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TO: HEADS OF RESEARCH AT ALL FEDERAL RESERVE BANKS

Enclosed for distribution to respondents is a national summary of the July 2007 Senior Loan Officer Opinion Survey on Bank Lending Practices.

Enclosures

This document is available on the Federal Reserve Board's web site (http://www.federalreserve.gov/boarddocs/surveys).

Board of Governors of the Federal Reserve System

The July 2007 Senior Loan Officer Opinion Survey on Bank Lending Practices

The July 2007 Senior Loan Officer Opinion Survey on Bank Lending Practices addressed changes in the supply of, and demand for, bank loans to businesses and households over the past three months.[1] The survey contained a set of special questions that asked banks about their involvement in, and their assessment of the outlook for, the syndicated loan market. As in the April survey, banks were queried separately about changes in standards and demand for prime, nontraditional, and subprime residential mortgages. This article is based on responses from fifty-three domestic banks and twenty foreign banking institutions.

Both domestic and foreign institutions indicated that they had eased terms on commercial and industrial (C&I) loans over the past three months, while a small net fraction of banks reported having tightened credit standards on such loans over the same period. Respondents also noted in the July survey that they had tightened standards on commercial real estate loans. Regarding the demand for business loans, a moderate net fraction of domestic institutions reported weaker demand for C&I loans over the past three months. Branches and agencies of foreign institutions, by contrast, experienced stronger demand for such loans, on balance, over the same period. Both domestic and foreign institutions noted that the demand for commercial real estate loans had weakened, on net, since April.

With regard to loans to households, a small net fraction of domestic institutions reported having tightened lending standards on prime residential mortgages over the past three months, whereas considerable net fractions of these respondents indicated that they had further tightened lending standards on nontraditional and subprime mortgage loans. Moderate fractions of domestic banks, on balance, reportedly experienced weaker demand for prime and nontraditional residential mortgages over the past three months, but a notable net fraction of banks reported that they had seen weaker demand for subprime residential mortgages over the same period. A significant net percentage of domestic banks also reported weaker demand for consumer loans over the past three months.

C&I Lending

(Table 1, questions 1–6; Table 2, questions 1–6)

In the July survey, small net fractions of domestic institutions reported that they had tightened lending standards on C&I loans to large and middle-market firms and to small firms over the past three months. However, these respondents noted that they had further eased some terms on C&I loans over the same period. About one-third of respondents—a smaller net fraction than in the April survey—indicated that they had trimmed spreads of loan rates over their cost of funds for firms of all sizes over the previous three months. Smaller net fractions reported that they had reduced the costs of credit lines and eased loan

[1] Banks received the survey in mid-July, and their responses were due July 26.

covenants to large and middle-market firms, and had reduced the costs of credit lines and lowered premiums charged on riskier loans to small firms.

Fifteen percent of U.S. branches and agencies of foreign banks reported that they had tightened credit standards on C&I loans during the survey period. Foreign institutions reported small mixed changes in C&I loan terms—a modest net fraction indicated that they had increased the maximum size of credit lines, whereas a small net percentage reported that they had increased premiums charged on riskier loans.

Nearly all domestic banks and all U.S. branches and agencies of foreign banks that reported having eased their lending standards or terms in the July survey pointed to more-aggressive competition from other banks or nonbank lenders as the most important reason for having done so. Institutions that reportedly moved to a more stringent lending posture, in contrast, cited a less favorable or more uncertain economic outlook, a reduced tolerance for risk, and decreased liquidity in the secondary market for C&I loans as the most important reasons for the changes in their lending policies.

The net fraction of domestic banks that reported weaker demand for C&I loans over the past three months changed little relative to the April survey. On balance, about one-fifth of domestic banks noted that they had experienced weaker demand for C&I loans from large and middle-market firms, and around 10 percent reported that they had experienced weaker demand from small firms. The most frequently cited reasons for weaker demand at domestic banks were borrowers' decreased need to finance inventories or investment in plant or equipment, or that customer borrowing shifted to other bank or nonbank credit sources. By contrast, one-fifth of U.S. branches and agencies of foreign banks reported stronger demand for C&I loans over the past three months. Domestic and foreign institutions that reported an increase in demand for C&I loans mainly pointed to customers' greater financing needs related to merger and acquisition (M&A) activity as the most important reason for the rise in loan demand.

Regarding future business, about 15 percent of domestic respondents, on net, reported that the number of inquiries from potential business borrowers had decreased over the previous three months, a somewhat larger fraction than in the April survey. On balance, foreign respondents indicated that the number of inquiries from potential business borrowers was unchanged over the past three months.

Special Questions on the Syndicated Loan Market
(Table 1, questions 7–12; Table 2, questions 7–12)

The July survey included a set of special questions regarding banks' involvement in, and their assessment of the outlook for, the syndicated loan market.[2] In general, syndicated loans accounted for a modest fraction of C&I loans on domestic banks' books, although the share was substantial for some banks. In addition, the reported fractions of syndicated loans on these banks' books generally did not appear to be related to the overall size of their C&I loan portfolios. About one-fourth of the domestic institutions noted that syndicated loans accounted for less than 5 percent of the C&I loans on their bank's books;[3] around one-half reported that this fraction was between 5 percent and 20 percent; and about one-fifth indicated that this share was between 20 percent and 50 percent. Four domestic respondents noted that syndicated loans accounted for a substantial percentage of all C&I loans on their bank's books: One institution indicated that this fraction was between 50 percent and 75 percent, whereas three institutions reported that this share was more than 75 percent. These four institutions accounted for less than 10 percent of all C&I loans on the books of the domestic banks that responded to this special question.

Syndicated loans generally accounted for a larger fraction of C&I loans on foreign respondents' books, compared with their domestic counterparts. Of the twenty foreign institutions that responded to this question, four of them noted that syndicated loans accounted for between 35 percent and 50 percent of their C&I loan portfolios; six institutions indicated that this share was between 50 percent and 75 percent; and nine institutions reported that this fraction was more than 75 percent. One relatively small foreign respondent noted that syndicated loans accounted for between 5 percent and 20 percent of its C&I loans. As was the case for the domestic institutions, the shares of syndicated loans reported by the foreign banks did not appear to be related to the overall size of the foreign banks' C&I loan portfolios.

Most domestic and foreign institutions reported in the July survey that leveraged syndicated loans generally accounted for a modest fraction of the syndicated loans on their books.[4] Of the domestic banks, about one-half reported that leveraged syndicated credits accounted for less than 5 percent of the syndicated loans on their books; approximately 40 percent noted that this fraction was between 5 percent and 35 percent; and about one-tenth reported that leveraged syndicated loans made up between 35 percent and 75 percent of their syndicated loans. Regarding foreign respondents, about one-third reported that leveraged loans accounted for less than 5 percent of the syndicated loans on their books; one-third indicated a fraction of between 5 percent and 20 percent; and the remaining one-

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[2] The number of domestic banks that responded to these special questions varied from forty-seven to fifty-three depending on the question. According to Call Reports, these respondents accounted for between 64 percent and 67 percent of all C&I loans on the books of domestic commercial banks as of March 31, 2007. The number of foreign institutions that responded to these special questions varied from eighteen to twenty depending on the question. As of March 31, 2007, the foreign respondents accounted for about 55 percent of all C&I loans on the books of U.S. branches and agencies of foreign banks.

[3] Three relatively small banks reported that they do not currently have any syndicated loans on their books.

[4] In the survey, a loan was considered to be leveraged when the obligor's post financing leverage—as measured by ratios of debt-to-assets, debt-to-equity, cash flow-to-total debt, or other such standards unique to particular industries—significantly exceeded industry norms for leverage.

third noted a share of between 20 percent and 50 percent.

Survey participants were also asked to report the percentage of syndicated loans on their books that were originated to fund leveraged buyouts (LBOs). Both domestic and foreign respondents generally indicated that small fractions of the syndicated loans on their books were originated to finance LBOs. Of the domestic institutions, nearly two-thirds noted that LBO-related syndicated loans accounted for less than 5 percent of the syndicated loans on their books; around one-third reported that this share was between 5 percent and 35 percent; and around one-tenth noted that this fraction was between 35 percent and 75 percent. Of the foreign institutions, nearly two-thirds reported that LBO-related syndicated loans accounted for less than 5 percent of the syndicated loans on their books; about one-fifth noted that this share was between 5 percent and 35 percent; and around one-eighth reported that this fraction was between 35 percent and 75 percent.

