

Table 1

SENIOR LOAN OFFICER OPINION SURVEY ON BANK LENDING PRACTICES  
AT SELECTED LARGE BANKS IN THE UNITED STATES<sup>1</sup>  
(Status of policy as of October 2002)

**Questions 1-5** 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. 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	11	20.0	8	26.7	3	12.0
Remained basically unchanged	44	80.0	22	73.3	22	88.0
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>55</b>	<b>100.0</b>	<b>30</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>

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	1	1.8	1	3.3	0	0.0
Tightened somewhat	9	16.4	8	26.7	1	4.0
Remained basically unchanged	45	81.8	21	70.0	24	96.0
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>55</b>	<b>100.0</b>	<b>30</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>

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1. The sample is selected from among the largest banks in each Federal Reserve District. In the table, large banks are defined as those with total domestic assets of \$20 billion or more as of June 30, 2002. The combined assets of the 30 large banks totaled \$2.95 trillion, compared to \$3.22 trillion for the entire panel of 55 banks, and \$5.89 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	2.71	2.57	2.88
Costs of credit lines	2.67	2.57	2.80
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.69	2.57	2.84
Premiums charged on riskier loans	2.51	2.30	2.76
Loan covenants	2.73	2.70	2.76
Collateralization requirements	2.75	2.67	2.84
Other	2.98	3.00	2.96
Number of banks responding	55	30	25

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	2.89	2.80	3.00
Costs of credit lines	2.78	2.70	2.88
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.83	2.73	2.96
Premiums charged on riskier loans	2.56	2.43	2.71
Loan covenants	2.70	2.60	2.83
Collateralization requirements	2.69	2.60	2.79
Other	2.98	2.97	3.00
Number of banks responding	54	30	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	1.06	1.05	1.09
Less favorable or more uncertain economic outlook	2.03	2.00	2.09
Worsening of industry-specific problems	1.64	1.68	1.55
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.21	1.23	1.18
Reduced tolerance for risk	1.79	1.86	1.64
Decreased liquidity in the secondary market for these loans	1.45	1.55	1.27
Increase in defaults by borrowers in public debt markets	1.67	1.68	1.64
Other	1.15	1.09	1.27
Number of banks responding	33	22	11

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	1.00	1.00	0
More favorable or less uncertain economic outlook	1.00	1.00	0
Improvement in industry-specific problems	1.00	1.00	0
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.50	1.50	0
Increased tolerance for risk	1.00	1.00	0
Increased liquidity in the secondary market for these loans	1.00	1.00	0
Reduction in defaults by borrowers in public debt markets	1.00	1.00	0
Other	1.50	1.50	0
Number of banks responding	4	4	0

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	0	0.0	0	0.0	0	0.0
Moderately stronger	2	3.6	1	3.3	1	4.0
About the same	22	40.0	15	50.0	7	28.0
Moderately weaker	29	52.7	14	46.7	15	60.0
Substantially weaker	2	3.6	0	0.0	2	8.0
<b>Total</b>	<b>55</b>	<b>100.0</b>	<b>30</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>

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	2	3.7	2	6.9	0	0.0
About the same	24	44.4	16	55.2	8	32.0
Moderately weaker	27	50.0	11	37.9	16	64.0
Substantially weaker	1	1.9	0	0.0	1	4.0
<b>Total</b>	<b>54</b>	<b>100.0</b>	<b>29</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>

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

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

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Customer inventory financing needs increased	1.40	1.25	2.00
Customer accounts receivable financing needs increased	1.40	1.25	2.00
Customer investment in plant or equipment increased	1.00	1.00	1.00
Customer internally generated funds decreased	2.00	1.75	3.00
Customer merger or acquisition financing needs increased	1.20	1.25	1.00
Customer borrowing shifted to your bank from other bank or nonbank credit sources because these other sources became less attractive	1.80	2.00	1.00
Other	1.00	1.00	1.00
Number of banks responding	5	4	1

