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DIVISION OF MONETARY AFFAIRS

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TO: HEADS OF RESEARCH AT ALL FEDERAL RESERVE BANKS

Enclosed for distribution to respondents is a national summary of the October 2005 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 October 2005 Senior Loan Officer Opinion Survey on Bank Lending Practices

The October 2005 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. The survey contained special questions on longer-term changes in terms on mortgage loans to purchase homes. The survey also asked banks about changes in lending standards and terms on home equity lines of credit in light of a supervisory letter issued by federal bank regulators in May 2005. Finally, banks were queried about anticipated changes in the supply of, and demand for, loans to businesses and households stemming from the recently enacted bankruptcy reform legislation. This article is based on responses from fifty-seven domestic banks and nineteen foreign banking institutions.

Domestic commercial banks reported a further net easing of lending standards and terms for commercial and industrial (C&I) loans over the past three months, while lending standards for commercial real estate loans had changed little. At U.S. branches and agencies of foreign banks, lending standards and terms for both types of loans were about unchanged over the same period. Small net fractions of domestic banks noted stronger demand for both C&I and commercial real estate loans in the October survey. At foreign institutions, a few respondents indicated that demand for C&I loans had picked up, while demand for commercial real estate loans was unchanged. Significant net fractions of domestic respondents reported weaker demand for mortgages to purchase homes as well as weaker demand for consumer loans over the past three months. On net, credit standards on residential mortgages and consumer loans were little changed in October.

In response to the special question about changes in terms on mortgage loans to purchase homes, notable net fractions of domestic institutions reported that over the past two years they had eased a number of terms, including the maximum size of primary and second mortgages, spreads of mortgage rates over an appropriate market base rate, and the maximum loan-to-value ratio. Turning to home equity lines of credit, only a few domestic banks reported having tightened their lending policies in response to concerns expressed in a supervisory letter distributed last spring. Finally, in response to special questions on changes in the supply of, and demand for, loans to businesses and households in light of the new bankruptcy law, nearly all domestic and foreign institutions noted that they had not changed their business and household lending policies. Moreover, the new bankruptcy law is generally expected to have no effect on the demand for credit from existing customers. However, a considerable number of domestic banks, on net, reported that they expect credit losses on new loans to businesses and households to be moderately lower as a result of the new bankruptcy law.

C&I Lending
(Table 1, questions 1-6; Table 2, questions 1-6)

On balance, the October survey pointed to some further easing of business lending standards and terms and continued strengthening of loan demand. However, the pace of these changes generally had slowed relative to recent surveys.

In the October survey, domestic banks indicated that they had further eased standards and terms on C&I loans over the past three months. Nearly 10 percent of respondents, on net, reported having eased their credit standards on loans to large and middle-market firms, a somewhat smaller net fraction than in recent surveys. Almost one-half of domestic institutions—roughly the same net fraction as in the July survey—indicated that they had trimmed spreads of loan rates over their cost of funds for such firms. About 30 percent of domestic respondents—a smaller net percentage than in the previous survey—reported that they had reduced the costs of credit lines in October. Domestic respondents also indicated that they had eased other lending terms to large and middle-market firms, on net, over the same period: About one-fifth of banks reported that they increased the maximum size and maturity of loans or credit lines and eased covenants on such loans. For C&I loans to small firms, only a few domestic respondents indicated that they had eased lending standards, but almost 40 percent of them, on net, noted that they had trimmed spreads of loan rates over their cost of funds. U.S. branches and agencies of foreign banks said that their standards on C&I loans were essentially unchanged over the past three months. However, a moderate net fraction of these institutions reported having eased terms on C&I loans.

As in recent surveys, almost all domestic banks that reported having eased their lending standards and terms in the October survey cited more-aggressive competition from other banks or nonbank lenders as an important reason for doing so. A substantial percentage of respondents also pointed to an increased tolerance for risk as a reason for having eased standards or terms on C&I loans.

On net, 15 percent of domestic banks reported an increase in demand for C&I loans from large and middle-market firms over the past three months, a considerable reduction from the 40 percent that did so in the previous survey. Similarly, the net fraction of respondents reporting stronger demand from small firms fell back from its level in the July survey. At U.S. branches and agencies of foreign banks, only a few respondents noted that demand for C&I loans was moderately stronger over the past three months. Among the domestic respondents that experienced stronger demand for C&I loans, most cited borrowers' increased financing needs for accounts receivable and inventories. A significant proportion of these respondents also pointed to a rise in merger and acquisition activity and increased financing needs for investment in plant and equipment. Regarding future business, about 15 percent of domestic and 25 percent of foreign institutions, on net, indicated that inquiries from potential business borrowers had increased over the past three months.