Both domestic and foreign institutions reported that bridge loans and equity bridge loans generally accounted for very small fractions of the syndicated loans on their books.[5] Of the domestic institutions, about one-half reported that they did not have any bridge loans on their books, and around 45 percent noted that bridge loans accounted for between 0 percent and 5 percent of their syndicated loan portfolios. About three-fourths of domestic respondents reported not having any equity bridge loans on their books, and about one-fourth noted that such loans accounted for between 0 percent and 5 percent of their syndicated loans. One domestic institution reported that bridge loans and equity bridge loans each accounted for between 5 percent and 20 percent of its syndicated loan portfolio.

Of the nineteen foreign respondents, five institutions indicated that they did not have any bridge loans on their books; twelve banks noted that bridge loans accounted for between 0 percent and 5 percent of their syndicated loans; and two institutions reported that bridge loans accounted for between 5 percent and 20 percent of their syndicated loans. Regarding equity bridge loans, about two-thirds of foreign institutions reported that they did not have any such loans on their books, whereas the remaining foreign banks noted that such loans accounted for between 0 percent and 5 percent of their syndicated loans.

Both domestic and foreign banks reportedly expected a tightening of credit standards and

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[5] In the survey, bridge loans were defined as M&A-related loans that banks expected to be paid down with funds raised in the capital markets within the next twelve months. Equity bridge loans were defined as loans that were originated to LBO sponsors to provide financing applied toward the sponsors' equity contributions in buyouts and that are subsequently paid down with funds raised in equity sales.

terms in the syndicated loan market in coming months, in part because of a very large number of deals in the pipeline. Indeed, about three-fourths of the domestic respondents and almost all foreign respondents expected tighter lending standards, an increased number of covenants or more stringent covenants, and wider loan rate spreads. Moreover, about two-fifths of the domestic respondents and approximately three-fifths of the foreign respondents expected a reduction in the size of the loan portions of financing deals and the introduction of call protection or original issue discounts on loan deals.

Commercial Real Estate Lending
(Table 1, questions 13–14; Table 2, questions 13–14)

Lending standards for commercial real estate loans were reportedly tightened further over the past three months: About one-fourth of domestic institutions—a slightly smaller net fraction than in the previous survey—and about 40 percent of foreign institutions indicated that they had tightened lending standards on commercial real estate loans in the July survey. Regarding demand, approximately one-fourth of domestic and foreign institutions reported that demand for commercial real estate loans had weakened over the past three months.

Lending to Households
(Table 1, questions 15–22)

As in the April survey, domestic banks were asked to report separately about changes in standards on, and demand for, prime, nontraditional, and subprime residential mortgages. In the July survey, banks indicated that they had tightened their lending standards on each of the three mortgage loan categories over the past three months, and the net fractions of banks that reported doing so in each case were roughly the same as in the April survey. About 14 percent of domestic banks tightened their lending standards on prime residential mortgages over the past three months.[6] Of the forty-two institutions that reported having originated nontraditional residential mortgages, around 40 percent noted that they had tightened standards on these mortgage products.[7] Of the sixteen institutions that reported having originated subprime residential mortgages, about 56 percent indicated that they had tightened standards on such loans.[8]

As in the April survey, tighter standards on subprime and nontraditional residential mortgage loans were not necessarily associated with more-stringent lending policies on

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[6] Forty-nine institutions reported that they had originated prime residential mortgages. These banks accounted for about 71 percent of residential real estate loans on the books of all commercial banks as of March 31, 2007.

[7] These forty-two institutions accounted for about 62 percent of residential real estate loans on the books of all commercial banks as of March 31, 2007.

[8] These sixteen institutions accounted for about 57 percent of residential real estate loans on the books of all commercial banks as of March 31, 2007.

prime residential mortgage loans. Indeed, only two of the nine institutions that reported having tightened standards on subprime mortgages over the past three months also indicated that they had tightened standards on prime mortgages, and six of the seventeen institutions that reportedly tightened standards on nontraditional mortgage loans noted that they also had tightened standards on prime mortgages.

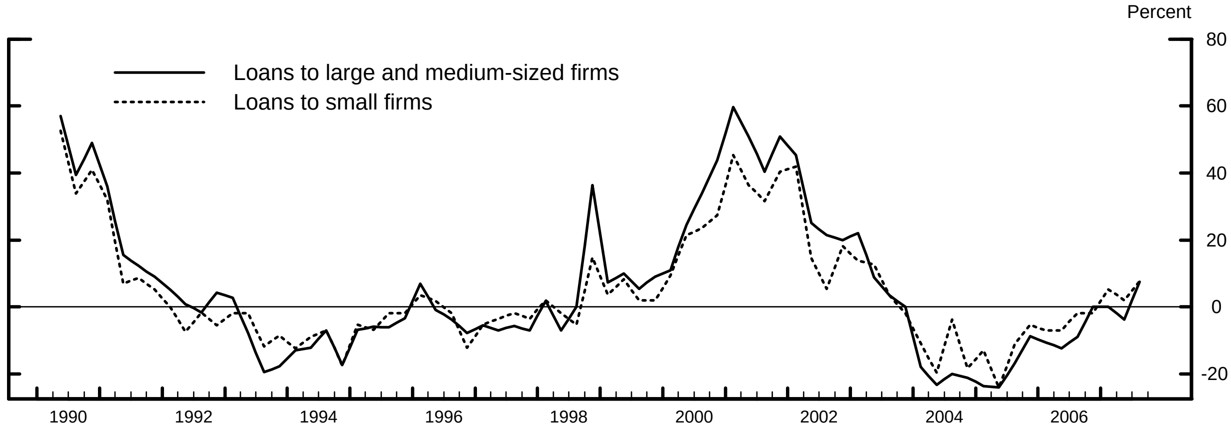
Regarding demand for residential mortgages, 10 percent of respondents—a smaller net fraction than in the April survey—reported weaker demand for prime residential mortgage loans, and about 20 percent of respondents—around the same net fraction as in the April survey—experienced weaker demand for nontraditional residential mortgage loans. By contrast, about 44 percent of respondents—more than twice the net percentage reported in the April survey—reported weaker demand for subprime residential mortgages over the past three months.

On balance, domestic respondents' willingness to make consumer installment loans and their lending standards for approving applications on credit card loans were little changed over the past three months. A small net fraction of banks reported having tightened lending standards on non-credit-card consumer loans over the same period. Some terms on both categories of consumer loans were tightened a bit during the survey period. On net, about one-eighth of the respondents reported having raised spreads of interest rates charged on outstanding credit card balances relative to their cost of funds, and about one-fourth of the respondents reported having reduced the extent to which consumer loans other than credit card loans were granted to customers who did not meet credit-scoring thresholds. The remaining terms on both types of consumer loans were reportedly little changed, on balance. Finally, about one-fifth of domestic respondents reported that they had experienced weaker demand for consumer loans of all types, about the same net fraction as in the April survey.

This document was prepared by David Lucca and Gretchen Weinbach with the research assistance of Isaac Laughlin and Oren Ziv, Division of Monetary Affairs, Board of Governors of the Federal Reserve System.

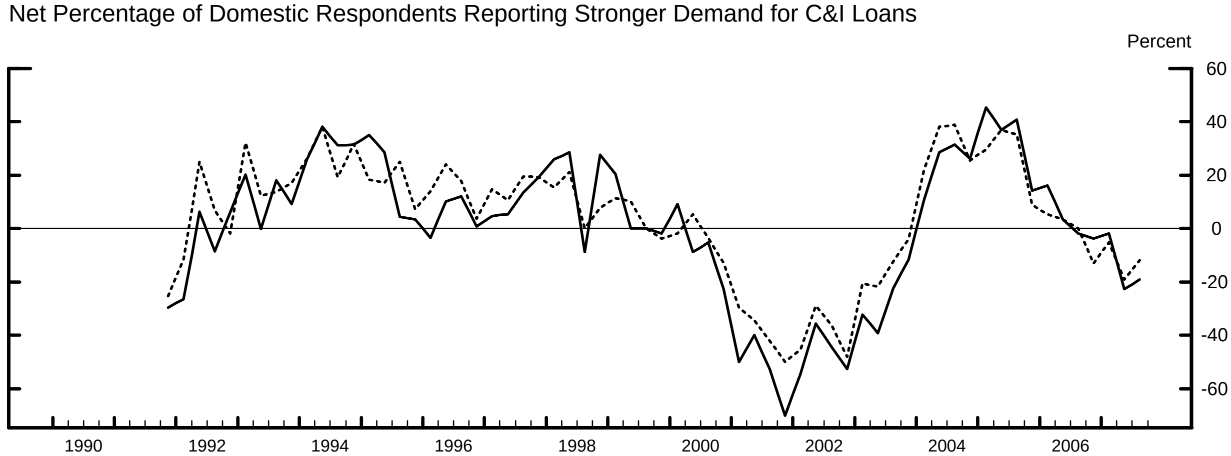
Measures of Supply and Demand for C&I Loans, by Size of Firm Seeking Loan

