

Table 1

SENIOR LOAN OFFICER OPINION SURVEY ON BANK LENDING PRACTICES
AT SELECTED LARGE BANKS IN THE UNITED STATES¹
(Status of policy as of October 2004)

Questions 1-3 ask about changes in your bank's **commercial and industrial (C&I)** lending policies 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.

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	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	78.9	27	77.1	18	81.8
Eased somewhat	12	21.1	8	22.9	4	18.2
Eased considerably	0	0.0	0	0.0	0	0.0
Total	57	100.0	35	100.0	22	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	1	1.8	1	2.9	0	0.0
Remained basically unchanged	43	78.2	26	76.5	17	81.0
Eased somewhat	11	20.0	7	20.6	4	19.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	55	100.0	34	100.0	21	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 June 30, 2004. The combined assets of the 35 large banks totaled \$3.62 trillion, compared to \$3.84 trillion for the entire panel of 57 banks, and \$7.04 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	3.31	3.27	3.36
Costs of credit lines	3.35	3.39	3.27
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.52	3.56	3.45
Premiums charged on riskier loans	3.21	3.24	3.18
Loan covenants	3.16	3.18	3.14
Collateralization requirements	3.00	2.94	3.09
Other	4.00	4.00	0.00
Number of banks responding	56	34	22

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	3.13	3.09	3.19
Costs of credit lines	3.24	3.24	3.24
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.40	3.38	3.43
Premiums charged on riskier loans	3.11	3.12	3.10
Loan covenants	3.18	3.21	3.14
Collateralization requirements	2.98	2.97	3.00
Other	3.50	3.50	3.50
Number of banks responding	55	34	21

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	1.13	1.00	1.33
Less favorable or more uncertain economic outlook	1.38	1.00	2.00
Worsening of industry-specific problems	1.86	1.80	2.00
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	1.75	1.40	2.33
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	1.00	1.00	0.00
Number of banks responding	8	5	3

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	1.23	1.35	1.00
More favorable or less uncertain economic outlook	1.87	1.90	1.80
Improvement in industry-specific problems	1.36	1.42	1.22
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	2.47	2.43	2.55
Increased tolerance for risk	1.43	1.45	1.40
Increased liquidity in the secondary market for these loans	1.33	1.45	1.10
Reduction in defaults by borrowers in public debt markets	1.31	1.37	1.20
Other	2.00	2.00	0.00
Number of banks responding	32	21	11

In the most recent three surveys, respondent banks overall have reported an easing of business lending standards and terms despite a pickup in loan demand. Banks that have eased standards or terms have indicated that they have done so primarily in response to increased competition from other sources of business credit. **Questions 4 and 5** ask about the identity and nature of this competition. **Question 6** asks about your bank's outlook for business loan credit quality over the next year.

4. If your bank has eased standards or terms since the beginning of the year as a result of greater competitive pressures in the C&I loan market, how has the degree of competition from the following alternative sources of funds changed during that period? (Please assign, for those entities listed that your bank views as a potential source of credit for your C&I customers, a number between 1 and 5 using the following scale: 1=increased considerably, 2=increased somewhat, 3=has been little changed, 4=decreased somewhat, 5=decreased considerably.)

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Capital markets (commercial paper, bonds, equity)	2.54	2.48	2.67
Special purpose investment vehicles (for example, collateralized loan obligations)	2.57	2.43	2.83
Insurance companies	2.76	2.71	2.86
Investment banks	2.46	2.29	2.77
U.S. commercial banks	1.74	1.74	1.75
Foreign banks	2.52	2.54	2.44
Hedge funds	2.72	2.62	3.00
Other	2.00	0.00	2.00
Number of banks responding	43	27	16

5. Does your bank view this increasing competition from other sources of business credit as primarily temporary, reflecting current economic market conditions, or as a more permanent change in the structure of the C&I loan market?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Primarily temporary, reflecting current economic conditions	11	21.6	6	18.2	5	27.8
Primarily permanent, reflecting a change in the structure of the C&I loan market	15	29.4	10	30.3	5	27.8
Not clear at this point	25	49.0	17	51.5	8	44.4
Total	51	100.0	33	100.0	18	100.0

6. Over the past two years, C&I loan delinquencies and chargeoffs have improved substantially. Looking ahead over the next year, and assuming that economic activity progresses in line with consensus forecasts, what is your bank's outlook for these measures of C&I loan quality?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Loan quality is likely to continue to improve	16	28.1	10	28.6	6	27.3
Loan quality is likely to stabilize around current levels	37	64.9	24	68.6	13	59.1
Loan quality is likely to begin to decline	4	7.0	1	2.9	3	13.6
Total	57	100.0	35	100.0	22	100.0

Questions 7-9 deal with changes in demand for C&I loans over the past three months.

