For release at 2:00 p.m. ET May 7, 2004

TO: HEADS OF RESEARCH AT ALL FEDERAL RESERVE BANKS

Enclosed for distribution to respondents is a national summary of the April 2004 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 April 2004 Senior Loan Officer Opinion Survey on Bank Lending Practices

The April 2004 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. In addition, the survey contained a series of questions on residential real estate loans and a question on changes in banks' pricing and investment behavior in light of declining net interest margins. Responses were received from fifty-six domestic and twenty foreign banking institutions.

Both domestic banks and U.S. branches and agencies of foreign banks indicated that they had eased lending standards and terms for C&I loans over the past three months. Domestic banks also eased lending standards on commercial real estate loans over the same period, while standards at foreign institutions were little changed. The share of domestic banks reporting stronger demand for C&I loans in the April survey was notably larger than in the January survey. Demand for commercial real estate loans at domestic banks also strengthened on net. By contrast, foreign institutions reported slightly weaker C&I loan demand, on net, and indicated that demand for commercial real estate loans had not changed.

In the April survey, a small net fraction of domestic banks reported having eased lending standards on residential real estate loans, but standards and terms for consumer loans were generally unchanged. On net, demand for residential real estate loans was little changed, while demand for consumer loans had strengthened.

Lending to Businesses
(Table 1, questions 1-8; Table 2, questions 1-8)

Both domestic and foreign banks reported having eased lending standards on C&I loans over the past three months. Over 20 percent of domestic banks, on net, indicated that they had eased standards for large and middle-market firms, the largest share doing so since the beginning of the 1990s, and a similar fraction noted having eased standards for small firms. The net share of U.S. branches and agencies of foreign banks that reported having eased lending standards for C&I loans jumped to 30 percent in the April survey, up from 10 percent in the January survey.

Both domestic and foreign institutions also indicated that they had eased many terms on C&I loans over the past three months. On net, almost 40 percent of domestic banks reported having narrowed spreads of loan rates over their cost of funds for large and middle-market borrowers in April, up from 27 percent in the previous survey, and 26 percent had done so for small firms. About 35 percent of foreign institutions indicated that they had reduced spreads on their C&I loans, compared with 14 percent in January. Survey respondents, on net, continued to report having eased terms on credit lines, both by increasing the maximum size of these lines and by reducing their cost. Furthermore, about one-fifth of domestic and one-fourth of foreign banks said that they had eased loan covenants over the past three months.

About 80 percent of the banks that reported having eased standards and terms on C&I loans in the April survey cited more aggressive competition from other banks or nonbank lenders as the most important reason for having done so, roughly the same percentage as in the previous survey. Domestic banks that had eased standards and terms also pointed to a more favorable economic outlook and improvements in industry-specific problems, as well as an increased tolerance for risk. The few domestic banks that had tightened standards or terms generally cited a less favorable economic outlook or a reduced tolerance for risk.

C&I loan demand. On net, 29 percent of domestic banks reported in the April survey that the demand for C&I loans from large and middle-market borrowers had increased, the largest share doing so since 1998. About 40 percent reported stronger demand from small firms. Furthermore, about half of domestic respondents noted increased inquiries from potential business borrowers. Domestic banks that had experienced an increase in demand pointed to greater customer financing needs for inventories and accounts receivable as well as for investment in plant and equipment. By contrast, foreign banks, on net, reported decreased demand for C&I loans and indicated that customer borrowing had shifted to other banks or nonbank lenders and that customers' internally generated funds had increased.

Commercial real estate lending. In the April survey, 11 percent of domestic banks, on net, said that they had eased lending standards on commercial real estate loans, up a bit from the previous survey. The percentage of domestic banks reporting increased demand for these loans also increased in the current survey, rising to 22 percent, up from 16 percent in January. At foreign institutions, both commercial real estate lending standards and loan demand were reportedly unchanged on net.

Lending to Households
(Table 1, questions 9-20)

Demand for residential real estate loans was little changed, on net, over the three months ending in April. Lending standards for residential real estate loans had been eased over the same period by about 8 percent of respondents, on net, up somewhat from the previous survey.