Net Percentage of Domestic Respondents Tightening Standards for C&I Loans



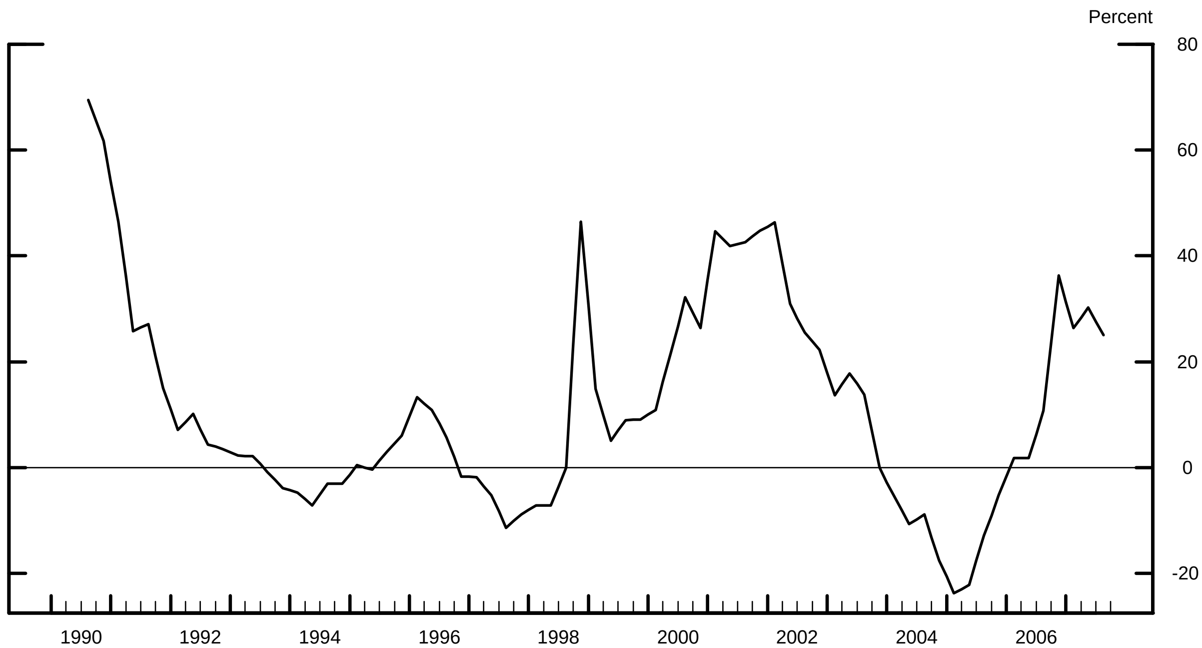
Net Percentage of Domestic Respondents Increasing Spreads of Loan Rates over Banks' Costs of Funds

Net Percentage of Domestic Respondents Reporting Stronger Demand for C&I Loans

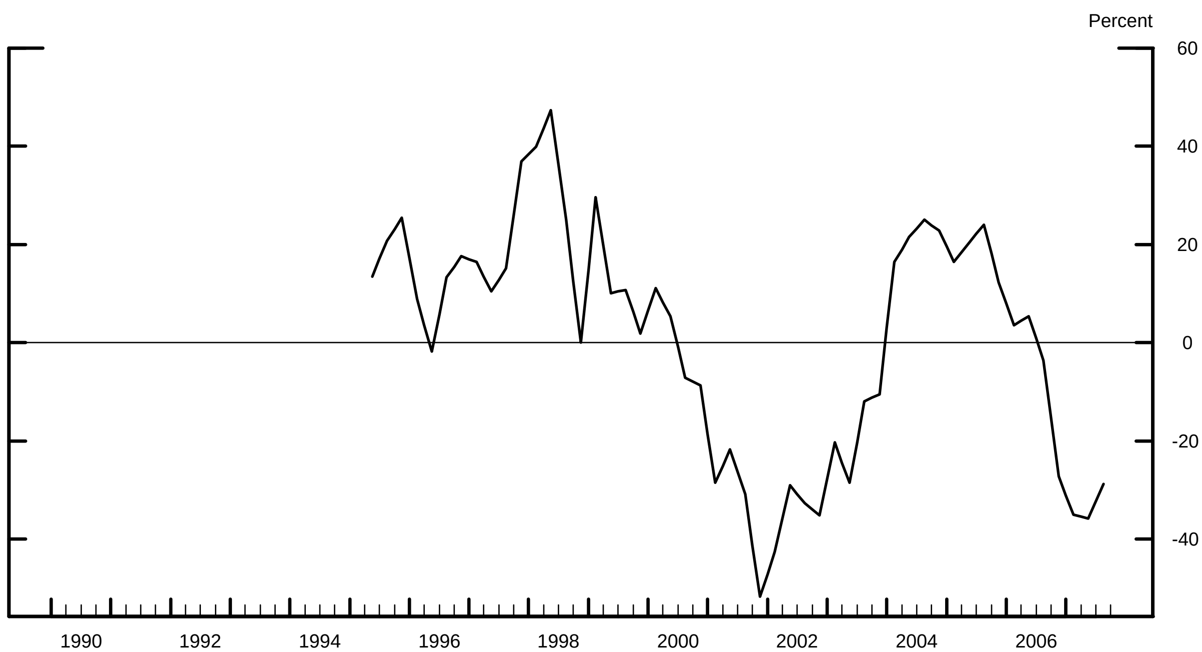


Measures of Supply and Demand for Commercial Real Estate Loans

Net Percentage of Domestic Respondents Tightening Standards for Commercial Real Estate Loans

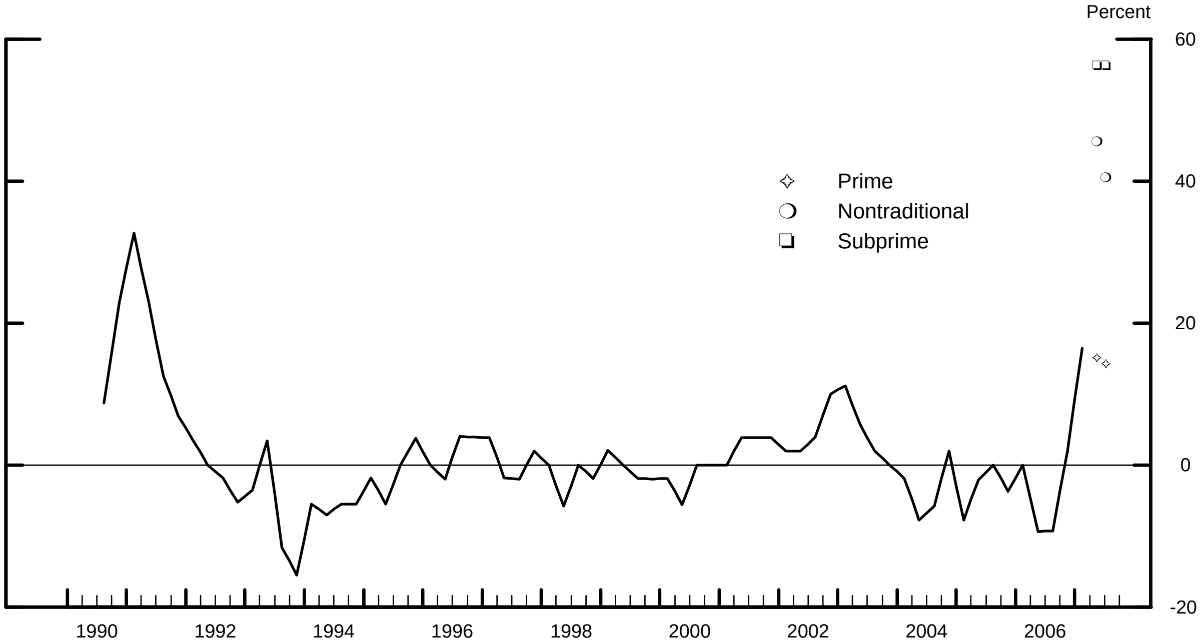


Net Percentage of Domestic Respondents Reporting Stronger Demand for Commercial Real Estate Loans