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	1.94	1.94	1.94
Customer accounts receivable financing needs decreased	1.94	1.94	1.94
Customer investment in plant or equipment decreased	2.38	2.31	2.44
Customer internally generated funds increased	1.24	1.25	1.22
Customer merger or acquisition financing needs decreased	1.94	2.38	1.56
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	1.18	1.13	1.22
Other	1.06	1.00	1.11
Number of banks responding	34	16	18

Over the past two years, a large fraction of banks responding to this survey indicated that they had tightened lending standards and terms on C&I loans and also observed declines in demand for loans from C&I borrowers. According to the Federal Reserve's H.8 statistical release, "Assets and Liabilities of Commercial Banks in the United States," commercial and industrial loans have contracted at about a 7 percent annual rate through the first nine months of 2002, a rate of decline that is unprecedented over the last 25 years. **Questions 6-7** ask about the possible reasons for this decrease.

6. Please rank, in order of their importance, the following possible reasons for the decline in C&I lending at your bank this year. Please assign the most important reason a rank of 1, and the next most important reason a rank of 2, etc. (Please disregard any increases in C&I loans that may owe to the merger of your bank with another institution.)

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Loan demand from creditworthy borrowers (customers that have met your bank's lending standards) has fallen because their funding needs have declined.	1.56	1.87	1.17
Loan demand from creditworthy borrowers has fallen because they have found other sources of funding (e.g., bond market, nonbank lenders, running down liquid assets) more attractive.	3.48	3.54	3.41
Higher spreads and fees that your bank has charged on loans have cut down on creditworthy firms' appetite for credit.	4.22	4.11	4.36
Deteriorating credit quality has reduced the number of firms that your bank views as creditworthy.	2.51	2.45	2.59
Tighter lending standards at your bank have reduced the number of firms that your bank views as creditworthy.	3.26	3.11	3.45
Other	5.83	5.70	6.00
Number of banks responding	54	30	24

7. Thus far in 2002, how does the fraction of total C&I loan applications that has been rejected by your bank compare with the corresponding period in 2001?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially higher	3	5.5	1	3.3	2	8.0
Moderately higher	29	52.7	16	53.3	13	52.0
About the same	21	38.2	12	40.0	9	36.0
Moderately lower	2	3.6	1	3.3	1	4.0
Substantially lower	0	0.0	0	0.0	0	0.0
Total	55	100.0	30	100.0	25	100.0

**Questions 8-9** ask about **commercial real estate loans** at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 8 deals with changes in your bank's standards over the last three months. Question 9 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.

8. 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	12	22.2	7	24.1	5	20.0
Remained basically unchanged	42	77.8	22	75.9	20	80.0
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>54</b>	<b>100.0</b>	<b>29</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>

9. 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	0	0.0	0	0.0	0	0.0
Moderately stronger	7	13.0	2	6.9	5	20.0
About the same	21	38.9	16	55.2	5	20.0
Moderately weaker	23	42.6	10	34.5	13	52.0
Substantially weaker	3	5.6	1	3.4	2	8.0
<b>Total</b>	<b>54</b>	<b>100.0</b>	<b>29</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>

**Questions 10-17** ask about **residential mortgage loans** at your bank. Question 10 deals with changes in your bank's credit standards over the past three months, and question 11 deals with changes in demand over the same period. Question 12 asks whether your bank has changed its appraisal policies in the past six months. Questions 13-15 deal with customers that have refinanced existing mortgages at your bank in the past six months. Questions 16-17 ask about the recent behavior of home prices in your bank's market. 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.