Commercial Real Estate Lending
(Table 1, questions 7-8; Table 2, questions 7-8)

Domestic and foreign institutions reported little change in lending standards on commercial real estate loans in the current survey. On net, 12 percent of domestic banks saw an increase in demand for commercial real estate loans over the past three months, down from one-fourth over the three months ending in July. Foreign institutions indicated that demand for this type of loan was unchanged in October, down from 15 percent reporting stronger demand in the previous survey.

Lending to Households
(Table 1, questions 9-18)

Credit standards on residential mortgage loans were little changed in the October survey. Demand for mortgages to purchase homes—which banks had reported as having risen in the July survey—weakened over the past three months: Almost one-fourth of domestic institutions reported a decline in demand. However, this decline may reflect, in part, lower refinancing activity in recent months, a source of demand some respondents may find difficult to separate from mortgage demand to purchase homes.

The survey contained two special questions on residential real estate loans: The first question asked domestic banks about changes over the past two years in various terms on mortgage loans to purchase homes; the second queried domestic banks about changes in lending standards and terms for home equity lines of credit in light of a May 2005 supervisory letter regarding the appropriate management of the risk posed by such loans.[1]

Almost 40 percent of domestic banks, on net, reported that over the past two years they had increased the maximum size of primary mortgages they were willing to provide, while about 30 percent, on net, indicated that over the same period they had increased the maximum size of second mortgages. In addition, about one-fourth of respondents, on net, said that they had narrowed spreads of mortgage rates over an appropriate market base rate and had increased the maximum loan-to-value ratio on such loans. By contrast, banks noted that the maximum length of extended interest-rate locks, minimum required credit scores, and loan origination fees were little changed over the past two years.

In response to the supervisory letter, most domestic institutions indicated that they had

[1] The supervisory letter is available on the Board's public website: http://www.federalreserve.gov/boarddocs/srletters/2005/sr0511.htm

not changed their lending standards or terms on home equity lines of credit. Only five banks reported having tightened price-related terms and only a few banks reported having tightened their non-price-related terms and credit standards on such facilities.

Domestic institutions indicated that their willingness to make consumer installment loans was about unchanged over the past three months. On net, standards and terms on credit card and non-credit-card consumer loans were about flat in the October survey. After strengthening over the previous three months, demand for consumer loans reportedly weakened over the past three months: About 20 percent of domestic banks, on net, saw weaker demand for such loans.

Special Questions on Bankruptcy Reform Legislation
(Table 1, questions 19-21; Table 2, questions 9-11)

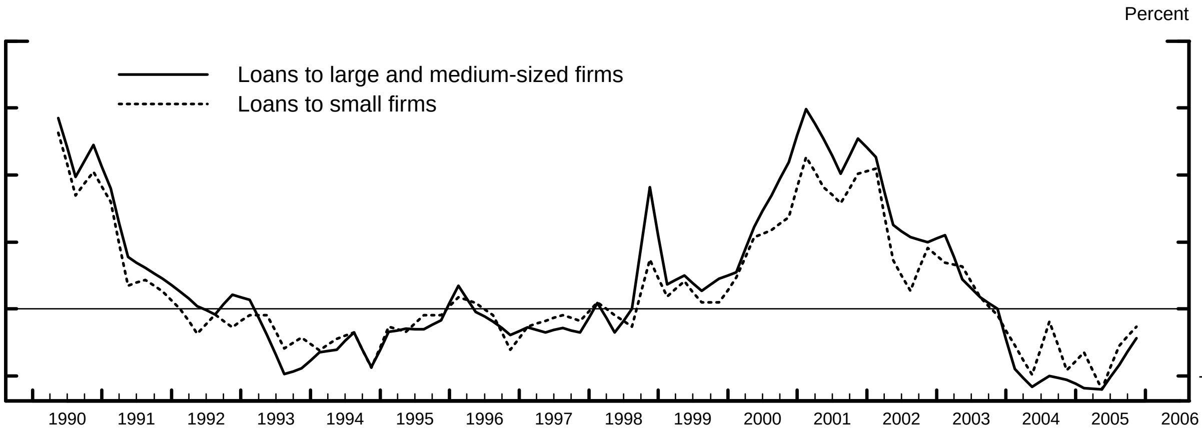
This set of special questions addressed the expected effect of bankruptcy reform legislation (which took effect on October 17, 2005) on the supply of, and demand for, loans to businesses and households.[2] Virtually all domestic and foreign respondents noted that the new law had had no effect on their business and household lending policies. In addition, all foreign and nearly all domestic institutions reported that, after accounting for changes in standards and terms, the new bankruptcy law would likely have no effect on the demand for credit from existing customers. Finally, almost one-third of domestic institutions, on net, indicated that, after accounting for changes in standards and terms and assuming economic activity progresses in line with consensus forecasts, credit losses on new loans to households are expected to be moderately lower as a result of the changes. About 15 percent of domestic respondents, on net, noted that credit losses on new loans to businesses are anticipated to be lower. By contrast, foreign institutions indicated that they expect the bankruptcy law changes to have no effect on credit losses on new loans to businesses.

