, the snapshot has been designed to collect new information on a more frequent basis from banks. In order to do this, Treasury must utilize banks’ internal reporting. This Snapshot complements the detailed quarterly reports provided by banks on activities and financial condition to regulators, which is also publicly available. The Treasury snapshot is focused on lending activities and will be issued on a monthly basis. This information will also help guide policy making going forward as Treasury and the federal regulators continue to coordinate to develop a comprehensive response to the unprecedented financial markets crisis.*

Why include both commentary and a qualitative section? *Lending levels are a function of credit availability, which is in banks’ control, as well as a host of factors outside of banks’ control: loan demand, borrower creditworthiness, capital markets liquidity, the macroeconomic environment, etc. The purpose of the commentary and qualitative section is to allow banks to provide color on the interaction of these variables so that readers can put the banks’ information in context and draw meaningful conclusions from the quantitative data.*

What are the limits of the snapshot? *The Snapshot’s reliance on internal reporting means that aggregation by loan category and comparisons of asset and origination levels across firms may be imperfect. Snapshot readers should focus on trends within a firm across time, particularly in percentage change terms, a fact that is reflected in Treasury’s summary analysis.*

Summary Analysis

The contraction of the economy and its effect on consumers and businesses in the beginning of the year posed several challenges to the lending environment. Consumer confidence in the U.S. remained near its lowest level in almost 30 years in February. The recession that began in December 2007 is now both affecting loan demand and also reflecting the effects of the sharp reduction in credit that occurred last fall. The unemployment rate reached the highest rate since late 1983 in February, rising

0.5 percentage point to 8.1 percent, while nonfarm payrolls dropped by 651,000 in February. Compared to a year earlier, business shipments of capital goods in February were down 11 percent and U.S exports were down 17 percent, reflecting the world-wide economic slowdown. These negative trends are reducing demand for consumer goods and services and causing businesses to slow or to cease operations entirely. Many businesses are unwilling to expand their operations in this climate. This has cut sharply into the demand for new loans.

Notwithstanding difficult economic conditions, the lending and intermediation survey of the top 21 CPP recipients demonstrated that banks continued to originate, refinance and renew loans in the period from January to February 2009. Lending levels increased from January primarily in residential mortgage lending which was driven by attractive mortgage rates. With the historically high application months in December and January, Treasury expects the high level of originations to continue throughout the first quarter of 2009. The commercial lending segment remained constrained in February, as demand for additional debt remains weak.

- First mortgage origination rose significantly from January to February, as falling mortgage interest rates spurred growth in mortgage refinancing activity. The median percentage change in mortgage refinancing was an increase of 42 percent between January and February. Of the eighteen banks that are active in the residential mortgage business, 16 experienced an increase in originations while only two banks experienced decreases in originations. In addition, home equity lines of credit (HELOC) experienced a seasonal increase in volume. Most borrowers seek bank credits in the spring and summer to remodel homes or for other home-related projects. The median change in HELOC originations was an increase of 18 percent from January to February.
- Loan origination for other consumer lending products, including auto, student, and other consumer loans, decreased from January to February. The median percentage change in consumer loan originations was a decrease of 47 percent. The lower origination levels reflect several factors, including the typical seasonal decline for student loans during the month of February, as well as weak auto demand.
- Credit card lending activity declined slightly in February compared to January, due both to the economic slowdown as well as 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 1 percent from January to February while the median change in new account originations was a decrease of 3 percent.
- Commercial and Industrial (C&I) lending activity continued to weaken across all categories. Uncertain economic conditions have resulted in borrowers reducing expenses, paying down debt, and delaying capital expenditure. The median decrease in renewal of existing loans was 14 percent and the median change in new commitments was a decrease of 13 percent. Companies continued to focus on preserving liquidity and strengthening their balance sheets. Also contributing to the lower demand was lower overall merger and acquisition activity.

- In commercial real estate, renewals of existing accounts increased, while new commitments decreased from January to February. The median change in renewals of existing accounts was an increase of four percent. The median change in new commitments was a decrease of 23 percent. The increase in renewals was due to the lack of liquidity in the commercial mortgage backed securities market as borrowers continue to utilize bank financing. New loan demand remains low due to the lack of new construction activity; developers are reluctant to begin new projects or purchase existing projects under current economic conditions.
- The chart on page 5 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 fell by 2.2 percent in January, while originations of all types fell by 12.6 percent for the institution at the 25th percentile and rose by 9.3 percent for the institution at the 75th percentile. There was considerable variability in lending activity across banks, especially within Commercial Real Estate (CRE) and mortgage originations.