7. 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	0	0.0	0	0.0	0	0.0
Moderately stronger	21	36.8	16	45.7	5	22.7
About the same	30	52.6	16	45.7	14	63.6
Moderately weaker	6	10.5	3	8.6	3	13.6
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	57	100.0	35	100.0	22	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	0	0.0	0	0.0	0	0.0
Moderately stronger	20	36.4	14	41.2	6	28.6
About the same	29	52.7	17	50.0	12	57.1
Moderately weaker	6	10.9	3	8.8	3	14.3
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	55	100.0	34	100.0	21	100.0

8. If demand for C&I loans has strengthened has strengthened or weakened over the past three months (as described in question 7), 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 7A or 7B), possible reasons:

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Customer inventory financing needs increased	1.93	1.85	2.14
Customer accounts receivable financing needs increased	1.96	1.90	2.14
Customer investment in plant or equipment increased	1.85	1.80	2.00
Customer internally generated funds decreased	1.08	1.05	1.14
Customer merger or acquisition financing needs increased	1.62	1.58	1.71
Customer borrowing shifted to your bank from other bank or nonbank sources because these other sources became less attractive	1.81	1.90	1.57
Other	1.00	1.00	0.00
Number of banks responding	27	20	7

B. If weaker loan demand (answer 4 or 5 to questions 7A or 7B), possible reasons:

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Customer inventory financing needs decreased	1.50	1.67	1.40
Customer accounts receivable financing needs decreased	1.63	1.67	1.60
Customer investment in plant or equipment decreased	2.13	2.33	2.00
Customer internally generated funds increased	2.13	2.33	2.00
Customer merger or acquisition financing needs decreased	2.00	2.33	1.80
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	2.13	2.33	2.00
Other	3.00	3.00	0.00
Number of banks responding	9	4	5

9. 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
The number of inquiries has increased substantially	1	1.8	1	2.9	0	0.0
The number of inquiries has increased moderately	21	38.2	13	38.2	8	38.1
The number of inquiries has stayed about the same	32	58.2	20	58.8	12	57.1
The number of inquiries has decreased moderately	1	1.8	0	0.0	1	4.8
The number of inquiries has decreased substantially	0	0.0	0	0.0	0	0.0
Total	55	100.0	34	100.0	21	100.0

Questions 10-11 ask about **commercial real estate loans** at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 10 deals with changes in your bank's standards over the last three months. Question 11 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.

10. 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	1	1.8	1	2.9	0	0.0
Remained basically unchanged	45	78.9	26	74.3	19	86.4
Eased somewhat	11	19.3	8	22.9	3	13.6
Eased considerably	0	0.0	0	0.0	0	0.0
Total	57	100.0	35	100.0	22	100.0

11. 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	3	5.3	1	2.9	2	9.1
Moderately stronger	15	26.3	10	28.6	5	22.7
About the same	34	59.6	23	65.7	11	50.0
Moderately weaker	4	7.0	1	2.9	3	13.6
Substantially weaker	1	1.8	0	0.0	1	4.5
Total	57	100.0	35	100.0	22	100.0

Questions 12-13 ask about **residential mortgage loans** at your bank. Question 12 deals with changes in your bank's credit standards over the past three months and Question 13 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.

12. 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	2	3.8	2	6.1	0	0.0
Remained basically unchanged	50	94.3	30	90.9	20	100.0
Eased somewhat	1	1.9	1	3.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	53	100.0	33	100.0	20	100.0

13. Apart from normal season 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	0	0.0	0	0.0	0	0.0
Moderately stronger	7	13.2	5	15.2	2	10.0
About the same	26	49.1	17	51.5	9	45.0
Moderately weaker	16	30.2	10	30.3	6	30.0
Substantially weaker	4	7.5	1	3.0	3	15.0
Total	53	100.0	33	100.0	20	100.0

Questions 14-19 ask about **consumer lending** at your bank. Question 14 deals with changes in your bank's willingness to make consumer loans over the past three months. Questions 15-18 deal with changes in credit standards and loan terms 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.

14. 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	1	1.9	1	2.9	0	0.0
Somewhat more willing	6	11.1	4	11.8	2	10.0
About unchanged	47	87.0	29	85.3	18	90.0
Somewhat less willing	0	0.0	0	0.0	0	0.0
Much less willing	0	0.0	0	0.0	0	0.0
Total	54	100.0	34	100.0	20	100.0

15. 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	0	0.0	0	0.0	0	0.0
Remained basically unchanged	33	97.1	17	94.4	16	100.0
Eased somewhat	1	2.9	1	5.6	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	34	100.0	18	100.0	16	100.0

16. 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	3.8	1	3.0	1	5.3
Remained basically unchanged	46	88.5	28	84.8	18	94.7
Eased somewhat	4	7.7	4	12.1	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	52	100.0	33	100.0	19	100.0

17. 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	2.96	2.93	3.00
Spreads of interest rates charged on outstanding balances over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.96	2.93	3.00
Minimum percent of outstanding balances required to be repaid each month	2.96	3.00	2.92
Minimum required credit score (increased score=tightened, reduced score=eased)	2.93	3.00	2.85
The extent to which loans are granted to some customers that do not meet credit scoring thresholds (increased=eased, decreased=tightened)	2.89	3.00	2.77
Other	0.00	0.00	0.00
Number of banks responding	28	15	13

18. 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	3.08	3.12	3.00
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.06	3.06	3.05
Minimum required downpayment	3.02	3.03	3.00
Minimum required credit score (increased score=tightened, reduced score=eased)	3.04	3.09	2.95
The extent to which loans are granted to some customers that do not meet credit scoring thresholds (increased=eased, decreased=tightened)	3.00	3.00	3.00
Other	2.00	0.00	2.00
Number of banks responding	53	33	20

19. 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	0	0.0	0	0.0	0	0.0
Moderately stronger	3	5.6	1	2.9	2	10.0
About the same	32	59.3	19	55.9	13	65.0
Moderately weaker	19	35.2	14	41.2	5	25.0
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	54	100.0	34	100.0	20	100.0