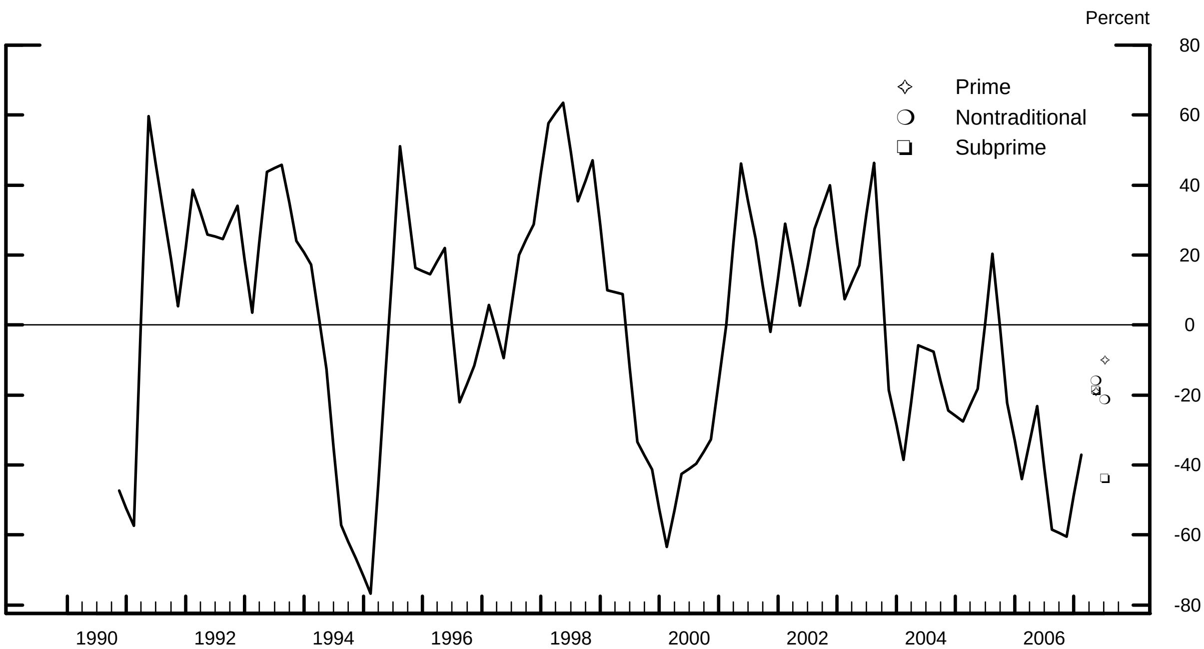
Measures of Supply and Demand for Residential Mortgage Loans

Net Percentage of Domestic Respondents Tightening Standards for Mortgage Loans



Note: Starting in 2007:Q2, changes in standards for prime, nontraditional, and subprime mortgage loans are reported separately.

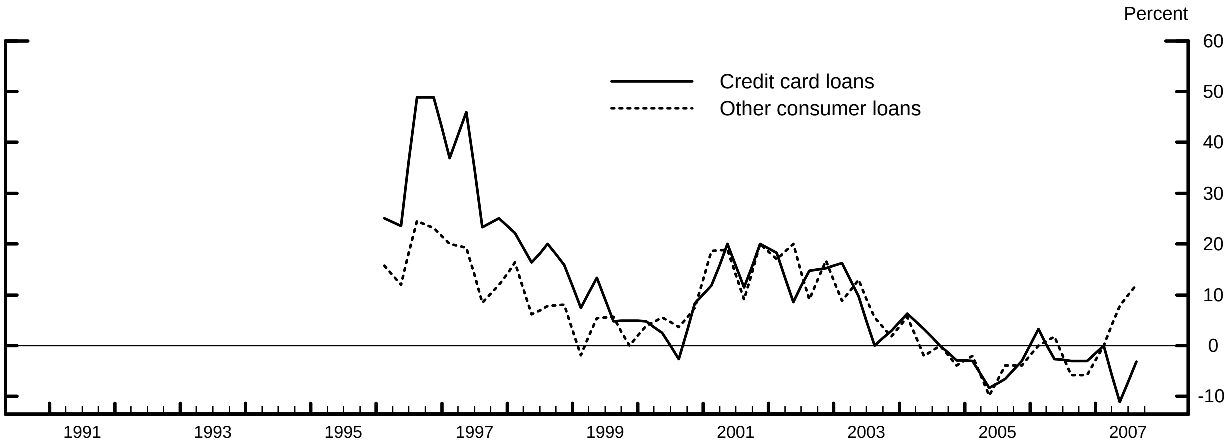
Net Percentage of Domestic Respondents Reporting Stronger Demand for Mortgage Loans



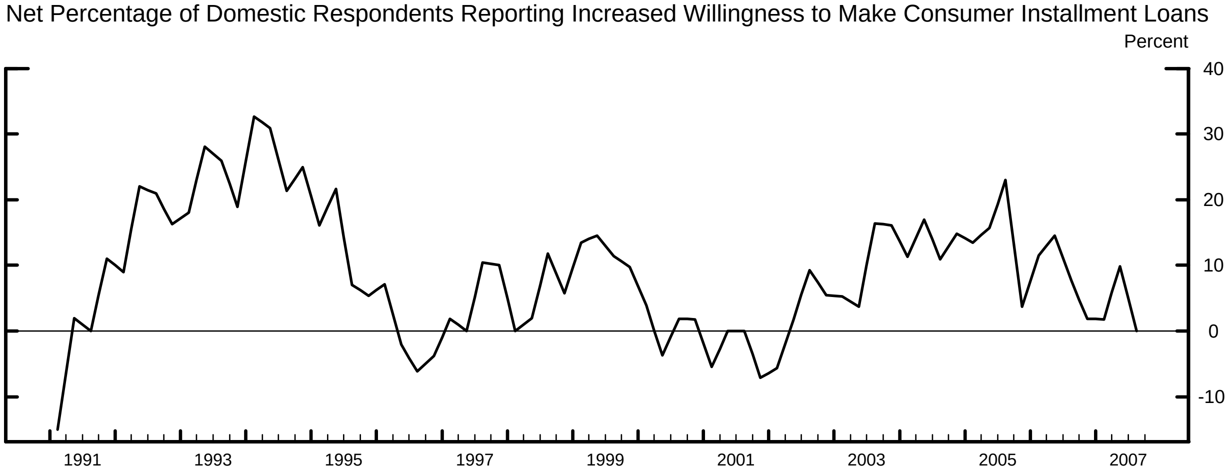
Note: Starting in 2007:Q2, changes in demand for prime, nontraditional, and subprime mortgage loans are reported separately.

Measures of Supply and Demand for Consumer Loans

Net Percentage of Domestic Respondents Tightening Standards for Consumer Loans



Net Percentage of Domestic Respondents Reporting Increased Willingness to Make Consumer Installment Loans



Net Percentage of Domestic Respondents Reporting Stronger Demand for Consumer Loans

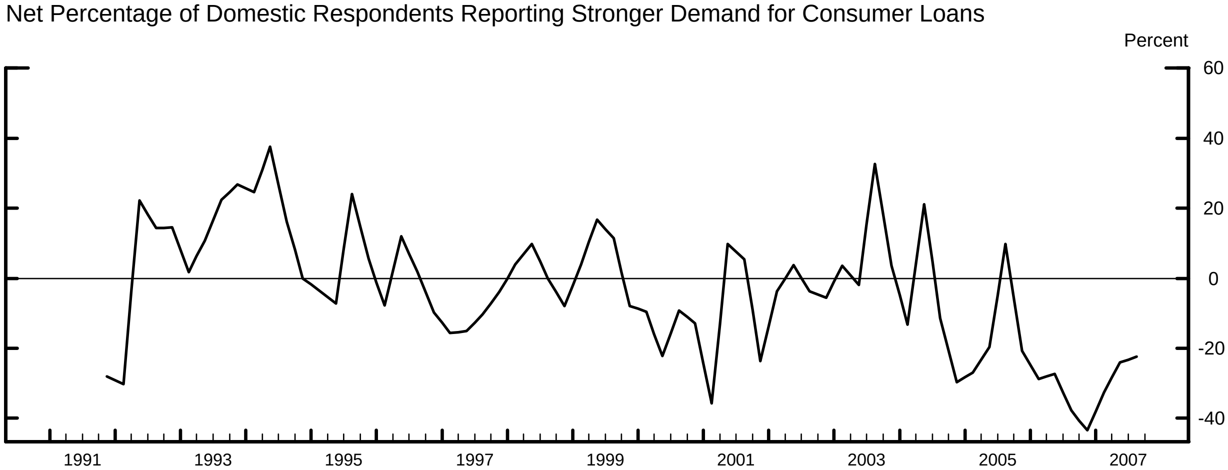


Table 1

Senior Loan Officer Opinion Survey on Bank Lending Practices at Selected Large Banks in the United States [1]

(Status of policy as of July 2007)