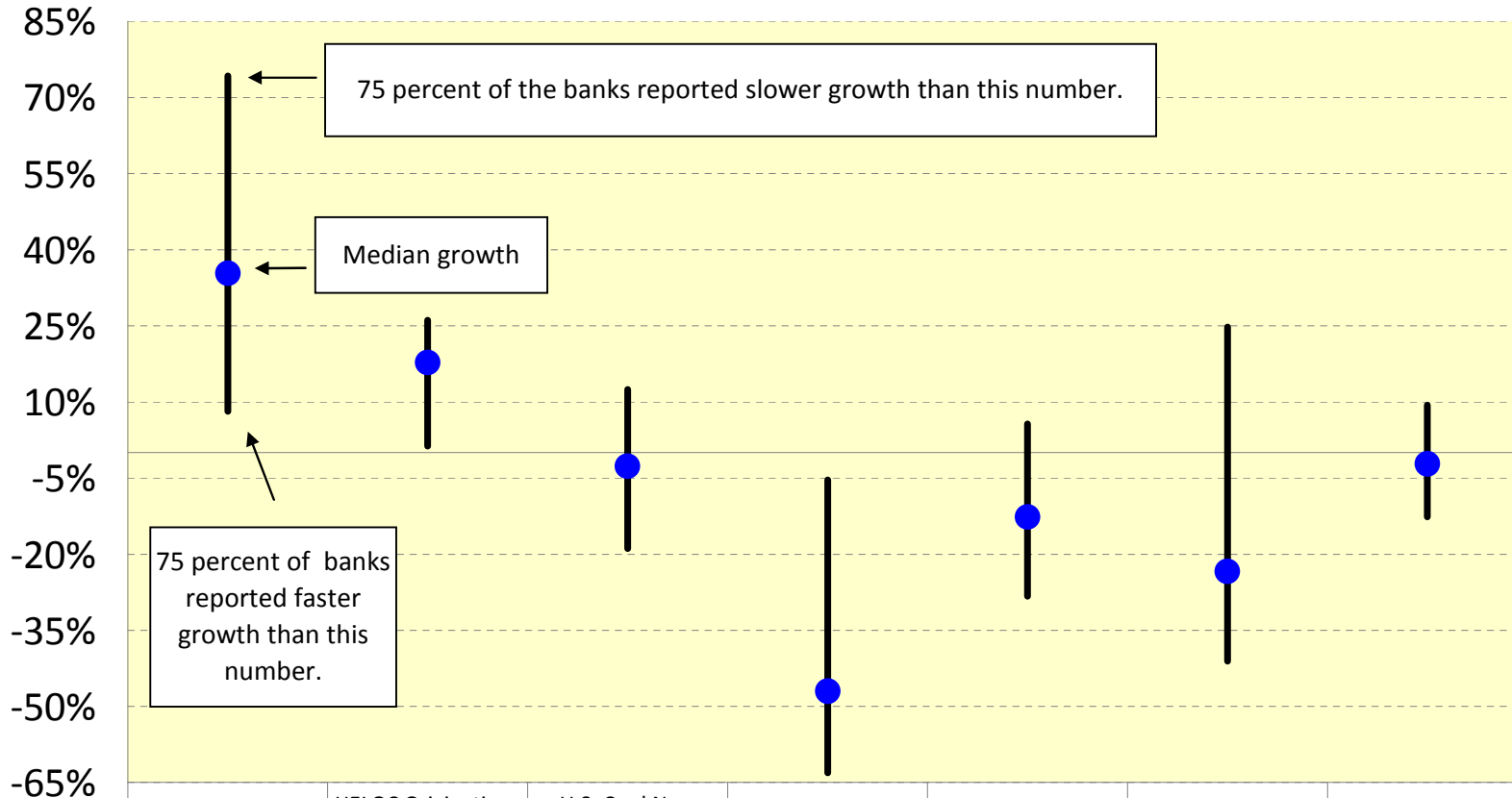
Loan Originations, February 2009
(\$ Millions)

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
American Express	N/A	N/A	\$845	N/A	N/A	N/A	N/A	N/A
Bank of America	\$28,690	\$1,256	\$1,668	\$1,263	\$11,704	\$10,166	\$2,052	\$1,403
BB&T	\$2,856	\$93	\$154	\$290	\$614	\$843	\$1,169	\$379
Bank of New York Mellon	\$276	\$16	N/A	\$4	\$251	\$157	\$112	\$0
Capital One	\$2	\$14	\$749	\$620	\$310	\$404	\$67	\$109
CIT	N/A	N/A	N/A	\$0	\$2,798	\$699	\$0	\$0
Citigroup	\$6,958	\$209	\$5,151	\$1,042	\$752	\$416	\$143	\$20
Comerica	\$63	\$14	\$9	\$23	\$1,100	\$174	\$140	\$138
Fifth Third	\$1,972	\$141	\$135	\$317	\$1,654	\$634	\$471	\$143
Goldman Sachs	\$88	\$0	N/A	\$9	\$225	\$422	\$0	\$0
JPMorgan Chase	\$13,015	\$278	\$3,293	\$2,632	\$10,701	\$8,942	\$547	\$274
KeyCorp	\$148	\$133	\$0	\$56	\$709	\$525	\$583	\$87
Marshall & Ilsley	\$357	\$51	\$5	\$72	\$240	\$78	\$36	\$59
Morgan Stanley	\$51	\$0	N/A	\$348	\$175	\$2,040	\$0	\$0
Northern Trust	\$85	\$110	N/A	\$142	\$306	\$593	\$7	\$36
PNC	\$2,359	\$402	\$202	\$274	\$2,444	\$1,134	\$631	\$545
Regions	\$1,084	\$107	N/A	\$100	\$1,117	\$359	\$1,788	\$312
State Street	N/A	N/A	N/A	N/A	\$411	\$725	\$34	\$0
SunTrust	\$4,573	\$143	\$32	\$288	\$1,186	\$667	\$381	\$316
U.S. Bancorp	\$4,642	\$440	\$818	\$733	\$2,819	\$2,388	\$1,030	\$386
Wells Fargo	\$34,819	\$613	\$1,481	\$1,909	\$8,984	\$4,777	\$1,956	\$1,512

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 Lending in February 2009



	Mortgage Total Originations	HELOC Originations (New Lines+Increases)	U.S. Card New Account Originations	Other Consumer Originations	C & I New Commitments	CRE New Commitments	Total Originations
25% Quartile	74.2%	26.1%	12.5%	-5.4%	5.6%	24.8%	9.3%
75% Quartile	8.1%	1.3%	-18.9%	-63.1%	-28.3%	-41.0%	-12.6%
● Median	35.4%	17.7%	-2.7%	-47.0%	-12.7%	-23.4%	-2.2%