The April survey asked banks about house price appreciation over the past year in the markets they served. The responses were fairly diverse: Nearly 30 percent of the respondents indicated that the average rate of increase had been less than 5 percent, around half of them reported a rate between 5 percent and 10 percent, and the rest pointed to home price appreciation of more than 10 percent. Regarding the future, the banks expected price increases to moderate: Over 60 percent expected home prices to grow less than 5 percent over the next year in the markets they serve, and almost all the rest expected appreciation of 5 percent to 10 percent.

The current survey also contained several questions about loan-to-value ratios for residential mortgage loans. Banks reported that about 85 percent of the first-lien mortgages that they originated over the past year had loan-to-value ratios below 90 percent and only 3 percent had ratios of 100 percent or more. About 80 percent of the volume of second-lien mortgages and home equity loans that respondents had originated over the past year were to customers with a ratio of total mortgage debt to home value below 90 percent. Only 5 percent were to customers with indebtedness ratios of 100 percent or more. Banks that had originated loans in areas where home prices had been rising relatively quickly tended to have originated more loans, especially second-lien and home equity loans, with lower loan-to-value ratios than banks that operated in markets with slower appreciation. Indeed, at banks serving markets in which home prices rose 5 percent or less, 7 percent of second-lien mortgage and home equity loan originations were to borrowers with ratios of total mortgage debt to home value of 100 percent or more and 76 percent of originations were to borrowers with ratios of 90 percent or less. By comparison, at banks originating loans in areas where homes had appreciated between 10 percent and 20 percent, these shares were 1 percent and 88 percent respectively.

In April, banks continued to indicate, on net, that they had become more willing to make consumer installment loans, although they reported that lending standards and most lending terms for consumer loans were basically unchanged. Banks did, however, report having reduced the extent to which consumer loans other than credit card loans were granted to customers who did not meet credit-scoring thresholds. Of the respondents, 21 percent reported that demand for consumer loans of all types had strengthened over the past three months. By contrast, in the January survey, 13 percent of respondents, on net, indicated that demand had weakened.

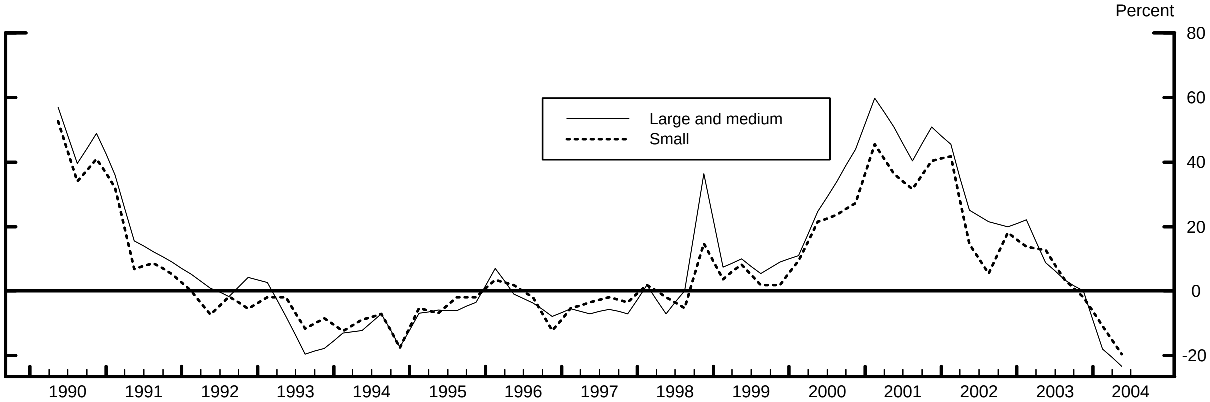
Net Interest Margins
(Table 1, question 21; Table 2, question 9)

Special questions in the April survey asked banks how they had changed their investment and pricing behavior in response to the historically low level of short-term interest rates and to resulting pressure on their net interest margins. On net, domestic banks indicated that these factors had not led them to change their desired levels of either credit risk or interest rate risk. However, 22 percent of domestic banks, on net, indicated that they had increased fees charged to borrowers and depositors. About 20 percent of foreign banks, on net, reported that they had taken on more credit risk.