***Questions 1-6** ask about **commercial and industrial** (C&I) loans at your bank. Questions 1-3 deal with changes in your bank's lending policies over the past three months. Questions 4-5 deal with changes in demand for C&I loans over the past three months. Question 6 asks about changes in prospective demand for C&I loans at your bank, as indicated by the volume of recent inquiries about the availability of new credit lines or increases in existing lines. If your bank's lending policies have not changed over the past three months, please report them as unchanged even if the policies are either restrictive or accommodative relative to longer-term norms. If your bank's policies have tightened or eased over the past three months, please so report them regardless of how they stand relative to longer-term norms. Also, please report changes in enforcement of existing policies as changes in policies.*

1. Over the past three months, how have your bank's credit standards for approving applications for C&I loans or credit lines--other than those to be used to finance mergers and acquisitions--to large and middle-market firms and to small firms changed? (If your bank defines firm size differently from the categories suggested below, please use your definitions and indicate what they are.)

a. Standards for large and middle-market firms (annual sales of $50 million or more):

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	5	9.4	3	8.6	2	11.1
Remained basically unchanged	47	88.7	31	88.6	16	88.9
Eased somewhat	1	1.9	1	2.9	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	53	100.0	35	100.0	18	100.0

b. Standards for small firms (annual sales of less than $50 million):

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	5	9.6	3	8.8	2	11.1
Remained basically unchanged	46	88.5	30	88.2	16	88.9
Eased somewhat	1	1.9	1	2.9	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	52	100.0	34	100.0	18	100.0

2. For applications for C&I loans or credit lines--other than those to be used to finance mergers and acquisitions--from large and middle-market firms and from small firms that your bank currently is willing to approve, how have the terms of those loans changed over the past three months? (Please assign *each* term a number between 1 and 5 using the following scale: 1=tightened considerably, 2=tightened somewhat, 3=remained basically unchanged, 4=eased somewhat, 5=eased considerably.)

a. Terms for large and middle-market firms (annual sales of $50 million or more):

	All Respondents	**Large Banks**	**Other Banks**
	Mean	**Mean**	**Mean**
Maximum size of credit lines	3.02	3.03	3.00
Maximum maturity of loans or credit lines	3.08	3.09	3.06
Costs of credit lines	3.13	3.14	3.11
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.34	3.29	3.44
Premiums charged on riskier loans	3.04	3.03	3.06
Loan covenants	3.09	3.14	3.00
Collateralization requirements	3.06	3.03	3.11
Other (please specify)	3.00	3.00	3.00
Number of banks responding	53	35	18

b. Terms for small firms (annual sales of less than $50 million):

	All Respondents	Large Banks	Other Banks
	Mean	**Mean**	**Mean**
Maximum size of credit lines	3.00	3.00	3.00
Maximum maturity of loans or credit lines	2.98	2.97	3.00
Costs of credit lines	3.10	3.06	3.17
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.33	3.26	3.44
Premiums charged on riskier loans	3.08	3.09	3.06
Loan covenants	3.06	3.06	3.06
Collateralization requirements	3.02	3.03	3.00
Other (please specify)	2.50	2.33	3.00
Number of banks responding	52	34	18

3. If your bank has tightened or eased its credit standards or its terms for C&I loans or credit lines over the past three months (as described in questions 1 and 2), how important have been the following possible reasons for the change? (Please respond to either A, B, or both as appropriate and rate *each* possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

a. Possible reasons for tightening credit standards or loan terms:

	All Respondents	**Large Banks**	**Other Banks**
	Mean	**Mean**	**Mean**
Deterioration in your bank's current or expected capital position	1.06	1.00	1.25
Less favorable or more uncertain economic outlook	1.63	1.58	1.75
Worsening of industry-specific problems (please specify industries)	1.44	1.50	1.25
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.19	1.25	1.00
Reduced tolerance for risk	1.56	1.50	1.75
Decreased liquidity in the secondary market for these loans	1.38	1.42	1.25
Increase in defaults by borrowers in public debt markets	1.06	1.08	1.00
Other (please specify)	3.00	3.00	0.00
Number of banks responding	16	12	4

b. Possible reasons for easing credit standards or loan terms:

	All Respondents	Large Banks	Other Banks
	Mean	**Mean**	**Mean**
Improvement in your bank's current or expected capital position	1.04	1.00	1.11
More favorable or less uncertain economic outlook	1.15	1.18	1.11
Improvement in industry-specific problems (please specify industries)	1.08	1.06	1.11
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	2.69	2.82	2.44
Increased tolerance for risk	1.31	1.35	1.22
Increased liquidity in the secondary market for these loans	1.19	1.29	1.00
Reduction in defaults by borrowers in public debt markets	1.08	1.12	1.00
Other (please specify)	0.00	0.00	0.00
Number of banks responding	26	17	9

4. Apart from normal seasonal variation, how has demand for C&I loans changed over the past three months? (Please consider only funds actually disbursed as opposed to requests for new or increased lines of credit.)

a. Demand for C&I loans from large and middle-market firms (annual sales of $50 million or more):

	All Respondents		Large Banks		Other Banks	
	Banks	Percent	Banks	Percent	Banks	Percent
Substantially stronger	1	1.9	1	2.9	0	0.0
Moderately stronger	4	7.7	3	8.6	1	5.9
About the same	32	61.5	22	62.9	10	58.8
Moderately weaker	15	28.8	9	25.7	6	35.3
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	52	100.0	35	100.0	17	100.0

b. Demand for C&I loans from small firms (annual sales of less than $50 million):

	All Respondents		Large Banks		Other Banks	
	Banks	Percent	Banks	Percent	Banks	Percent
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	7	13.7	5	15.2	2	11.1
About the same	31	60.8	20	60.6	11	61.1
Moderately weaker	13	25.5	8	24.2	5	27.8
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	51	100.0	33	100.0	18	100.0

5. If demand for C&I loans has strengthened or weakened over the past three months (as described in question 4), how important have been the following possible reasons for the change? (Please respond to either A, B, or both as appropriate and rate *each*
possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

a. If stronger loan demand (answer 1 or 2 to question 4A or 4B), possible reasons:

	All Respondents	**Large Banks**	**Other Banks**
	Mean	**Mean**	**Mean**
Customer inventory financing needs increased	1.40	1.38	1.50
Customer accounts receivable financing needs increased	1.40	1.38	1.50
Customer investment in plant or equipment increased	1.30	1.13	2.00
Customer internally generated funds decreased	1.10	1.13	1.00
Customer merger or acquisition financing needs increased	2.10	2.13	2.00
Customer borrowing shifted to your bank from other bank or nonbank sources because these other sources became less attractive	1.20	1.13	1.50
Other (please specify)	2.50	2.50	0.00
Number of banks responding	10	8	2

b. If weaker loan demand (answer 4 or 5 to question 4A or 4B), possible reasons:

	All Respondents	**Large Banks**	**Other Banks**
	Mean	**Mean**	**Mean**
Customer inventory financing needs decreased	1.56	1.60	1.50
Customer accounts receivable financing needs decreased	1.44	1.40	1.50
Customer investment in plant or equipment decreased	1.72	1.70	1.75
Customer internally generated funds increased	1.50	1.50	1.50
Customer merger or acquisition financing needs decreased	1.50	1.50	1.50
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	1.56	1.30	1.88
Other (please specify)	2.00	2.00	0.00
Number of banks responding	19	11	8

6. At your bank, how has the number of inquiries from potential business borrowers regarding the availability and terms of new credit lines or increases in existing lines changed over the past three months? (Please consider only inquiries for additional C&I lines as opposed to the refinancing of existing loans.)

	All Respondents		**Large Banks**		**Other Banks**	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
The number of inquiries has increased substantially	0	0.0	0	0.0	0	0.0
The number of inquiries has increased moderately	6	11.3	5	14.3	1	5.6
The number of inquiries has stayed about the same	33	62.3	24	68.6	9	50.0
The number of inquiries has decreased moderately	14	26.4	6	17.1	8	44.4
The number of inquiries has decreased substantially	0	0.0	0	0.0	0	0.0
Total	53	100.0	35	100.0	18	100.0

Questions 7-12 *ask about your bank's involvement in and assessment of the outlook for the syndicated loan market.*

7. Approximately what percentage of C&I loans currently on your bank's books is accounted for by syndicated loans? (Please consider only funds actually disbursed as opposed to unused lines of credit. Also, please include syndicated loans arranged by your bank, those arranged by other banks, and participations of syndicated loans that your bank has purchased.)