10. 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	5	10.0	3	10.7	2	9.1
Remained basically unchanged	45	90.0	25	89.3	20	90.9
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>50</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>	<b>22</b>	<b>100.0</b>

11. 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	7	14.0	4	14.3	3	13.6
Moderately stronger	18	36.0	11	39.3	7	31.8
About the same	20	40.0	11	39.3	9	40.9
Moderately weaker	4	8.0	1	3.6	3	13.6
Substantially weaker	1	2.0	1	3.6	0	0.0
<b>Total</b>	<b>50</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>	<b>22</b>	<b>100.0</b>

12. Over the past six months, how have your bank's policies changed with regard to the appraisal of home values for mortgage loans that it intends to hold on its books rather than securitize or sell? Appraisal policies have:

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Become considerably more conservative	0	0.0	0	0.0	0	0.0
Become somewhat more conservative	4	8.0	1	3.6	3	13.6
Remained basically unchanged	45	90.0	26	92.9	19	86.4
Become somewhat less conservative	1	2.0	1	3.6	0	0.0
Become considerably less conservative	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>50</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>	<b>22</b>	<b>100.0</b>



13. The demand for loans to refinance existing mortgages has been strong for some time now. Some customers that refinance their mortgages increase the loan principal at the time of the refinancing (sometimes referred to as cash-out refinancing). Over the past six months, about what percentage of your bank's customers that refinanced their mortgage also increased the loan principal?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Less than 10 percent	5	10.4	3	11.1	2	9.5
Between 10 and 20 percent	9	18.8	5	18.5	4	19.0
Between 20 and 30 percent	12	25.0	6	22.2	6	28.6
Between 30 and 40 percent	12	25.0	7	25.9	5	23.8
Between 40 and 50 percent	6	12.5	4	14.8	2	9.5
More than 50 percent	4	8.3	2	7.4	2	9.5
<b>Total</b>	<b>48</b>	<b>100.0</b>	<b>27</b>	<b>100.0</b>	<b>21</b>	<b>100.0</b>

14. For customers that increased the outstanding balance of their mortgage when refinancing in the past six months, what was the typical increase as a percentage of the original outstanding balance?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Less than 5 percent	2	4.3	1	3.8	1	5.0
Between 5 and 10 percent	12	26.1	8	30.8	4	20.0
Between 10 and 15 percent	20	43.5	11	42.3	9	45.0
Between 15 and 20 percent	6	13.0	3	11.5	3	15.0
Between 20 and 25 percent	5	10.9	2	7.7	3	15.0
More than 25 percent	1	2.2	1	3.8	0	0.0
<b>Total</b>	<b>46</b>	<b>100.0</b>	<b>26</b>	<b>100.0</b>	<b>20</b>	<b>100.0</b>

15. To the best of your knowledge, what percentage of your customers that refinanced and increased the outstanding balance on their mortgage in the past six months used the additional funds for the following purposes? (Please assign a number to each possible purpose using the following scale: 1=a negligible percentage, 2=less than 15 percent, 3=between 15 and 30 percent, 4=between 30 and 50 percent, 5=more than 50 percent.)

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Repayment of other debt	3.74	3.64	3.86
Home improvements	2.88	2.82	2.95
Consumer expenditures	2.42	2.41	2.43
Business or real estate investments	1.56	1.36	1.76
Financial investments	1.44	1.36	1.52
Other	1.05	1.09	1.00
<b>Number of banks responding</b>	<b>43</b>	<b>22</b>	<b>21</b>

16. In the markets served by your bank, what has been the behavior of average home prices during the past twelve months?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Increased substantially	7	13.7	2	7.1	5	21.7
Increased somewhat	35	68.6	22	78.6	13	56.5
Remained about the same	6	11.8	2	7.1	4	17.4
Decreased somewhat	3	5.9	2	7.1	1	4.3
Decreased substantially	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>51</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>

17. In the markets served by your bank, what is your bank's view of the likely behavior of average home prices during the next twelve months?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Increase substantially	0	0.0	0	0.0	0	0.0
Increase somewhat	18	35.3	12	42.9	6	26.1
Remain about the same	23	45.1	12	42.9	11	47.8
Decrease somewhat	10	19.6	4	14.3	6	26.1
Decrease substantially	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>51</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>

**Questions 18-23** ask about **consumer lending** at your bank. Question 18 deals with changes in your bank's willingness to make consumer loans over the past three months. Questions 19-22 deal with changes in credit standards and loan terms over the same period. Question 23 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.