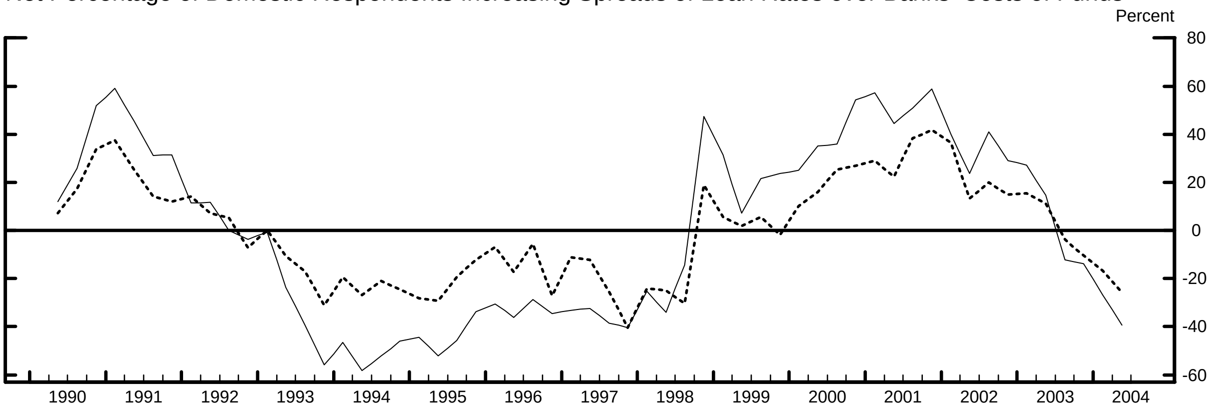
This document was prepared by Mark Carlson and Fabio Natalucci with the research assistance of Jason Grimm, Division of Monetary Affairs, Board of Governors of the Federal Reserve System.

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

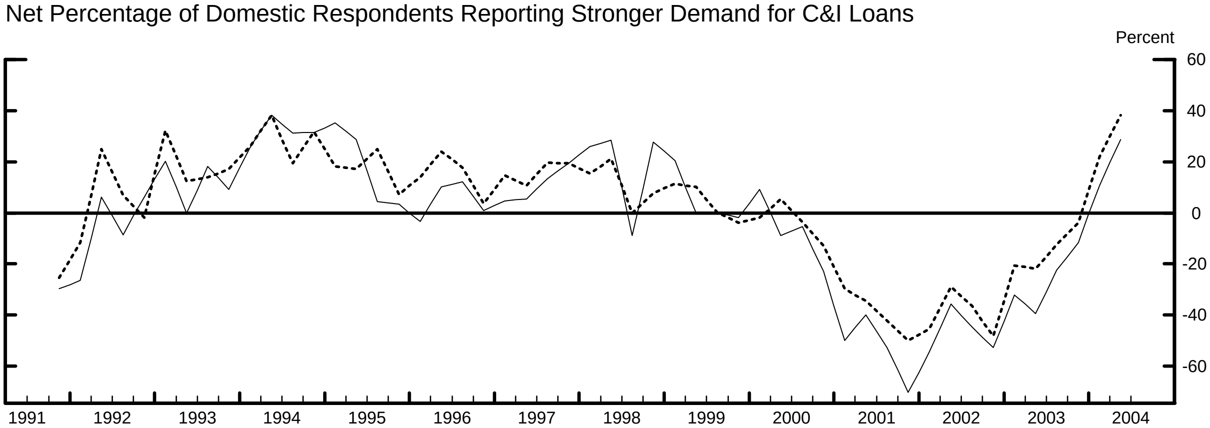
Net Percentage of Domestic Respondents Tightening Standards for C&I Loans



