Fed: Lending forecast improves

U.S. banks expect better credit quality

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WASHINGTON — U.S. banks expect credit quality to rise in 2013 after they eased standards on loans for autos and businesses of all sizes, according to a Federal Reserve survey.

"Banks expect improvements in credit quality in most major loan categories" in 2013, the central bank said Monday in its quarterly survey of senior loan officers released in Washington. The number of banks with such an expectation was described as "moderate to large."

Business lending standards were "eased somewhat for all firm sizes" and banks "again eased standards on auto loans," the Fed said in its report. Standards for mortgages and credit card loans were little changed, the survey said.

The report bolsters the Fed's view that a slump in economic growth during the fourth quarter was temporary, and that record- low interest rates will help fuel the recovery as credit thaws. The Fed said last week growth "paused," following a report that the economy shrank at an annual rate of 0.1 percent in the fourth quarter.

The Federal Open Market Committee said in a Jan. 30 statement that growth will "proceed at a moderate pace and the unemployment rate will gradually decline."

The survey of loan officers at 68 domestic banks and 22 U.S. branches and agencies of foreign banks was conducted from Dec. 27 to Jan. 15, the Fed said.

Banks expect to see "improvements in delinquency and charge-off rates during 2013 for most loan categories included in the survey," the Fed said.