



Economic Brief

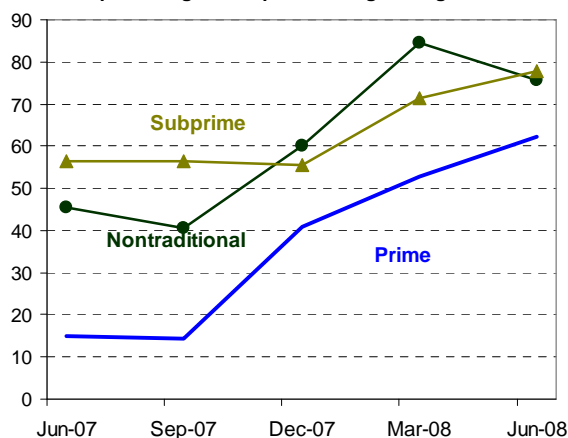
Bank Lending Practices Survey (May, 2008)

May 6th 2008

- In 2Q08, an increasing number of financial institutions tightened lending standards for C&I loans. The majority of respondents increased spreads on the loan rates over their cost of funds.
- Four main reasons to tight credit supply: less favorable economic outlook, worsening of industry-specific problems, reduce tolerance for risk and decreased liquidity in the secondary market for these loans. In addition, one out of three institutions had concerns about their bank's current or expected capital position
- Lower demand for C&I loans resulted from a decrease in customer's needs to finance investment in plants and equipment or to finance mergers and acquisitions
- Commercial real estate: tightening supply and lower demand
- The majority of respondents tightened their lending standards on prime, nontraditional and subprime residential mortgages over the past three months. Lower housing prices had led to tougher restrictions for home equity lines of credit
- Increasing number of financial institutions reduced the limits on credit card loans and raised the minimum required credit scores to tighten household lending.

Supply for Residential Loans

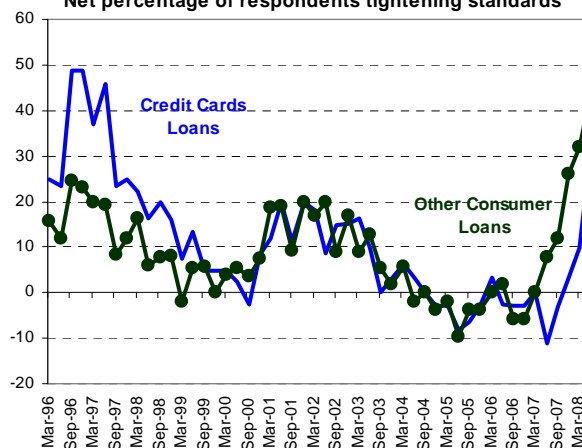
Net percentage of respondents tightening standards



Source: Survey on Bank Lending Practices, FED.

Supply for Consumer Loans

Net percentage of respondents tightening standards



Source: Survey on Bank Lending Practices, FED.

Bottom Line. Financial institutions have further tightened their lending standards and terms on a broad range of loan categories. Demand from both businesses and households weakened further, although by less than had been the case over the previous survey.

Nathaniel Karp, Chief U.S. Economist (832) 813 7738

nathaniel.karp@bbvausa.com

Ignacio Sanmartin, Regional Unit (832) 813 7761

ignacio.sanmartin@bbvausa.com

Alejandro Neut, Macro Unit (212) 728 1692

alejandro.neut@bbvany.com

Marcial Nava, Macro Unit (832) 813 7770

marcial.nava@bbvausa.com