Office of the Comptroller of the Currency
U.S. Department of the Treasury

Joint Release

Board of Governors of the Federal Reserve System
Office of the Comptroller of the Currency
Federal Deposit Insurance Corporation

NR 2000-78
FOR IMMEDIATE RELEASE
October 10, 2000

Bank Regulators' Data Show Continued Increase in Adversely Classified Syndicated Bank Loans

WASHINGTON — Syndicated bank loans adversely classified by examiners increased in 2000 for the second consecutive year, according to data released today by three federal bank regulatory agencies.

The agencies — the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation — released aggregate data for the past six years and data by major industry sector for the past three years.

Under the Shared National Credit (SNC) Program, the agencies review large syndicated loans annually, usually in May and June. The program, established in 1977, is designed to provide an efficient and consistent review and classification of any loan or loan commitment shared by three or more supervised institutions and totaling $20 million or more.

In 2000, the SNC Program covered 9,848 credits to 5,844 borrowers totaling nearly $2 trillion in drawn and undrawn loan commitments. Of the total, $63 billion, or 3.3 percent, was classified adversely because of default or other significant credit concerns. That was up from 2.0 percent in 1999 and 1.3 percent in 1998, the lowest level of the decade. Classified loans remain low relative to the peak of 10 percent of total commitments experienced in 1991.

Borrowers have drawn down about a third of the $1.95 trillion in loan commitments, or $701 billion. Of this amount, $56 billion, or 8 percent, was classified adversely, up from 5.3 percent in 1999 but down from the peak of 18 percent in 1991.

The percentage of adversely classified credits rose in 2000 for several major industry sectors. Problem loans in the health care services sector continued to increase after the significant deterioration in 1999, and health care remains the industry with the highest relative concentration of classified SNC loans. Several traditional manufacturing industries also experienced a significant increase in problem credits and some industries were heavily influenced by problems encountered by leveraged borrowers that had expanded operations aggressively through acquisitions in recent years.

In addition, credits listed as "special mention" by examiners because of potential weakness — a less serious category than the three adverse classifications: substandard, doubtful, and loss — totaled $36.3 billion in 2000, up from $31.4 billion in 1999. Special mention loans rose to 1.9 percent of total loan commitments, from 1.7 percent in 1999.

U.S. banking organizations hold approximately one-half of the value of loans in the Shared National Credit Program. Foreign banks hold just over 40 percent, and nonbank and nonfinancial companies and investment funds hold the rest.

Related Link

- Summary of Shared National Credit Program (PDF)

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