

GUEST COLUMN

Banks are lending, albeit differently

Recently we've been told light is shining at the end of our dark economic tunnel. And while this news is cause for relief, does it mean credit is available to go buy things with? Are loans being made?

The answer to both these questions is yes, but not in the same way as a few years ago. Keep in mind lending has historically been fundamental to banks and credit unions and that has not changed. What has changed is a lending environment that impacts us all.

In the late 1980s, loan underwriting was grounded on conservative criteria. By the early 2000s, the pendulum had swung to a more liberal crite-

ria reflecting confidence in the economy bolstered by strong consumer demand.



JIM RATHBUN
For InBusiness

As we know, times have changed and today, that pendulum has swung back to conservative, or fundamental, underwriting which means that when applying for a loan, it's back to basics.

What are basics? Time on the job and your credit score which reflects how well you handle your finances. Again, in the late 1980s, getting the best loan terms required a credit score of 700+. In the early 2000s, an acceptable credit score for loan approval was in the 600s. Today, an upper 600s credit score (or better) is required along with job stability. For many, that

makes getting a loan more difficult, if not impossible.

With or without that light at the end of the tunnel, loans are available just as they always have been. Yes, it is harder to get these loans because of a shift to more conservative approval criteria. But loans are still being made with approval ultimately falling back to the individual applying for that loan.

Even in these times, financial institutions remain committed to helping people by providing loans. But in doing so, banks and credit unions alike want to reduce risk, not only for themselves but for the person taking out the loan because a default is not in anyone's best interest.

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