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

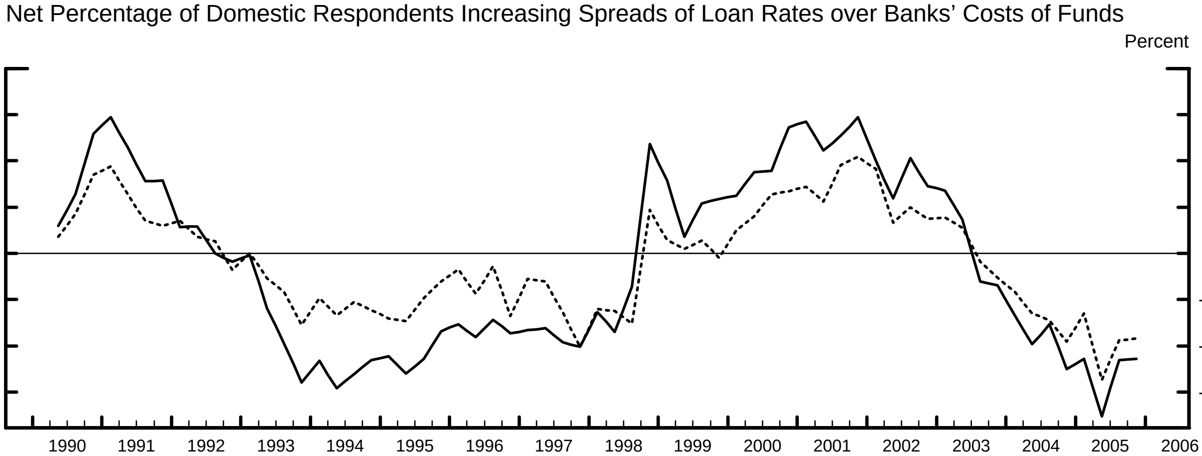
[2] This legislation, known as the Bankruptcy Abuse Prevention and Consumer Protection Act, was passed by the Congress in March and signed into law by the President on April 20, 2005. The legislation makes bankruptcy a less attractive option for some businesses and households.

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

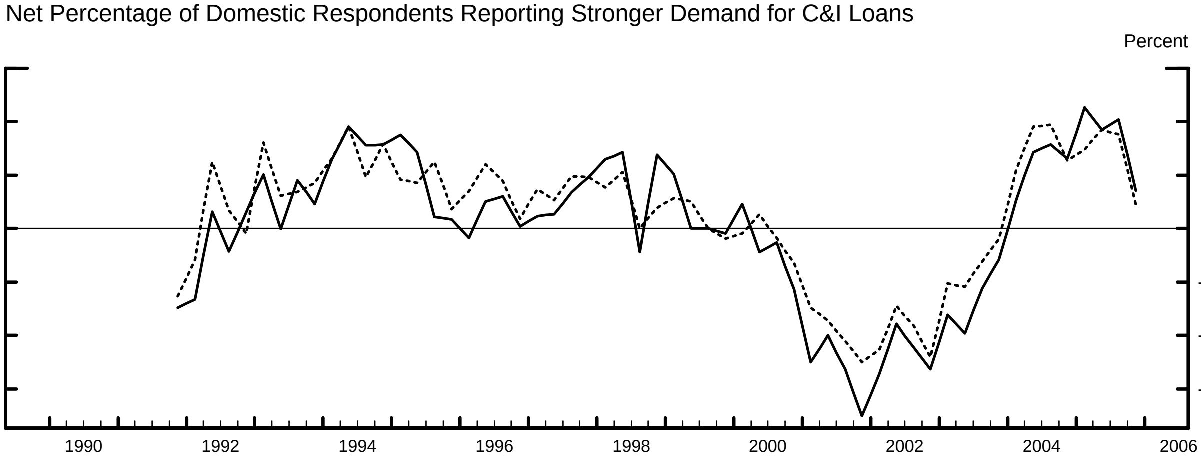
Net Percentage of Domestic Respondents Tightening Standards for C&I Loans



