

## Bank Lending Trends - 1Q 2008 Estimates

Final figures for the first quarter 2008 are not due out for another month (late May), however based on earnings reports and call report filings from several banks, Foresight Analytics offers its advance estimates of what the final 1Q 2008 results will be. Note: these are preliminary estimates, not the final results.

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

- Total delinquencies rose to an estimated 5.0% during the first quarter, up from 4.3% in Q4, and more than double the 2.4% rate in Q1 2007.
- Non-accrual rates rose sharply, from 1.5% to an estimated 2.0% during the first quarter. This is nearly double the 1.1% of Q3 2007.
- We believe these rates will rise further in the near term, as the housing downturn and general economic weakness weigh on this sector.

### Construction Lending

- Total delinquencies shot up to an estimated 7.1%, up from 5.0% in Q4, and higher than the 5.1% registered at year-end 1994.
- The non-accrual rate rose sharply during the quarter, to an estimated 4.4%, more than quadruple the rate in Q1 2007.
- The housing market meltdown accounts for the rapid deterioration in construction loan performance, and will likely drive delinquencies higher during 2008.

## Commercial Mortgages

- The total delinquency rate rose to an estimated 1.8%, up from 1.6% in Q4, and 1.4% in Q3.
- The non-accrual rate increased to an estimated 0.9%, up slightly from Q4.
- The commercial mortgage sector remains much healthier than for-sale residential. Some signs of thawing in the CMBS market may also indicate that the credit crunch could be easing slightly for commercial real estate. Nevertheless, CMBS spreads remain elevated and the recent upward trend in delinquencies bears watching.

For more information, contact:

Matt Anderson [m.anderson@foresightanalytics.com](mailto:m.anderson@foresightanalytics.com)  
Partner

Susan Persin [s.persin@foresightanalytics.com](mailto:s.persin@foresightanalytics.com)  
Partner

Tel: (510) 893-1760  
Web: <http://www.foresightanalytics.com>

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

	Q1 06	Q2 06	Q3 06	Actual		Q2 07	Q3 07	Q4 07	Estimate
				Q4 06	Q1 07				Q1 08
<b>Residential Mortgages*</b>									
Total Delinquency	1.9%	1.9%	2.0%	2.4%	2.4%	2.7%	3.4%	4.3%	5.0%
Non-Accrual	0.5%	0.5%	0.5%	0.6%	0.7%	0.8%	1.1%	1.5%	2.0%
<b>Construction Loans</b>									
Total Delinquency	1.1%	1.0%	1.3%	1.7%	2.0%	2.3%	3.2%	5.0%	7.1%
Non-Accrual	0.3%	0.3%	0.5%	0.6%	0.8%	1.2%	1.7%	2.8%	4.4%
<b>Commercial Mortgages</b>									
Total Delinquency	1.1%	1.0%	1.1%	1.1%	1.2%	1.1%	1.4%	1.6%	1.8%
Non-Accrual	0.5%	0.5%	0.5%	0.5%	0.5%	0.6%	0.6%	0.7%	0.9%

\* First-lien Mortgages.

Sources: FDIC, Foresight Analytics