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

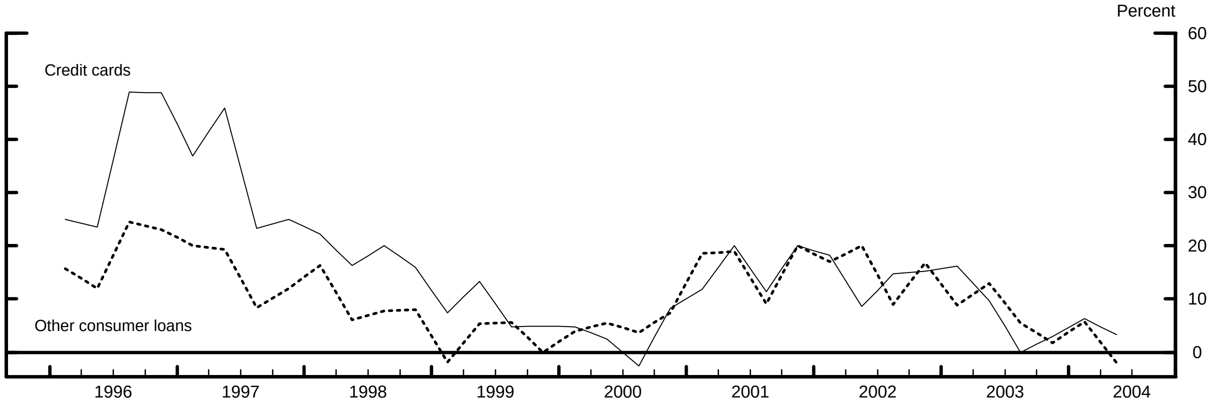


Net Percentage of Domestic Respondents Reporting Stronger Demand for C&I Loans

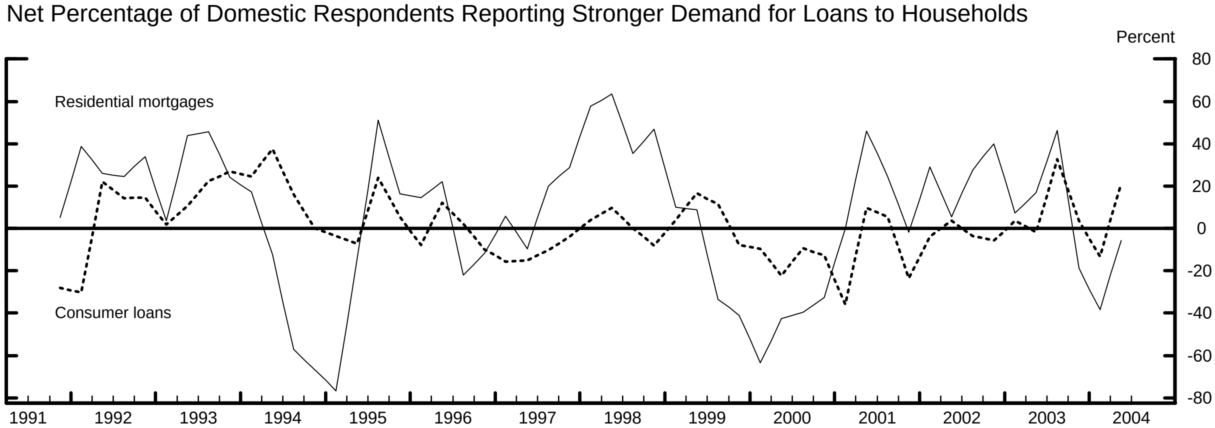


Measures of Supply and Demand for Loans to Households

Net Percentage of Domestic Respondents Tightening Standards on Consumer Loans



Net Percentage of Domestic Respondents Reporting Stronger Demand for Loans to Households



Net Percentage of Domestic Respondents Tightening Standards for Mortgages to Individuals