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

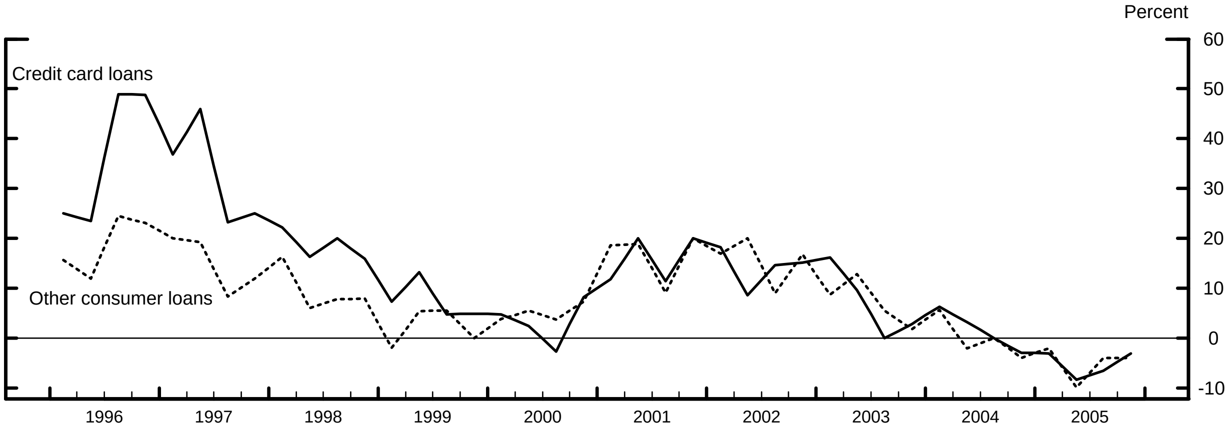


Net Percentage of Domestic Respondents Reporting Stronger Demand for C&I Loans

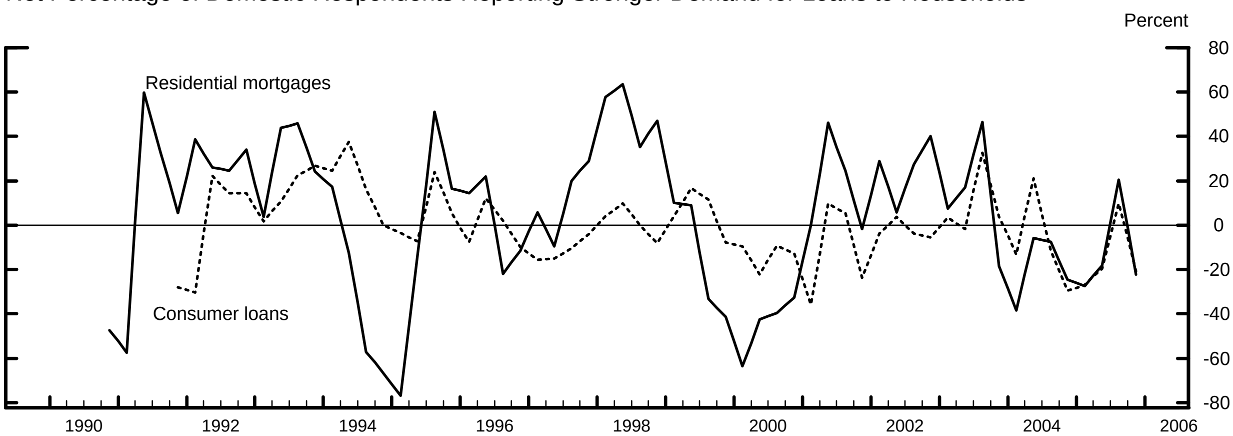


Measures of Supply and Demand for Loans to Households

Net Percentage of Domestic Respondents Tightening Standards for 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

