

# US Bank Charge-Off Rates Exceed Depression: Moody's

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The rate of loan charge-offs by major U.S. banks has exceeded those seen in the early years of the Great Depression as the credit crisis continues to take a toll, Moody's Investors Service said Monday.

Bank charge-offs — loans written off as uncollectable — have reached \$116 billion year to date, or 2.9 percent of outstanding loans on an annualized basis, Moody's said in a report.

By comparison, bank charge-offs were about 2.25 percent in 1932, the third year of the Great Depression, Moody's said.

Charge-offs climbed to \$45 billion in the third quarter from \$40 billion in the second quarter and \$31 billion in the first, Moody's said.

On an annualized basis, charge-offs were about 3.4 percent of outstanding loans in the third quarter, matching the Great Depression peak in 1934, Moody's said.

The charge-off totals cover banks rated by Moody's with more than \$50 billion in assets. Moody's-rated banks hold 85 percent of the total assets in the U.S. banking system.

Bad loans resulting from the global credit crisis have battered banks' profits and triggered an upsurge in the number of troubled and failed banks. Banks that took major write-downs on residential mortgages during the housing slump are now suffering losses from commercial real estate and business loans as well.

The high costs of credit problems weighed heavily on banks' third-quarter results, Moody's said.

"For most banks, third-quarter earnings were at best modest, and in many cases they recorded sizable losses," Moody's said.

Since more credit costs loom, "we believe earnings prospects for the fourth quarter of 2009 and for 2010 are bleak for many U.S. banks," Moody's said.

The charge-offs have already been incorporated into Moody's bank ratings, however, and will not trigger more rating actions, Moody's said.

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