PRESS RELEASE

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FDIC Releases Three Reports Analyzing Growth of Nonbank Lending

Decades-long shifts reported in corporate and mortgage loans between banks and nonbanks

WASHINGTON – The Federal Deposit Insurance Corporation (FDIC) today released a multi-part analysis of changes in the U.S. banking system since the 1950s, especially changes occurring since the financial crisis in 2008. These analyses address the shift in some lending from banks to nonbanks; how corporate borrowing has moved between banks and capital markets; and the migration of some home mortgage origination and servicing from banks to nonbanks.

FDIC's reports will be published in the next edition of *FDIC Quarterly*. They include:

Bank and Nonbank Lending Over the Past 70 Years — Total lending in the U.S. has grown dramatically in the past 70 years and, since the 1970s, the share of bank loans has generally fallen as nonbanks gained market share in residential mortgage and corporate lending. In other business lines, shifts in loan holdings from banks to nonbanks have been less pronounced as banks and nonbanks continue to play important roles in lending for commercial real estate, agricultural loans, and consumer credit. Studying the roles that banks and nonbanks play in lending markets allows for a better understanding of how banks respond to growth in nonbank lending and the implications of associated risks for the banking sector and the broader economy.

Leveraged Lending and Corporate Borrowing: Increased Reliance on Capital Markets, With Important Bank Links — Over the past decade, U.S. nonfinancial corporate debt reached record highs as issuance of corporate bonds and leveraged loans grew rapidly while credit quality and lender protections deteriorated. Much of this growth in corporate borrowing came through capital markets, though important connections to the banking system remain. This article examines this shift in corporate borrowing to capital markets over the past several decades. It also details the ways corporate debt has grown, the resulting risks this shift poses to banks since the 2008 financial crisis, and what factors could mitigate those risks.

Trends in Mortgage Origination and Servicing: Nonbanks in the Post-Crisis Period — The mortgage market changed notably after the collapse of the U.S. housing market in 2007 and the financial crisis that followed. A substantive share of mortgage origination and servicing, and some of the risk associated with these activities, migrated outside of the banking system. Some risk remains with banks or could be transmitted to banks through other channels, including bank lending to nonbank mortgage lenders and servicers. Changing mortgage market dynamics and new risks and uncertainties warrant investigation of potential implications for systemic risk.

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