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In its quarterly survey of U.S. bank risk professionals, credit rating and predictive analysis company FICO has found that lenders expect demand and supply for consumer credit to reach equilibrium in the second half of 2013. Sixty percent of respondents expected both the amount of credit requested by consumers and the amount of credit extended by lenders to increase over the next six months.

"This is the first time since we initiated the survey in 2010 that expectations for the growth of credit demand did not exceed expectations for the growth of credit supply," said Dr. Andrew Jennings, chief analytics officer at FICO and head of FICO Labs.

"This shows the strength of the U.S. economic recovery and is in sharp contrast to what we see in Europe. Findings of our latest survey of European bankers, which we will release next week, show that twice as many UK lenders think the amount of credit requested will rise, compared with those who think the availability of credit will do so."

The U.S. survey, conducted for FICO by the Professional Risk Managers' International Association (PRMIA), also found that 61 percent of bankers surveyed expected the average credit card balance to increase during the next six months. Just 26 percent of respondents expected delinquencies on credit cards to increase.

"These results say quite a bit about the psychology of borrowers and lenders," Jennings continued. "After years of caution, lenders are now in growth mode and feeling good about extending credit. But I find the borrower side of the equation even more intriguing. It appears that borrowers are beginning to shed the frugal habits



- Home equity lines – 85 percent
- Residential mortgages – 88 percent
- Small business loans – 77 percent
- Student loans – 44 percent

Once again, student loans were the sole area of pessimism. This is the seventh consecutive quarter of significant concern about delinquencies on student loans.

**Historical trends**
Nearly 52 percent of respondents expected requests for credit-line increases to rise, while 3.5 percent expected such requests to fall – the smallest number ever seen in this survey. Just 7 percent of respondents expected credit card balances to decline, the lowest figure in the history of the survey.

Thirty-six percent of respondents expected the approval rate for new credit to increase, while only 15 percent expected a decrease, the lowest result ever recorded in the survey. Forty-seven percent of respondents expected mortgage delinquencies to decline, which is the most optimistic result in the survey's history.

A detailed report of FICO's quarterly survey is available at https://www.prmia.org/sites/default/files/references/FICO2ndQuarterJuly2013.pdf. The survey included responses from 149 risk managers at banks throughout the U.S. in May and June 2013. FICO and PRMIA extend a special thanks to Columbia Business School's Center for Decision Sciences for its assistance in analyzing the survey results.

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