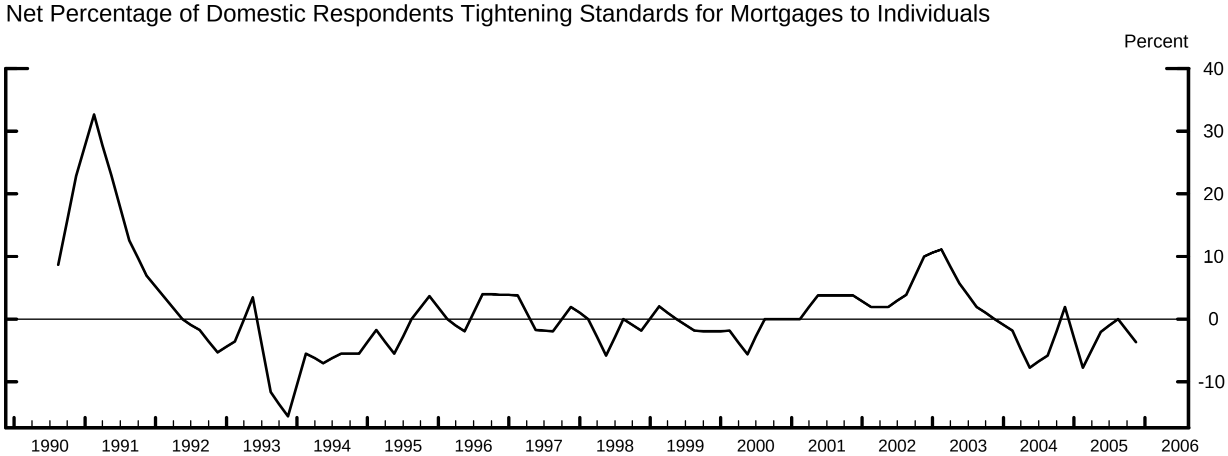


Table 1

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

(Status of policy as of October 2005)

***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	0	0.0	0	0.0	0	0.0
Remained basically unchanged	52	91.2	29	87.9	23	95.8
Eased somewhat	5	8.8	4	12.1	1	4.2
Eased considerably	0	0.0	0	0.0	0	0.0
Total	57	100.0	33	100.0	24	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	0	0.0	0	0.0	0	0.0
Remained basically unchanged	54	94.7	31	93.9	23	95.8
Eased somewhat	3	5.3	2	6.1	1	4.2
Eased considerably	0	0.0	0	0.0	0	0.0
Total	57	100.0	33	100.0	24	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	3.19	3.21	3.17
Maximum maturity of loans or credit lines	3.21	3.30	3.08
Costs of credit lines	3.32	3.33	3.29
Spreads of loan rates over your bank’s cost of funds (wider spreads=tightened, narrower spreads=eased)	3.47	3.42	3.54
Premiums charged on riskier loans	3.07	3.21	2.88
Loan covenants	3.19	3.27	3.08
Collateralization requirements	3.09	3.12	3.04
Other (please specify)	3.00	0.00	3.00
Number of banks responding	57	33	24

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	3.07	3.06	3.08
Maximum maturity of loans or credit lines	3.12	3.12	3.13
Costs of credit lines	3.23	3.24	3.21
Spreads of loan rates over your bank’s cost of funds (wider spreads=tightened, narrower spreads=eased)	3.37	3.27	3.50
Premiums charged on riskier loans	3.02	3.18	2.79
Loan covenants	3.11	3.18	3.00
Collateralization requirements	3.05	3.12	2.96
Other (please specify)	3.00	0.00	3.00
Number of banks responding	57	33	24

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	1.00	1.00	1.00
Less favorable or more uncertain economic outlook	1.62	1.75	1.40
Worsening of industry-specific problems (please specify industries)	1.54	1.67	1.25
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	1.38	1.13	1.80
Decreased liquidity in the secondary market for these loans	1.08	1.13	1.00
Increase in defaults by borrowers in public debt markets	1.00	1.00	1.00
Other (please specify)	2.67	3.00	2.50
Number of banks responding	15	9	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	1.09	1.05	1.15
More favorable or less uncertain economic outlook	1.27	1.30	1.23
Improvement in industry-specific problems (please specify industries)	1.03	1.05	1.00
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	2.74	2.95	2.43
Increased tolerance for risk	1.52	1.70	1.23
Increased liquidity in the secondary market for these loans	1.21	1.35	1.00
Reduction in defaults by borrowers in public debt markets	1.21	1.30	1.08
Other (please specify)	1.00	1.00	0.00
Number of banks responding	35	21	14