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
My bank does not currently have any syndicated loans on its books	3	5.7	0	0.0	3	16.7
More than 0 percent and less than 5 percent	11	20.8	3	8.6	8	44.4
More than 5 percent and less than 20 percent	25	47.2	19	54.3	6	33.3
More than 20 percent and less than 35 percent	7	13.2	6	17.1	1	5.6
More than 35 percent and less than 50 percent	3	5.7	3	8.6	0	0.0
More than 50 percent and less than 75 percent	1	1.9	1	2.9	0	0.0
More than 75 percent	3	5.7	3	8.6	0	0.0
Total	53	100.0	35	100.0	18	100.0

8. Approximately what percentage of the syndicated loans currently on your bank's books (as reported in question 7) is considered leveraged? (Please consider a loan to be leveraged when the obligor's post financing leverage as measured by debt-to-assets, debt-to-equity, cash flow-to-total debt, or other such standards unique to particular industries significantly exceeds industry norms for leverage.[2])

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
My bank does not currently have any leveraged syndicated loans on its books	10	19.2	3	8.6	7	41.2
More than 0 percent and less than 5 percent	16	30.8	14	40.0	2	11.8
More than 5 percent and less than 20 percent	15	28.8	10	28.6	5	29.4
More than 20 percent and less than 35 percent	5	9.6	4	11.4	1	5.9
More than 35 percent and less than 50 percent	3	5.8	3	8.6	0	0.0
More than 50 percent and less than 75 percent	3	5.8	1	2.9	2	11.8
More than 75 percent	0	0.0	0	0.0	0	0.0
Total	52	100.0	35	100.0	17	100.0

9. Approximately what percentage of the syndicated loans currently on your bank's books (as reported in question 7) was originated to fund leveraged buyouts (LBOs)?

	All Respondents		**Large Banks**		**Other Banks**	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
My bank does not currently have any syndicated loans on its books that were used to fund LBOs	11	21.2	2	5.9	9	50.0
More than 0 percent and less than 5 percent	22	42.3	20	58.8	2	11.1
More than 5 percent and less than 20 percent	12	23.1	7	20.6	5	27.8
More than 20 percent and less than 35 percent	3	5.8	3	8.8	0	0.0
More than 35 percent and less than 50 percent	3	5.8	2	5.9	1	5.6
More than 50 percent and less than 75 percent	1	1.9	0	0.0	1	5.6
More than 75 percent	0	0.0	0	0.0	0	0.0
Total	52	100.0	34	100.0	18	100.0

10. Approximately what percentage of the syndicated loans currently on your bank's books (as reported in question 7) is accounted for by ``bridge loans" used to fund M&A-related activity that your bank expects to be paid down with funds raised in the capital markets within the next twelve months?

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
My bank does not currently have any bridge loans on its books	27	50.9	11	31.4	16	88.9
More than 0 percent and less than 5 percent	25	47.2	23	65.7	2	11.1
More than 5 percent and less than 20 percent	1	1.9	1	2.9	0	0.0
More than 20 percent and less than 35 percent	0	0.0	0	0.0	0	0.0
More than 35 percent and less than 50 percent	0	0.0	0	0.0	0	0.0
More than 50 percent and less than 75 percent	0	0.0	0	0.0	0	0.0
More than 75 percent	0	0.0	0	0.0	0	0.0
Total	53	100.0	35	100.0	18	100.0

11. News reports suggest increased use of equity bridge loans to LBO sponsors to provide financing applied toward the sponsors' equity contributions in buyouts. These loans are subsequently paid down with funds raised in equity sales. Approximately what percentage of the syndicated loans currently on your bank's books (as reported in question 7) is accounted for by such *equity* bridge loans?

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
My bank does not currently have any equity bridge loans on its books	39	75.0	22	64.7	17	94.4
More than 0 percent and less than 5 percent	12	23.1	11	32.4	1	5.6
More than 5 percent and less than 20 percent	1	1.9	1	2.9	0	0.0
More than 20 percent and less than 35 percent	0	0.0	0	0.0	0	0.0
More than 35 percent and less than 50 percent	0	0.0	0	0.0	0	0.0
More than 50 percent and less than 75 percent	0	0.0	0	0.0	0	0.0
More than 75 percent	0	0.0	0	0.0	0	0.0
Total	52	100.0	34	100.0	18	100.0

12. The leveraged loan pipeline has reportedly been very substantial in recent months. In light of the high volume of new credits coming to market, which of the following modifications of syndicated lending standards and terms does your bank expect to occur? (Please assign to *each* item a number using the following scale: 1=unlikely to occur, 2=likely to occur, 3=very likely to occur.)

	All Respondents	**Large Banks**	**Other Banks**
	Mean	**Mean**	**Mean**
Tighter lending standards	1.98	2.09	1.71
Increased number of covenants and/or more stringent covenants	2.00	2.16	1.64
Wider loan rate spreads	1.93	2.09	1.57
Reduced size of the loan portions of deals	1.54	1.56	1.50
Introduction of call protection or original issue discount	1.46	1.56	1.21
Other (please specify)	1.00	1.00	0.00
Number of banks responding	47	33	14

Questions 13-14 *ask about* ***commercial real estate loans*** *at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 13 deals with changes in your bank's standards over the last three months. Question 14 deals with changes in demand. If your bank's lending standards or terms have not changed over the relevant period, please report them as unchanged even if they are either restrictive or accommodative relative to longer-term norms. If your bank's standards or terms have tightened or eased over the relevant period, please so report them regardless of how they stand relative to longer-term norms. Also, please report changes in enforcement of existing standards as changes in standards.*

13. Over the past three months, how have your bank's credit standards for approving applications for commercial real estate loans changed?

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Tightened considerably	1	1.9	1	2.9	0	0.0
Tightened somewhat	13	25.0	10	29.4	3	16.7
Remained basically unchanged	37	71.2	22	64.7	15	83.3
Eased somewhat	1	1.9	1	2.9	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	52	100.0	34	100.0	18	100.0

14. Apart from normal seasonal variation, how has demand for commercial real estate loans changed over the past three months?

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	3	5.8	1	2.9	2	11.1
About the same	31	59.6	20	58.8	11	61.1
Moderately weaker	16	30.8	11	32.4	5	27.8
Substantially weaker	2	3.8	2	5.9	0	0.0
Total	52	100.0	34	100.0	18	100.0

Questions 15-16 *ask about three categories of* ***residential mortgage loans*** *at your bank--prime residential mortgages, nontraditional residential mortgages, and subprime residential mortgages. Question 15 deals with changes in your bank's credit standards for loans in each of these categories over the past three months. Question 16 deals with changes in demand for loans in each of these categories over the same period. If your bank's credit standards have not changed over the relevant period, please report them as unchanged even if the standards are either restrictive or accommodative relative to longer-term norms. If your bank's credit standards have tightened or eased over the relevant period, please so report them regardless of how they stand relative to longer-term norms. Also, please report changes in enforcement of existing standards as changes in standards.*

For the purposes of this survey, please use the following definitions of these loan categories (note that the loan categories are not mutually exclusive) and include first-lien loans only:

- *The* ***prime***
  category of residential mortgages includes loans made to borrowers that typically had relatively strong, well-documented credit histories, relatively high credit scores, and relatively low debt-to-income ratios at the time of origination. This would include fully amortizing loans that have a fixed rate, a standard adjustable rate, or a common hybrid adjustable rate--those for which the interest rate is initially fixed for a multi-year period and subsequently adjusts more frequently.

- *The* ***nontraditional*** *category of residential mortgages includes, but is not limited to, adjustable-rate mortgages with multiple payment options, interest-only mortgages, and ``Alt-A'' products such as mortgages with limited income verification and mortgages secured by non-owner-occupied properties. (Please exclude standard adjustable-rate mortgages and common hybrid adjustable-rate mortgages.)*

- *The* ***subprime*** *category of residential mortgages typically includes loans made to borrowers that displayed one or more of the following characteristics at the time of origination: weakened credit histories that include payment delinquencies, chargeoffs, judgments, and/or bankruptcies; reduced repayment capacity as measured by credit scores or debt-to-income ratios; or incomplete credit histories.*

15. Over the past three months, how have your bank's credit standards for approving applications from individuals for mortgage loans to purchase homes changed?

a. Credit standards on mortgage loans that your bank categorizes as ***prime*** residential mortgages have:

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	7	14.3	6	18.8	1	5.9
Remained basically unchanged	42	85.7	26	81.3	16	94.1
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	49	100.0	32	100.0	17	100.0

For this question, 1 respondent answered “My bank does not originate prime residential mortgages.”

b. Credit standards on mortgage loans that your bank categorizes as ***nontraditional*** residential mortgages have:

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Tightened considerably	2	4.8	2	7.1	0	0.0
Tightened somewhat	15	35.7	11	39.3	4	28.6
Remained basically unchanged	25	59.5	15	53.6	10	71.4
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	42	100.0	28	100.0	14	100.0

For this question, 8 respondents answered “My bank does not originate nontraditional residential mortgages.”

c. Credit standards on mortgage loans that your bank categorizes as ***subprime*** residential mortgages have:

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Tightened considerably	4	25.0	4	33.3	0	0.0
Tightened somewhat	5	31.3	4	33.3	1	25.0
Remained basically unchanged	7	43.8	4	33.3	3	75.0
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	16	100.0	12	100.0	4	100.0

For this question, 34 respondents answered "My bank does not originate subprime residential mortgages."

