

Economics Group

Sam Bullard, Economist

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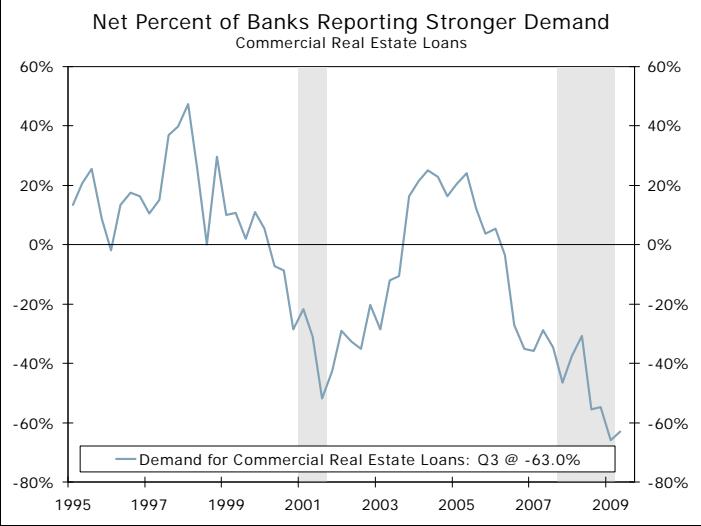
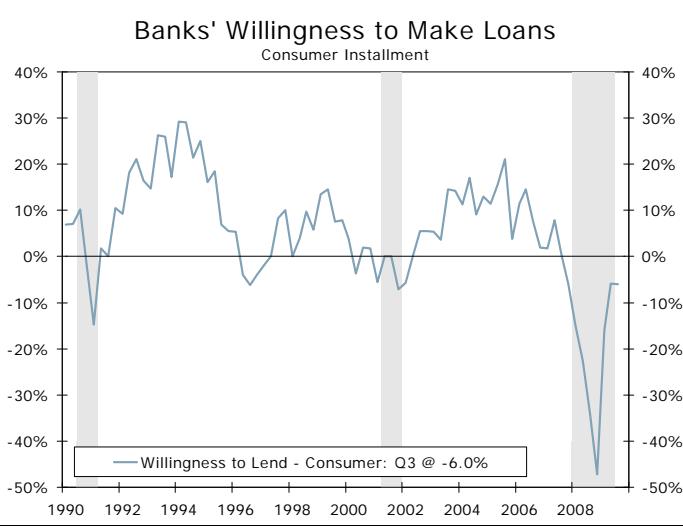
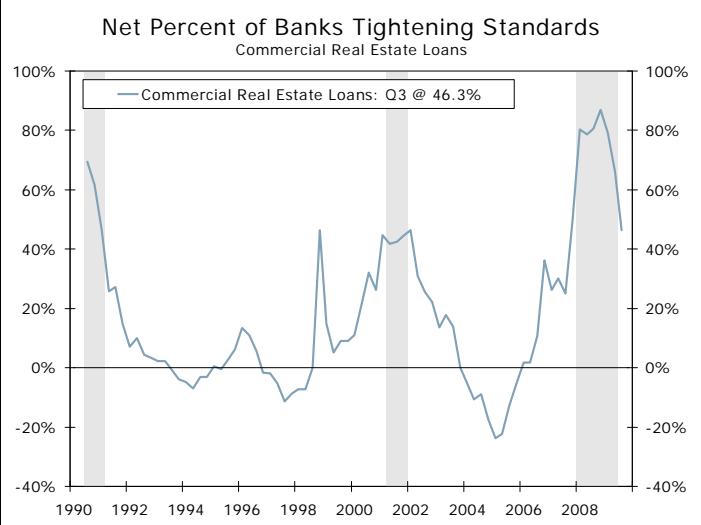
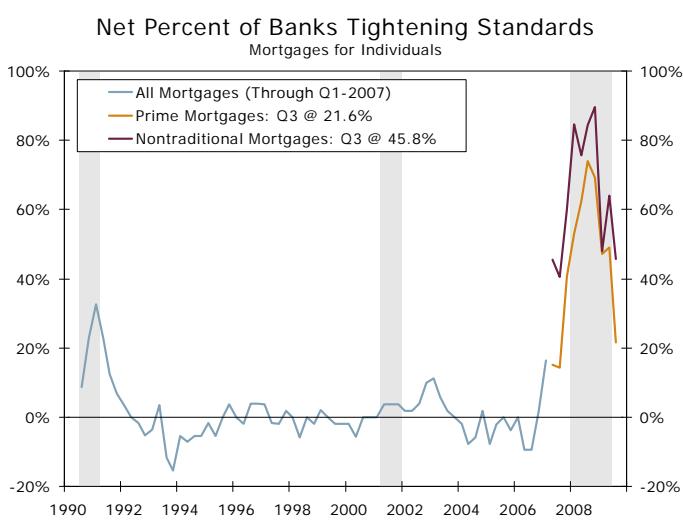
The Federal Reserve reported today that U.S. banks continued to tighten lending standards on households and businesses across all major loan products over the past three months.

Weak Loan Demand

- Demand for loans remained weak over the past three months but declined at a slower pace than what was reported back in April. Prime residential real estate was the only bright spot.
- As banks continue to reduce their tolerance for risk given the uncertain economic environment, tighter lending standards will weigh on businesses and consumers during the first year of the economic recovery.

Commercial Real Estate Still to Play Out

- One of the special questions in this report dealt with increasing levels of lending standards and how long they would persist above the decade-long average. Nearly all banks reported that current CRE lending standards were tighter than their long-term averages. Forty percent of those respondents expected standards to return to long-term average levels by the second half of 2010 or in 2011 for both investment & non-investment grade lending.



Source: Federal Reserve Board and Wells Fargo Securities, LLC

Wells Fargo Securities, LLC Economics Group

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