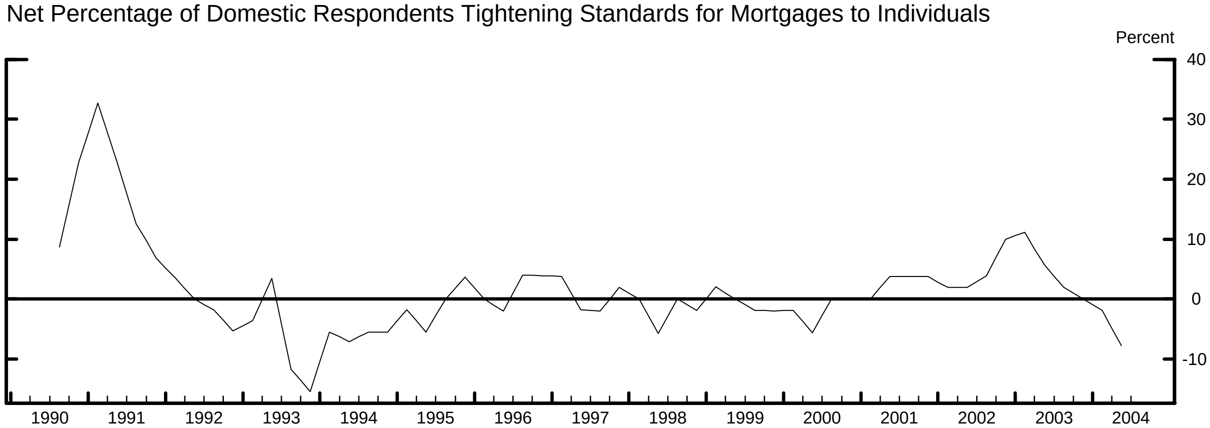


Table 1

SENIOR LOAN OFFICER OPINION SURVEY ON BANK LENDING PRACTICES
AT SELECTED LARGE BANKS IN THE UNITED STATES[1]
(Status of policy as of April 2004)

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 existing credit 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?

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

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	0	0.0	0	0.0	0	0.0
Remained basically unchanged	43	76.8	23	69.7	20	87.0
Eased somewhat	13	23.2	10	30.3	3	13.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	56	100.0	33	100.0	23	100.0

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

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	0	0.0	0	0.0	0	0.0
Remained basically unchanged	45	80.4	23	69.7	22	95.7
Eased somewhat	11	19.6	10	30.3	1	4.3
Eased considerably	0	0.0	0	0.0	0	0.0
Total	56	100.0	33	100.0	23	100.0

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 December 31, 2003. The combined assets of the 33 large banks totaled $3.61 trillion, compared to $3.86 trillion for the entire panel of 56 banks, and $6.66 trillion for all domestically chartered, federally insured commercial banks.

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	3.18	3.21	3.13
Costs of credit lines	3.23	3.36	3.04
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.39	3.48	3.26
Premiums charged on riskier loans	3.09	3.21	2.91
Loan covenants	3.23	3.33	3.09
Collateralization requirements	3.09	3.12	3.04
Other	3.05	3.09	3.00
Number of banks responding	56	33	23

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	3.19	3.25	3.09
Costs of credit lines	3.17	3.25	3.05
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.26	3.31	3.18
Premiums charged on riskier loans	3.02	3.13	2.86
Loan covenants	3.19	3.31	3.00
Collateralization requirements	3.02	3.06	2.95
Other	3.00	3.00	3.00
Number of banks responding	54	32	22

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	1.33	1.00	1.50
Less favorable or more uncertain economic outlook	1.44	1.67	1.33
Worsening of industry-specific problems	1.22	1.00	1.33
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.00	1.00	1.00
Reduced tolerance for risk	1.56	1.67	1.50
Decreased liquidity in the secondary market for these loans	1.00	1.00	1.00
Increase in defaults by borrowers in public debt markets	1.00	1.00	1.00
Other	1.11	1.00	1.17
Number of banks responding	9	3	6

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	1.14	1.21	1.00
More favorable or less uncertain economic outlook	1.66	1.79	1.40
Improvement in industry-specific problems	1.52	1.68	1.20
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	2.14	2.21	2.00
Increased tolerance for risk	1.48	1.68	1.10
Increased liquidity in the secondary market for these loans	1.17	1.26	1.00
Reduction in defaults by borrowers in public debt markets	1.28	1.42	1.00
Other	1.03	1.05	1.00
Number of banks responding	29	19	10

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	Pct	Banks	Pct	Banks	Pct
Substantially stronger	1	1.8	1	3.0	0	0.0
Moderately stronger	21	37.5	13	39.4	8	34.8
About the same	28	50.0	16	48.5	12	52.2
Moderately weaker	6	10.7	3	9.1	3	13.0
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	56	100.0	33	100.0	23	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	Pct	Banks	Pct	Banks	Pct
Substantially stronger	1	1.8	0	0.0	1	4.5
Moderately stronger	23	41.8	17	51.5	6	27.3
About the same	28	50.9	15	45.5	13	59.1
Moderately weaker	3	5.5	1	3.0	2	9.1
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	55	100.0	33	100.0	22	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	1.86	1.89	1.78
Customer accounts receivable financing needs increased	1.86	1.84	1.89
Customer investment in plant or equipment increased	1.86	1.79	2.00
Customer internally generated funds decreased	1.29	1.37	1.11
Customer merger or acquisition financing needs increased	1.57	1.74	1.22
Customer borrowing shifted to your bank from other bank or nonbank credit sources because these other sources became less attractive	1.68	1.84	1.33
Other	1.00	1.00	1.00
Number of banks responding	28	19	9