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	1.8	0	0.0	1	4.2
Moderately stronger	15	26.8	9	28.1	6	25.0
About the same	32	57.1	17	53.1	15	62.5
Moderately weaker	8	14.3	6	18.8	2	8.3
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	56	100.0	32	100.0	24	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	1	1.8	0	0.0	1	4.2
Moderately stronger	12	21.4	6	18.8	6	25.0
About the same	35	62.5	21	65.6	14	58.3
Moderately weaker	8	14.3	5	15.6	3	12.5
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	56	100.0	32	100.0	24	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	2.00	2.00	2.00
Customer accounts receivable financing needs increased	2.06	2.00	2.13
Customer investment in plant or equipment increased	1.65	1.56	1.75
Customer internally generated funds decreased	1.33	1.40	1.25
Customer merger or acquisition financing needs increased	1.67	1.90	1.38
Customer borrowing shifted to your bank from other bank or nonbank sources because these other sources became less attractive	1.59	1.67	1.50
Other (please specify)	3.00	3.00	0.00
Number of banks responding	18	10	8

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	1.63	1.60	1.67
Customer accounts receivable financing needs decreased	1.38	1.60	1.00
Customer investment in plant or equipment decreased	1.88	2.20	1.33
Customer internally generated funds increased	1.38	1.40	1.33
Customer merger or acquisition financing needs decreased	1.56	1.83	1.00
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	1.75	2.00	1.33
Other (please specify)	2.67	2.50	3.00
Number of banks responding	11	7	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	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
The number of inquiries has increased substantially	2	3.6	1	3.1	1	4.2
The number of inquiries has increased moderately	10	17.9	5	15.6	5	20.8
The number of inquiries has stayed about the same	40	71.4	25	78.1	15	62.5
The number of inquiries has decreased moderately	4	7.1	1	3.1	3	12.5
The number of inquiries has decreased substantially	0	0.0	0	0.0	0	0.0
Total	56	100.0	32	100.0	24	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		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	5	8.8	4	12.1	1	4.2
Remained basically unchanged	44	77.2	26	78.8	18	75.0
Eased somewhat	8	14.0	3	9.1	5	20.8
Eased considerably	0	0.0	0	0.0	0	0.0
Total	57	100.0	33	100.0	24	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	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Substantially stronger	1	1.8	0	0.0	1	4.2
Moderately stronger	11	19.3	5	15.2	6	25.0
About the same	40	70.2	27	81.8	13	54.2
Moderately weaker	5	8.8	1	3.0	4	16.7
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	57	100.0	33	100.0	24	100.0

Questions 9-12 *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. Question 11 deals with changes on terms on residential mortgage loans over the past two years. Question 12 asks about the response of your bank to the recent Federal regulatory guidance on home-equity lines of credit. 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	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	3	5.6	2	6.3	1	4.5
Remained basically unchanged	46	85.2	25	78.1	21	95.5
Eased somewhat	5	9.3	5	15.6	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	54	100.0	32	100.0	22	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	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	5	9.3	3	9.4	2	9.1
About the same	32	59.3	19	59.4	13	59.1
Moderately weaker	17	31.5	10	31.3	7	31.8
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	54	100.0	32	100.0	22	100.0

11. Over the past two years , how have the following terms changed for mortgage loans to purchase homes originated by your bank? (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 size of primary mortgage	3.40	3.41	3.40
Maximum size of second mortgage	3.31	3.35	3.24
Maximum maturity	3.15	3.09	3.24
Maximum loan-to-value ratio including all outstanding loans for that property	3.26	3.28	3.24
Loan origination fees (higher fees=tightened, lower fees=eased)	3.11	3.03	3.24
Spreads of mortgage rates over an appropriate market base rate (wider spreads=tightened, narrower spreads=eased)	3.28	3.34	3.19
Maximum length of extended interest-rate locks	3.08	3.00	3.19
Maximum debt-service ratio including all other debt payments	3.19	3.22	3.14
Minimum required credit score	3.09	3.16	3.00
Other (please specify)	3.00	3.00	3.00
Number of banks responding	53	32	21

12. Because of rapid growth in home equity lending that has involved products with higher embedded risk, federal bank regulators released, on May 16, 2005, joint guidance on home-equity lines of credit (SR 05-11). In light of the concerns expressed in the supervisory letter, how has your bank changed its lending standards and terms for home equity lines of credit? (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.) Note: The text of the letter is available from the Board's public website: http://www.federalreserve.gov/boarddocs/srletters/2005/sr0511.htm

