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US lenders tightening standards

In response to the ongoing credit and housing crises a new Federal Reserve study has found that nearly two-thirds of US banks have tightened their lending standards for almost every type including consumer loans, business loans and home mortgage loans. Of the reported two-thirds who have tightened their lending standards 15% of those say they have tightened them "considerably". Non-traditional mortgage loans, which have taken most of the blame for the current situation, have seen the most change.

The Fed reported that, "substantial majorities of domestic and foreign respondents pointed to a less favorable or more uncertain economic outlook and to a worsening of industry-specific problems as reasons for tightening their lending standards on C&I (commercial and industrial) loans over the past three months." This news comes despite government efforts to reform the lending industry and pump more financial stimulus into the weakening economy.

Recent waves of rising foreclosures have lenders wary about taking on more risk through non-prime loans. Foreclosures for this year are expected to top 2 million further complicating the situation. Since September 2007 the Federal Reserve has made seven separate rate cuts.

Critics of the Bush administrations attempts to curb the growing crisis claim that not enough has been done for small businesses. "Over half of our banks have tightened their lending standards, making it harder for small businesses to expand their payrolls and invest in new equipment," said Sen. John Kerry (D-MA), "The Bush administration and Republicans in Congress have bailed out Wall Street and done nothing to help small businesses on Main Street."