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	1.38	1.50	1.25
Customer accounts receivable financing needs decreased	1.38	1.50	1.25
Customer investment in plant or equipment decreased	1.50	1.50	1.50
Customer internally generated funds increased	1.75	2.00	1.50
Customer merger or acquisition financing needs decreased	1.38	1.50	1.25
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	1.75	1.75	1.75
Other	1.00	1.00	1.00
Number of banks responding	8	4	4

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	Pct	Banks	Pct	Banks	Pct
Increased substantially	1	1.8	1	3.0	0	0.0
Increased moderately	30	53.6	17	51.5	13	56.5
Stayed about the same	22	39.3	14	42.4	8	34.8
Decreased moderately	3	5.4	1	3.0	2	8.7
Decreased substantially	0	0.0	0	0.0	0	0.0
Total	56	100.0	33	100.0	23	100.0

Questions 7-8 *ask about* ***commercial real estate loans*** *at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 7 deals with changes in your bank's standards over the last three months. Questions 8 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.*

7. 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	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	2	3.6	1	3.0	1	4.3
Remained basically unchanged	46	82.1	24	72.7	22	95.7
Eased somewhat	8	14.3	8	24.2	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	56	100.0	33	100.0	23	100.0

8. 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	Pct	Banks	Pct	Banks	Pct
Substantially stronger	1	1.8	0	0.0	1	4.3
Moderately stronger	17	30.4	11	33.3	6	26.1
About the same	32	57.1	20	60.6	12	52.2
Moderately weaker	6	10.7	2	6.1	4	17.4
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	56	100.0	33	100.0	23	100.0

Questions 9-10 *ask about* ***residential mortgage loans*** *at your bank. Question 9 deals with changes in your bank's credit standards over the past three months, and question 10 deals with changes in demand 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.*

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

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	1	2.0	1	3.2	0	0.0
Remained basically unchanged	45	88.2	25	80.6	20	100.0
Eased somewhat	5	9.8	5	16.1	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	51	100.0	31	100.0	20	100.0

10. 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.)

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially stronger	1	2.0	1	3.2	0	0.0
Moderately stronger	8	15.7	6	19.4	2	10.0
About the same	30	58.8	17	54.8	13	65.0
Moderately weaker	9	17.6	7	22.6	2	10.0
Substantially weaker	3	5.9	0	0.0	3	15.0
Total	51	100.0	31	100.0	20	100.0

Over the past several years, the price index of repeat sales of existing homes published by the Office of Federal Housing Enterprise Oversight (OFHEO) has increased substantially and banks' holdings of residential mortgage loans have expanded rapidly. ***Questions 11-14*** *ask about the changes in home prices in your bank's market area and their effect on your bank's mortgage loan portfolio. Questions 11-12 ask about loan-to-value ratios in your bank's residential real estate loan portfolio. Questions 13-14 ask about your bank's assessment of past and future changes in home prices in its loan markets.*

11. Over the past **twelve** months, approximately what share of the dollar volume of home mortgage originations at your bank has had loan-to-value ratios in the following ranges? (Please exclude second lien mortgages and revolving home equity lines of credit. Percentages should add to 100.)

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
More than 100 percent	0.7	0.9	0.5
100 percent	1.9	2.2	1.4
95 to 99 percent	5.1	5.2	4.9
90 to 94 percent	6.3	5.6	7.3
80 to 89 percent	25.8	22.3	31.1
Less than 80 percent	60.3	63.8	54.8
Number of banks responding	48	29	19

12. Over the past **twelve** months, approximately what share of the dollar volume of second lien mortgages and home equity lines of credit originated at your bank has had a ratio of total mortgage indebtedness to home value in the following ranges? (Please include the undrawn portion of revolving home equity lines of credit. Percentages should add to 100.)