	All Respondents	**Large Banks**	**Other Banks**
	Mean	**Mean**	**Mean**
Credit standards	2.95	2.97	2.92
Price-related terms (higher fees and wider spreads=tightened; lower fees and narrower spreads=eased)	2.91	2.90	2.92
Non-price-related terms	2.95	2.94	2.96
Number of banks responding	55	31	24

Questions 13-18 *ask about* ***consumer lending*** *at your bank. Question 13 deals with changes in your bank's willingness to make consumer loans over the past three months. Questions 14-17 deal with changes in credit standards and loan terms over the same period. Question 18 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.*

13. 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	4	7.5	2	6.7	2	8.7
About unchanged	47	88.7	27	90.0	20	87.0
Somewhat less willing	2	3.8	1	3.3	1	4.3
Much less willing	0	0.0	0	0.0	0	0.0
Total	53	100.0	30	100.0	23	100.0

14. 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	2	6.1	1	6.7	1	5.6
Remained basically unchanged	28	84.8	11	73.3	17	94.4
Eased somewhat	3	9.1	3	20.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	33	100.0	15	100.0	18	100.0

15. 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	0	0.0	0	0.0	0	0.0
Tightened somewhat	1	1.9	1	3.4	0	0.0
Remained basically unchanged	48	92.3	25	86.2	23	100.0
Eased somewhat	3	5.8	3	10.3	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	52	100.0	29	100.0	23	100.0

16. 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	3.15	3.00
Spreads of interest rates charged on outstanding balances over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.97	2.85	3.06
Minimum percent of outstanding balances required to be repaid each month	2.90	2.77	3.00
Minimum required credit score (increased score=tightened, reduced score=eased)	3.03	3.08	3.00
The extent to which loans are granted to some customers that do not meet credit scoring thresholds (increased=eased, decreased=tightened)	3.00	3.08	2.94
Other (please specify)	3.00	3.00	3.00
Number of banks responding	31	13	18

17. 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	3.00	3.04
Spreads of loan rates over your bank’s cost of funds (wider spreads=tightened, narrower spreads=eased)	2.98	2.97	3.00
Minimum required downpayment	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)	2.96	2.97	2.96
Other (please specify)	2.50	2.50	0.00
Number of banks responding	53	30	23

18. 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	6	11.3	3	10.0	3	13.0
About the same	30	56.6	16	53.3	14	60.9
Moderately weaker	16	30.2	10	33.3	6	26.1
Substantially weaker	1	1.9	1	3.3	0	0.0
Total	53	100.0	30	100.0	23	100.0

19. How has the bankruptcy reform legislation changed your bank's lending policies for businesses and 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.)

a. For loans to businesses:

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Credit standards	3.00	3.00	3.00
Price-related terms (higher fees and wider spreads=tightened; lower fees and narrower spreads=eased)	3.00	3.00	3.00
Non-price-related terms	3.00	3.00	3.00
Number of banks responding	55	32	23

b. For loans to households:

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Credit standards	2.98	3.00	2.96
Price-related terms (higher fees and wider spreads=tightened; lower fees and narrower spreads=eased)	3.00	3.00	3.00
Non-price-related terms	3.00	3.00	3.00
Number of banks responding	54	31	23

20. After accounting for changes in standards and terms, and assuming economic activity progresses in line with consensus forecasts, how is the bankruptcy reform legislation expected to affect your bank's credit losses on new loans to businesses and households?

a. For loans to businesses:

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Substantially higher	0	0.0	0	0.0	0	0.0
Moderately higher	2	3.6	1	3.1	1	4.2
About the same	43	76.8	22	68.8	21	87.5
Moderately lower	11	19.6	9	28.1	2	8.3
Substantially lower	0	0.0	0	0.0	0	0.0
Total	56	100.0	32	100.0	24	100.0

b. For loans to households:

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Substantially higher	0	0.0	0	0.0	0	0.0
Moderately higher	3	5.5	1	3.2	2	8.3
About the same	32	58.2	19	61.3	13	54.2
Moderately lower	20	36.4	11	35.5	9	37.5
Substantially lower	0	0.0	0	0.0	0	0.0
Total	55	100.0	31	100.0	24	100.0

21. After accounting for changes in standards and terms, how is the bankruptcy reform legislation expected to change demand for credit from businesses and households that are existing customers of your bank?

a. For loans to businesses:

	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	1	1.8	1	3.1	0	0.0
About the same	54	96.4	31	96.9	23	95.8
Moderately weaker	1	1.8	0	0.0	1	4.2
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	56	100.0	32	100.0	24	100.0

b. For loans to households:

	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	53	96.4	30	96.8	23	95.8
Moderately weaker	2	3.6	1	3.2	1	4.2
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	55	100.0	31	100.0	24	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, 2005. The combined assets of the 33 large banks totaled $4.44 trillion, compared to $4.69 trillion for the entire panel of 57 banks, and $7.61 trillion for all domestically chartered, federally insured commercial banks.

