

How Lending Standards Affect Consumers - Finance & Lending Overview

Even before the pandemic materialized, banks and finance companies were already starting to tighten lending standards. The low rate environment for the months leading up to the pandemic culminated into a flurry of new loans for homes and automobiles. As the pandemic took hold throughout the country, banks and lenders modified their loan requirements in order to compensate for lost wages and drops in small business revenue.

The Federal Reserve tracks loan activity via the Senior Loan Officer Opinion Survey, which details lending practices among banks and lenders nationwide. In its most recent survey of banks and lenders released in January, the Fed found that a net share of banks are easing standards for credit cards and some auto loans.

Economists and market analysts place a considerable amount of importance on loan qualifications, especially during times of economic contraction. It is expected that a continued low rate environment along with easing lending standards might help foster an economic rebound.

Source: Federal Reserve Senior Loan Officer Opinion Survey

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