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
More than 100 percent	1.0	1.5	0.1
100 percent	4.1	3.2	5.6
95 to 99 percent	5.1	5.0	5.4
90 to 94 percent	8.8	8.0	10.0
80 to 89 percent	29.6	26.2	35.0
Less than 80 percent	51.4	56.1	43.9
Number of banks responding	49	30	19

13. In the residential real estate markets served by your bank, what has been the approximate average rate of increase in home prices during the **past twelve** months?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Less than 0 (declined)	0	0.0	0	0.0	0	0.0
0 to 5 percent	15	28.8	7	22.6	8	38.1
5 to 10 percent	27	51.9	20	64.5	7	33.3
10 to 20 percent	7	13.5	3	9.7	4	19.0
More than 20 percent	3	5.8	1	3.2	2	9.5
Total	52	100.0	31	100.0	21	100.0

14. In the residential real estate markets served by your bank, what is your bank's view of the likely average rate of increase in home prices during the **next twelve** months?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Less than 0 (declined)	0	0.0	0	0.0	0	0.0
0 to 5 percent	33	63.5	20	64.5	13	61.9
5 to 10 percent	18	34.6	11	35.5	7	33.3
10 to 20 percent	1	1.9	0	0.0	1	4.8
More than 20 percent	0	0.0	0	0.0	0	0.0
Total	52	100.0	31	100.0	21	100.0

Questions 15-20 *ask about* ***consumer lending*** *at your bank. Question 15 deals with changes in your bank's willingness to make consumer loans over the past three months. Questions 16-19 deal with changes in credit standards and loan terms over the same period. Question 20 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.*

15. 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	Pct	Banks	Pct	Banks	Pct
Much more willing	0	0.0	0	0.0	0	0.0
Somewhat more willing	10	19.2	7	22.6	3	14.3
About unchanged	41	78.8	24	77.4	17	81.0
Somewhat less willing	1	1.9	0	0.0	1	4.8
Much less willing	0	0.0	0	0.0	0	0.0
Total	52	100.0	31	100.0	21	100.0

16. 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	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	1	3.3	1	6.3	0	0.0
Remained basically unchanged	29	96.7	15	93.8	14	100.0
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	30	100.0	16	100.0	14	100.0

17. 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	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	2	4.0	1	3.4	1	4.8
Remained basically unchanged	45	90.0	27	93.1	18	85.7
Eased somewhat	3	6.0	1	3.4	2	9.5
Eased considerably	0	0.0	0	0.0	0	0.0
Total	50	100.0	29	100.0	21	100.0

18. 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	3.00	3.14
Spreads of interest rates charged on outstanding balances over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.97	2.93	3.00
Minimum percent of outstanding balances required to be repaid each month	3.00	3.00	3.00
Minimum required credit score (increased score=tightened, reduced score=eased)	3.00	3.00	3.00
The extent to which loans are granted to some customers that do not meet credit scoring thresholds (increased=eased, decreased=tightened)	2.97	3.07	2.86
Other	3.00	3.00	3.00
Number of banks responding	29	15	14

19. 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	3.06	3.03	3.10
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.08	3.10	3.05
Minimum required downpayment	3.02	3.03	3.00
Minimum required credit score (increased score=tightened, reduced score=eased)	3.00	3.00	3.00
The extent to which loans are granted to some customers that do not meet credit scoring thresholds (increased=eased, decreased=tightened)	2.87	2.87	2.86
Other	3.00	3.00	3.00
Number of banks responding	52	31	21

20. 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	Pct	Banks	Pct	Banks	Pct
Substantially stronger	1	1.9	0	0.0	1	4.8
Moderately stronger	13	25.0	9	29.0	4	19.0
About the same	35	67.3	19	61.3	16	76.2
Moderately weaker	3	5.8	3	9.7	0	0.0
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	52	100.0	31	100.0	21	100.0

With short-term interest rates at historically low levels, the yields on many bank assets are correspondingly low and the funding cost advantage of noninterest-bearing funding sources is reduced, putting pressure on bank net interest margins. At the same time, the yield curve is quite steep and risk spreads on credit instruments have narrowed considerably. Against this backdrop, ***Question 21*** *asks how your bank has adjusted its investment and pricing behavior.*

21. Over the past **twelve** months, how has your bank adjusted the following aspects of its investment and pricing behavior? (Please assign each aspect a number between 1 and 5 using the following scale: 1=increased considerably, 2=increased somewhat, 3=remained basically unchanged, 4=decreased somewhat, 5=decreased considerably.)

