

## Bank Lending Trends - 4Q 2007 Estimates

Final figures for the fourth quarter 2007 are not due out for a little more than a month (end of February), however based on earnings reports from several banks, Foresight Analytics offers its advance estimates of what the 4Q 2007 results will be.

### Residential Mortgages (First-Lien Single Family Mortgages)

- Total delinquencies rose to an estimated 3.8% during the fourth quarter, up from 3.4% in Q3, and double the 1.9% rate in Q2 2006.
- Non-accrual rates rose sharply, from 1.1% to 1.5% during the fourth quarter. This is nearly double the 0.8% of only two quarters ago.
- These rates are likely to rise further in the near term, as lower home prices and economic weakness continue to weigh on the sector.

### Construction Lending

- Total delinquencies shot up to 4.8%, up from 3.2% in Q3, and more than double the 2.3% rate of Q2.
- The non-accrual rate doubled during the quarter, to 3.2%.
- This sector has experienced the most rapid erosion of any area of real estate-related lending. Clearly, the deterioration in for-sale housing markets — both single family and condominiums — is having a major impact.

## Commercial Mortgages

- The total delinquency rate rose to 1.7%, up from 1.4% in Q3, and 1.1% in Q2.
- The non-accrual rate increased to 0.9%, a 0.3% point increase from Q3.
- The commercial mortgage sector remains much healthier than for-sale residential. However, the recent upward trend bears watching. The credit crunch and increased difficulty of getting financing will pose risks for properties in need of refinancing during 2008.

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### Total Delinquency and Non-Accrual Rates U.S. Banks and Thrifts

				Actual				Estimate
	Q1 06	Q2 06	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07	Q4 07
<b>Residential Mortgages</b>								
Total Delinquency	1.9%	1.9%	2.0%	2.4%	2.4%	2.7%	3.4%	3.8%
Non-Accrual	0.5%	0.5%	0.5%	0.6%	0.7%	0.8%	1.1%	1.5%
<b>Construction Loans</b>								
Total Delinquency	1.1%	1.0%	1.3%	1.6%	2.0%	2.3%	3.2%	4.8%
Non-Accrual	0.3%	0.3%	0.5%	0.6%	0.8%	1.2%	1.6%	3.2%
<b>Commercial Mortgages</b>								
Total Delinquency	1.1%	1.0%	1.1%	1.1%	1.2%	1.1%	1.4%	1.7%
Non-Accrual	0.5%	0.5%	0.5%	0.5%	0.5%	0.6%	0.6%	0.9%

Sources: FDIC, Foresight Analytics