PRESS RELEASE
Federal Deposit Insurance Corporation

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FDIC TO SURVEY EXAMINERS ON LOAN UNDERWRITING STANDARDS

FOR IMMEDIATE RELEASE

FDIC Chairman Ricki R. Tigert today announced plans to establish an early warning system designed to identify any relaxation in the underwriting standards for bank lending before problems occur. The new system -- which will commence with pilot projects in all eight regions of the FDIC's Division of Supervision -- will involve periodic surveys of bank examiners to identify changes in underwriting standards as they occur.

"This effort will allow the FDIC to analyze systematically the findings of our field personnel who observe lending practices on a day-to-day basis, and then to work with banking institutions to correct any problems before they are serious," Chairman Tigert said. "The goal is to better identify at an early stage any potential systemic risk to the banking system."

FDIC field personnel at selected, regularly-scheduled bank examinations during the first quarter of 1995 will be asked to report on the prevalence of specific lending and investment practices that have led to difficulties in the past, such as commercial real estate loans based on unrealistic cash flow projections. Examiners also will be asked to identify new practices that could have implications for the safety and soundness of the banking system.

"Our objective is to develop an effective system while the banking industry is healthy that will provide us with sufficient information to recognize, and head off, credit-quality problems before they reach the magnitude of those seen in the 1980s," Chairman Tigert emphasized.

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