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
The desired credit risk of your bank's new loans or investments	3.00	2.96	3.05
The desired interest-rate risk of your bank, as reflected in the average duration of your bank's assets relative to that of its liabilities	3.04	3.04	3.05
The fees that your bank charges borrowers and depositors	2.78	2.79	2.77
Other	3.00	3.00	3.00
Number of banks responding	50	28	22

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 April 2004)

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 credit 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	Pct
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	14	70.0
Eased somewhat	6	30.0
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	3.45
Costs of credit lines	3.30
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.40
Premiums charged on riskier loans	3.25
Loan covenants	3.25
Collateralization requirements	3.10
Other	3.00
Total	20

1. As of December 31, 2003, the 20 respondents had combined assets of $360 billion, compared to $944 billion 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.

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	0
Less favorable or more uncertain economic outlook	0
Worsening of industry-specific problems	0
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	0
Reduced tolerance for risk	0
Decreased liquidity in the secondary market for these loans	0
Increase in defaults by borrowers in public debt markets	0
Other	0
Number of banks responding	0

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

	All Respondents
	Mean
Improvement in your bank's current or expected capital position	1.82
More favorable or less uncertain economic outlook	1.82
Improvement in industry-specific problems	1.18
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	2.09
Increased tolerance for risk	1.36
Increased liquidity in the secondary market for these loans	1.45
Reduction in defaults by borrowers in public debt markets	1.45
Other	1.18
Number of banks responding	11

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	Pct
Substantially stronger	0	0.0
Moderately stronger	4	20.0
About the same	11	55.0
Moderately weaker	5	25.0
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 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 4), possible reasons:

	All Respondents
	Mean
Customer inventory financing needs increased	1.40
Customer accounts receivable financing needs increased	1.00
Customer investment in plant or equipment increased	1.40
Customer internally generated funds decreased	1.00
Customer merger or acquisition financing needs increased	1.60
Customer borrowing shifted to your bank from other bank or nonbank sources because these other sources became less attractive	1.20
Other	1.20
Number of banks responding	5

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

	All Respondents
	Mean
Customer inventory financing needs decreased	1.50
Customer accounts receivable financing needs decreased	1.50
Customer investment in plant or equipment decreased	1.33
Customer internally generated funds increased	2.00
Customer merger or acquisition financing needs decreased	1.33
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	2.17
Other	1.17
Number of banks responding	6

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	Pct
Increased substantially	0	0.0
Increased moderately	7	35.0
Stayed about the same	13	65.0
Decreased moderately	0	0.0
Decreased substantially	0	0.0
Total	20	100.0

Questions 7-8 *ask about* ***commercial real estate loans*** *at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 7 deals with changes in your bank's standards over the last three months. Question 8 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.*

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

	All Respondents	
	Banks	Pct
Tightened considerably	0	0.0
Tightened somewhat	1	7.7
Remained basically unchanged	11	84.6
Eased somewhat	1	7.7
Eased considerably	0	0.0
Total	13	100.0

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

	All Respondents	
	Banks	Pct
Substantially stronger	0	0.0
Moderately stronger	2	16.7
About the same	8	66.7
Moderately weaker	2	16.7
Substantially weaker	0	0.0
Total	12	100.0

With short-term interest rates at historically low levels, the yields on many bank assets are correspondingly low and the funding cost advantage of noninterest-bearing funding sources is reduced, putting pressure on bank net interest margins. At the same time, the yield curve is quite steep and risk spreads on credit instruments have narrowed considerably. Against this backdrop, ***Question 9*** *asks how your bank has adjusted its investment and pricing behavior.*

9. Over the past **twelve** months, how has your bank adjusted the following aspects of its investment and pricing behavior? (Please assign each aspect a number between 1 and 5 using the following scale: 1=increased considerably, 2=increased somewhat, 3=remained basically unchanged, 4=decreased somewhat, 5=decreased considerably.)

	All Respondents
	Mean
The desired credit risk of your bank's new loans or investments	2.75
The desired interest-rate risk of your bank, as reflected in the average duration of your bank's assets relative to that of its liabilities	3.00
The fees that your bank charges borrowers and depositors	3.10
Other	3.00
Number of banks responding	20