16. Apart from normal seasonal variation, how has demand for mortgages to purchase homes changed over the past three months? (Please consider only new originations as opposed to the refinancing of existing mortgages.)

a. Demand for mortgages that your bank categorizes as ***prime*** residential mortgages was:

	All Respondents		**Large Banks**		**Other Banks**	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Substantially stronger	2	4.0	2	6.1	0	0.0
Moderately stronger	12	24.0	8	24.2	4	23.5
About the same	17	34.0	13	39.4	4	23.5
Moderately weaker	18	36.0	10	30.3	8	47.1
Substantially weaker	1	2.0	0	0.0	1	5.9
Total	50	100.0	33	100.0	17	100.0

For this question, 1 respondent answered “My bank does not originate prime residential mortgages.”

b. Demand for mortgages that your bank categorizes as ***nontraditional*** residential mortgages was:

	All Respondents		**Large Banks**		**Other Banks**	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Substantially stronger	1	2.4	1	3.4	0	0.0
Moderately stronger	2	4.8	1	3.4	1	7.7
About the same	27	64.3	16	55.2	11	84.6
Moderately weaker	9	21.4	8	27.6	1	7.7
Substantially weaker	3	7.1	3	10.3	0	0.0
Total	42	100.0	29	100.0	13	100.0

For this question, 9 respondents answered “My bank does not originate nontraditional residential mortgages.”

c. Demand for mortgages that your bank categorizes as ***subprime*** residential mortgages was:

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	0	0.0	0	0.0	0	0.0
About the same	9	56.3	6	50.0	3	75.0
Moderately weaker	5	31.3	4	33.3	1	25.0
Substantially weaker	2	12.5	2	16.7	0	0.0
Total	16	100.0	12	100.0	4	100.0

For this question, 34 respondents answered “My bank does not originate subprime residential mortgages.”

Questions 17-22 *ask about* **consumer lending** *at your bank. Question 17 deals with changes in your bank's willingness to make consumer loans over the past three months. Questions 18-21 deal with changes in credit standards and loan terms over the same period. Question 22 deals with changes in demand for consumer loans over the past three months. If your bank's lending policies have not changed over the past three months, please report them as unchanged even if the policies are either restrictive or accommodative relative to longer-term norms. If your bank's policies have tightened or eased over the past three months, please so report them regardless of how they stand relative to longer-term norms. Also, please report changes in enforcement of existing policies as changes in policies.*

17. Please indicate your bank's willingness to make consumer installment loans now as opposed to three months ago.

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Much more willing	0	0.0	0	0.0	0	0.0
Somewhat more willing	1	2.0	0	0.0	1	5.6
About unchanged	47	95.9	31	100.0	16	88.9
Somewhat less willing	1	2.0	0	0.0	1	5.6
Much less willing	0	0.0	0	0.0	0	0.0
Total	49	100.0	31	100.0	18	100.0

18. Over the past three months, how have your bank's credit standards for approving applications for credit cards from individuals or households changed?

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	1	3.1	1	5.3	0	0.0
Remained basically unchanged	29	90.6	16	84.2	13	100.0
Eased somewhat	2	6.3	2	10.5	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	32	100.0	19	100.0	13	100.0

19. Over the past three months, how have your bank's credit standards for approving applications for consumer loans other than credit card loans changed?

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Tightened considerably	1	2.0	0	0.0	1	5.6
Tightened somewhat	5	10.0	3	9.4	2	11.1
Remained basically unchanged	44	88.0	29	90.6	15	83.3
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	50	100.0	32	100.0	18	100.0

20. Over the past three months, how has your bank changed the following terms and conditions on new or existing credit card accounts for individuals or households? (Please assign *each* term a number between 1 and 5 using the following scale: 1=tightened considerably, 2=tightened somewhat, 3=remained basically unchanged, 4=eased somewhat, 5=eased considerably.)

	All Respondents	**Large Banks**	**Other Banks**
	Mean	**Mean**	**Mean**
Credit limits	3.07	3.06	3.09
Spreads of interest rates charged on outstanding balances over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.83	2.83	2.82
Minimum percent of outstanding balances required to be repaid each month	2.97	2.94	3.00
Minimum required credit score (increased score=tightened, reduced score=eased)	3.03	3.06	3.00
The extent to which loans are granted to some customers that do not meet credit scoring thresholds (increased=eased, decreased=tightened)	2.93	2.89	3.00
Other (please specify)	3.00	3.00	0.00
Number of banks responding	29	18	11

21. Over the past three months, how has your bank changed the following terms and conditions on consumer loans other than credit card loans? (Please assign *each*
term a number between 1 and 5 using the following scale: 1=tightened considerably, 2=tightened somewhat, 3=remained basically unchanged, 4=eased somewhat, 5=eased considerably.)

	All Respondents	**Large Banks**	**Other Banks**
	Mean	**Mean**	**Mean**
Maximum maturity	3.02	3.03	3.00
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.98	2.94	3.06
Minimum required downpayment	2.92	2.94	2.88
Minimum required credit score (increased score=tightened, reduced score=eased)	2.88	2.91	2.82
The extent to which loans are granted to some customers that do not meet credit scoring thresholds (increased=eased, decreased=tightened)	2.71	2.72	2.71
Other (please specify)	2.83	2.75	3.00
Number of banks responding	49	32	17

22. Apart from normal seasonal variation, how has demand for consumer loans of all types changed over the past three months?

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	5	10.2	3	9.7	2	11.1
About the same	28	57.1	17	54.8	11	61.1
Moderately weaker	15	30.6	10	32.3	5	27.8
Substantially weaker	1	2.0	1	3.2	0	0.0
Total	49	100.0	31	100.0	18	100.0

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1. The sample is selected from among the largest banks in each Federal Reserve District. In the table, large banks are defined as those with total domestic assets of $20 billion or more as of March 31, 2007. The combined assets of the 35 large banks totaled $5.30 trillion, compared to $5.49 trillion for the entire panel of 53 banks, and $8.71 trillion for all domestically chartered, federally insured commercial banks.

2. For more information on leveraged loans, please refer to: www.federalreserve.gov/boarddocs/srletters/2001/sr0109.htm .

Table 2

Senior Loan Officer Opinion Survey on Bank Lending Practices at Selected Branches and Agencies of Foreign Banks in the United States [1]

(Status of policy as of July 2007)

Questions 1-6 *ask about* ***commercial and industrial*** *(C&I) loans at your bank. Questions 1-3 deal with changes in your bank's lending policies over the past three months. Questions 4-5 deal with changes in demand for C&I loans over the past three months. Question 6 asks about changes in prospective demand for C&I loans at your bank, as indicated by the volume of recent inquiries about the availability of new credit lines or increases in existing lines. If your bank's lending policies have not changed over the past three months, please report them as unchanged even if the policies are either restrictive or accommodative relative to longer-term norms. If your bank's policies have tightened or eased over the past three months, please so report them regardless of how they stand relative to longer-term norms. Also, please report changes in enforcement of existing policies as changes in policies.*

1. Over the past three months, how have your bank's credit standards for approving applications for C&I loans or credit lines--other than those to be used to finance mergers and acquisitions--changed?

	All Respondents	
	Banks	**Percent**
Tightened considerably	0	0.0
Tightened somewhat	3	15.0
Remained basically unchanged	17	85.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	20	100.0

2. For applications for C&I loans or credit lines--other than those to be used to finance mergers and acquisitions--that your bank currently is willing to approve, how have the terms of those loans changed over the past three months? (Please assign *each*
term a number between 1 and 5 using the following scale: 1=tightened considerably, 2=tightened somewhat, 3=remained basically unchanged, 4=eased somewhat, 5=eased considerably.)