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 October 2005)

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	1	5.3
Tightened somewhat	1	5.3
Remained basically unchanged	15	78.9
Eased somewhat	2	10.5
Eased considerably	0	0.0
Total	19	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	3.05
Maximum maturity of loans or credit lines	3.16
Costs of credit lines	3.11
Spreads of loan rates over your bank’s cost of funds (wider spreads=tightened, narrower spreads=eased)	3.11
Premiums charged on riskier loans	3.11
Loan covenants	3.11
Collateralization requirements	2.95
Other (please specify)	2.50
Number of banks responding	19

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	1.75
Less favorable or more uncertain economic outlook	1.75
Worsening of industry-specific problems (please specify industries)	2.00
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.00
Reduced tolerance for risk	1.50
Decreased liquidity in the secondary market for these loans	1.25
Increase in defaults by borrowers in public debt markets	1.00
Other (please specify)	0.00
Number of banks responding	4

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

	All Respondents
	Mean
Improvement in your bank's current or expected capital position	1.17
More favorable or less uncertain economic outlook	1.17
Improvement in industry-specific problems (please specify industries)	1.17
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	2.29
Increased tolerance for risk	1.33
Increased liquidity in the secondary market for these loans	1.17
Reduction in defaults by borrowers in public debt markets	1.17
Other (please specify)	1.67
Number of banks responding	7

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	0	0.0
Moderately stronger	3	16.7
About the same	15	83.3
Moderately weaker	0	0.0
Substantially weaker	0	0.0
Total	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 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	1.50
Customer accounts receivable financing needs increased	1.50
Customer investment in plant or equipment increased	1.00
Customer internally generated funds decreased	1.00
Customer merger or acquisition financing needs increased	1.50
Customer borrowing shifted to your bank from other bank or nonbank sources because these other sources became less attractive	1.50
Other (please specify)	3.00
Number of banks responding	3

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

	All Respondents
	Mean
Customer inventory financing needs decreased	!5ba1m.m!
Customer accounts receivable financing needs decreased	!5bb1m.m!
Customer investment in plant or equipment decreased	!5bc1m.m!
Customer internally generated funds increased	!5bd1m.m!
Customer merger or acquisition financing needs decreased	!5be1m.m!
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	!5bf1m.m!
Other (please specify)	!5bg1m.m!
Number of banks responding	!5bt1b!

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	5	26.3
The number of inquiries has stayed about the same	14	73.7
The number of inquiries has decreased moderately	0	0.0
The number of inquiries has decreased substantially	0	0.0
Total	19	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	**Percent**
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	11	100.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	11	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	**Percent**
Substantially stronger	0	0.0
Moderately stronger	1	9.1
About the same	9	81.8
Moderately weaker	1	9.1
Substantially weaker	0	0.0
Total	11	100.0

9. How has the bankruptcy reform legislation changed your bank's lending policies for businesses? (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
Credit standards	3.00
Price-related terms (higher fees and wider spreads=tightened; lower fees and narrower spreads=eased)	3.00
Non-price-related terms	3.00
Number of banks responding	19

10. After accounting for changes in standards and terms, and assuming economic activity progresses in line with consensus forecasts, how is the bankruptcy reform legislation expected to affect your bank's credit losses on new loans to businesses?

	All Respondents	
	Banks	**Percent**
Substantially higher	0	0.0
Moderately higher	0	0.0
About the same	19	100.0
Moderately lower	0	0.0
Substantially lower	0	0.0
Total	19	100.0

11. After accounting for changes in standards and terms, how is the bankruptcy reform legislation expected to change demand for credit from businesses that are existing customers of your bank?

	All Respondents	
	Banks	**Percent**
Substantially stronger	0	0.0
Moderately stronger	0	0.0
About the same	19	100.0
Moderately weaker	0	0.0
Substantially weaker	0	0.0
Total	19	100.0

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1. As of June 30, 2005, the 19 respondents had combined assets of $488 billion, compared to $1.16 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.