

Markets

US Banks Are Tightening Lending Standards, Raising the Risk of a Recession

- Share of those now restricting credit is typical of downturns
- Tighter terms may mean Fed won't have to raise rates as much

By [Rich Miller](#)

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The Federal Reserve isn't the only one tightening credit. Commercial banks are too.

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And that spells trouble for the US economy.

The proportion of US banks tightening terms on loans for medium and large businesses and for commercial real estate rose last quarter to levels usually seen during recessions, according to a Fed [survey](#) of lending officers released earlier this month.

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The increased stringency by the commercial banks will likely affect the economy with a lag, as business and household borrowers find it more difficult to obtain credit and eventually scale back their spending.