	All Respondents
	Mean
Maximum size of credit lines	3.10
Maximum maturity of loans or credit lines	3.05
Costs of credit lines	2.95
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.95
Premiums charged on riskier loans	2.85
Loan covenants	3.00
Collateralization requirements	2.95
Other (please specify)	3.00
Number of banks responding	20

3. If your bank has tightened or eased its credit standards or its terms for C&I loans or credit lines over the past three months (as described in questions 1 and 2), how important have been the following possible reasons for the change? (Please respond to either A, B, or both as appropriate and rate *each* possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

a. Possible reasons for tightening credit standards or loan terms:

	All Respondents
	Mean
Deterioration in your bank's current or expected capital position	1.17
Less favorable or more uncertain economic outlook	1.83
Worsening of industry-specific problems (please specify industries)	1.33
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.57
Reduced tolerance for risk	1.86
Decreased liquidity in the secondary market for these loans	2.25
Increase in defaults by borrowers in public debt markets	1.20
Other (please specify)	2.00
Number of banks responding	8

b. Possible reasons for easing credit standards or loan terms:

	All Respondents
	Mean
Improvement in your bank's current or expected capital position	1.00
More favorable or less uncertain economic outlook	1.00
Improvement in industry-specific problems (please specify industries)	1.00
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	2.75
Increased tolerance for risk	1.67
Increased liquidity in the secondary market for these loans	1.67
Reduction in defaults by borrowers in public debt markets	1.33
Other (please specify)	0.00
Number of banks responding	4

4. Apart from normal seasonal variation, how has demand for C&I loans changed over the past three months? (Please consider only funds actually disbursed as opposed to requests for new or increased lines of credit.)

	All Respondents	
	Banks	**Percent**
Substantially stronger	1	5.0
Moderately stronger	3	15.0
About the same	16	80.0
Moderately weaker	0	0.0
Substantially weaker	0	0.0
Total	20	100.0

5. If demand for C&I loans has strengthened or weakened over the past three months (as described in question 4), how important have been the following possible reasons for the change? (Please rate *each* possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

a. If stronger loan demand (answer 1 or 2 to question 4), possible reasons:

	All Respondents
	Mean
Customer inventory financing needs increased	1.33
Customer accounts receivable financing needs increased	1.33
Customer investment in plant or equipment increased	1.67
Customer internally generated funds decreased	1.00
Customer merger or acquisition financing needs increased	2.75
Customer borrowing shifted to your bank from other bank or nonbank sources because these other sources became less attractive	1.00
Other (please specify)	3.00
Number of banks responding	4

b. If weaker loan demand (answer 4 or 5 to question 4), possible reasons:

	All Respondents
	Mean
Customer inventory financing needs decreased	-
Customer accounts receivable financing needs decreased	-
Customer investment in plant or equipment decreased	-
Customer internally generated funds increased	-
Customer merger or acquisition financing needs decreased	-
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	-
Other (please specify)	-
Number of banks responding	0

6. At your bank, how has the number of inquiries from potential business borrowers regarding the availability and terms of new credit lines or increases in existing lines changed over the past three months? (Please consider only inquiries for additional C&I lines as opposed to the refinancing of existing loans.)

	All Respondents	
	Banks	**Percent**
The number of inquiries has increased substantially	0	0.0
The number of inquiries has increased moderately	2	10.0
The number of inquiries has stayed about the same	16	80.0
The number of inquiries has decreased moderately	2	10.0
The number of inquiries has decreased substantially	0	0.0
Total	20	100.0

Questions 7-12 *ask about your bank's involvement in and assessment of the outlook for the syndicated loan market.*

7. Approximately what percentage of C&I loans currently on your bank's books is accounted for by syndicated loans? (Please consider only funds actually disbursed as opposed to unused lines of credit. Also, please include syndicated loans arranged by your bank, those arranged by other banks, and participations of syndicated loans that your bank has purchased.)

	All Respondents	
	Banks	**Percent**
My bank does not currently have any syndicated loans on its books	0	0.0
More than 0 percent and less than 5 percent	0	0.0
More than 5 percent and less than 20 percent	1	5.0
More than 20 percent and less than 35 percent	0	0.0
More than 35 percent and less than 50 percent	4	20.0
More than 50 percent and less than 75 percent	6	30.0
More than 75 percent	9	45.0
Total	20	100.0

8. Approximately what percentage of the syndicated loans currently on your bank's books (as reported in question 7) is considered leveraged? (Please consider a loan to be leveraged when the obligor's post financing leverage as measured by debt-to-assets, debt-to-equity, cash flow-to-total debt, or other such standards unique to particular industries significantly exceeds industry norms for leverage.[2])

	All Respondents	
	Banks	**Percent**
My bank does not currently have any leveraged syndicated loans on its books	2	10.0
More than 0 percent and less than 5 percent	5	25.0
More than 5 percent and less than 20 percent	7	35.0
More than 20 percent and less than 35 percent	3	15.0
More than 35 percent and less than 50 percent	3	15.0
More than 50 percent and less than 75 percent	0	0.0
More than 75 percent	0	0.0
Total	20	100.0

9. Approximately what percentage of the syndicated loans currently on your bank's books (as reported in question 7) was originated to fund leveraged buyouts (LBOs)?

	All Respondents	
	Banks	**Percent**
My bank does not currently have any syndicated loans on its books that were used to fund LBOs	3	15.8
More than 0 percent and less than 5 percent	9	47.4
More than 5 percent and less than 20 percent	3	15.8
More than 20 percent and less than 35 percent	1	5.3
More than 35 percent and less than 50 percent	2	10.5
More than 50 percent and less than 75 percent	1	5.3
More than 75 percent	0	0.0
Total	19	100.0

10. Approximately what percentage of the syndicated loans currently on your bank's books (as reported in question 7) is accounted for by ``bridge loans'' used to fund M&A-related activity that your bank expects to be paid down with funds raised in the capital markets within the next twelve months?

	All Respondents	
	Banks	**Percent**
My bank does not currently have any bridge loans on its books	5	26.3
More than 0 percent and less than 5 percent	12	63.2
More than 5 percent and less than 20 percent	2	10.5
More than 20 percent and less than 35 percent	0	0.0
More than 35 percent and less than 50 percent	0	0.0
More than 50 percent and less than 75 percent	0	0.0
More than 75 percent	0	0.0
Total	19	100.0

11. News reports suggest increased use of equity bridge loans to LBO sponsors to provide financing applied toward the sponsors' equity contributions in buyouts. These loans are subsequently paid down with funds raised in equity sales. Approximately what percentage of the syndicated loans currently on your bank's books (as reported in question 7) is accounted for by such *equity* bridge loans?

	All Respondents	
	Banks	**Percent**
My bank does not currently have any equity bridge loans on its books	13	65.0
More than 0 percent and less than 5 percent	7	35.0
More than 5 percent and less than 20 percent	0	0.0
More than 20 percent and less than 35 percent	0	0.0
More than 35 percent and less than 50 percent	0	0.0
More than 50 percent and less than 75 percent	0	0.0
More than 75 percent	0	0.0
Total	20	100.0

12. The leveraged loan pipeline has reportedly been very substantial in recent months. In light of the high volume of new credits coming to market, which of the following modifications of syndicated lending standards and terms does your bank expect to occur? (Please assign to *each* item a number using the following scale: 1=unlikely to occur, 2=likely to occur, 3=very likely to occur.)

	All Respondents
	Mean
Tighter lending standards	2.22
Increased number of covenants and/or more stringent covenants	2.28
Wider loan rate spreads	2.28
Reduced size of the loan portions of deals	1.65
Introduction of call protection or original issue discount	1.71
Other (please specify)	1.00
Number of banks responding	18

Questions 13-14 *ask about* **commercial real estate loans** *at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 13 deals with changes in your bank's standards over the last three months. Question 14 deals with changes in demand. If your bank's lending standards or terms have not changed over the relevant period, please report them as unchanged even if they are either restrictive or accommodative relative to longer-term norms. If your bank's standards or terms have tightened or eased over the relevant period, please so report them regardless of how they stand relative to longer-term norms. Also, please report changes in enforcement of existing standards as changes in standards.*

13. Over the past three months, how have your bank's credit standards for approving applications for commercial real estate loans changed?

	All Respondents	
	Banks	**Percent**
Tightened considerably	1	5.9
Tightened somewhat	6	35.3
Remained basically unchanged	9	52.9
Eased somewhat	1	5.9
Eased considerably	0	0.0
Total	17	100.0

14. Apart from normal seasonal variation, how has demand for commercial real estate loans changed over the past three months?

	All Respondents	
	Banks	**Percent**
Substantially stronger	0	0.0
Moderately stronger	0	0.0
About the same	13	76.5
Moderately weaker	1	5.9
Substantially weaker	3	17.6
Total	17	100.0

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1. As of March 31, 2007, the 20 respondents had combined assets of $943 billion, compared to $1.63 trillion for all foreign related banking institutions in the United States. The sample is selected from among the largest foreign-related banking institutions in those Federal Reserve Districts where such institutions are common.

2. For more information on leveraged loans, please refer to: www.federalreserve.gov/boarddocs/srletters/2001/sr0109.htm .