18. 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	4	7.4	2	6.9	2	8.0
About unchanged	49	90.7	27	93.1	22	88.0
Somewhat less willing	1	1.9	0	0.0	1	4.0
Much less willing	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>54</b>	<b>100.0</b>	<b>29</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>

19. 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	5	15.2	2	11.1	3	20.0
Remained basically unchanged	28	84.8	16	88.9	12	80.0
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>33</b>	<b>100.0</b>	<b>18</b>	<b>100.0</b>	<b>15</b>	<b>100.0</b>

20. 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	1	1.9	0	0.0	1	4.0
Tightened somewhat	7	13.0	5	17.2	2	8.0
Remained basically unchanged	46	85.2	24	82.8	22	88.0
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>54</b>	<b>100.0</b>	<b>29</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>

21. 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	2.90	2.94	2.86
Spreads of interest rates charged on outstanding balances over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.90	2.81	3.00
Minimum percent of outstanding balances required to be repaid each month	3.03	3.06	3.00
Minimum required credit score (increased score=tightened, reduced score=eased)	2.77	2.88	2.64
The extent to which loans are granted to some customers that do not meet credit scoring thresholds (increased=eased, decreased=tightened)	2.77	2.88	2.64
Other	3.00	3.00	3.00
Number of banks responding	30	16	14

22. 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	2.96	2.93	3.00
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.00	2.97	3.04
Minimum required downpayment	2.91	2.90	2.92
Minimum required credit score (increased score=tightened, reduced score=eased)	2.85	2.86	2.83
The extent to which loans are granted to some customers that do not meet credit scoring thresholds (increased=eased, decreased=tightened)	2.74	2.69	2.79
Number of banks responding	53	29	24

23. 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	10	18.9	6	20.7	4	16.7
About the same	30	56.6	18	62.1	12	50.0
Moderately weaker	13	24.5	5	17.2	8	33.3
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	53	100.0	29	100.0	24	100.0

There appear to be some concerns in financial markets about many banks' exposure to macroeconomic conditions, problem loans, the revenue implications of the reduction in activity in capital markets, and other factors bearing on banks' profitability. Indexes of bank stock prices have declined recently and the yields on some banks' outstanding subordinated debt have increased. **Questions 24-25** ask about changes in your bank's cost of funds over the past six months and how those changes have affected your bank's lending policies.

24. Over the past six months, how has your bank's weighted average marginal cost of funds changed relative to the expected marginal return on your bank's assets?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Moderately or substantially increased	2	3.7	2	6.9	0	0.0
Increased slightly	7	13.0	4	13.8	3	12.0
Remained unchanged	29	53.7	17	58.6	12	48.0
Decreased slightly	16	29.6	6	20.7	10	40.0
Moderately or substantially decreased	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>54</b>	<b>100.0</b>	<b>29</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>

25. If your bank's relative cost of funds has changed over the past six months (answers 1, 2, 4, or 5 to question 24), to what extent has the change affected the following practices at your bank? (Please rate each item using the following scale: 1=tightened considerably, 2=tightened somewhat, 3=remained basically unchanged, 4=eased somewhat, 5=eased considerably.)

A. If relative marginal cost of funds increased (answers 1 or 2 to question 24):

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Lending standards	2.88	2.80	3.00
Non-price lending terms (size, collateral, covenants)	2.75	2.80	2.67
Loan pricing terms (fees, spreads)	2.25	2.60	1.67
Other	3.00	3.00	3.00
<b>Number of banks responding</b>	<b>8</b>	<b>5</b>	<b>3</b>

B. If relative marginal cost of funds decreased (answers 4 or 5 to question 24):

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Lending standards	2.94	3.00	2.90
Non-price lending terms (size, collateral, covenants)	2.94	3.00	2.90
Loan pricing terms (fees, spreads)	3.19	3.00	3.30
Other	3.06	3.00	3.10
<b>Number of banks responding</b>	<b>16</b>	<b>6</b>	<b>10</b>