

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 2003)

**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	3	5.2	1	2.9	2	8.7
Remained basically unchanged	52	89.7	31	88.6	21	91.3
Eased somewhat	3	5.2	3	8.6	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>58</b>	<b>100.0</b>	<b>35</b>	<b>100.0</b>	<b>23</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	0	0.0	0	0.0	0	0.0
Tightened somewhat	4	7.0	2	5.9	2	8.7
Remained basically unchanged	48	84.2	28	82.4	20	87.0
Eased somewhat	5	8.8	4	11.8	1	4.3
Eased considerably	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>57</b>	<b>100.0</b>	<b>34</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>

---

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, 2003. The combined assets of the 35 large banks totaled \$3.57 trillion, compared to \$3.81 trillion for the entire panel of 58 banks, and \$6.57 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	3.09	3.23	2.87
Costs of credit lines	3.05	3.17	2.87
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.14	3.17	3.09
Premiums charged on riskier loans	2.79	2.86	2.70
Loan covenants	2.95	3.00	2.87
Collateralization requirements	2.91	2.97	2.83
Other	3.00	3.00	3.00
Number of banks responding	58	35	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	3.00	3.09	2.87
Costs of credit lines	3.00	3.12	2.83
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.11	3.18	3.00
Premiums charged on riskier loans	2.79	2.85	2.70
Loan covenants	3.00	3.09	2.87
Collateralization requirements	2.98	3.06	2.87
Other	3.02	3.03	3.00
Number of banks responding	57	34	23

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	1.81	1.75	1.88
Worsening of industry-specific problems	1.56	1.38	1.75
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.25	1.13	1.38
Reduced tolerance for risk	1.94	2.13	1.75
Decreased liquidity in the secondary market for these loans	1.31	1.38	1.25
Increase in defaults by borrowers in public debt markets	1.13	1.25	1.00
Other	1.00	1.00	1.00
Number of banks responding	16	8	8

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	1.11	1.15	1.00
More favorable or less uncertain economic outlook	1.79	2.00	1.33
Improvement in industry-specific problems	1.37	1.46	1.17
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	2.21	2.46	1.67
Increased tolerance for risk	1.37	1.46	1.17
Increased liquidity in the secondary market for these loans	1.26	1.38	1.00
Reduction in defaults by borrowers in public debt markets	1.32	1.46	1.00
Other	1.11	1.00	1.33
Number of banks responding	19	13	6

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	6	11.5	5	15.6	1	5.0
About the same	34	65.4	21	65.6	13	65.0
Moderately weaker	12	23.1	6	18.8	6	30.0
Substantially weaker	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>52</b>	<b>100.0</b>	<b>32</b>	<b>100.0</b>	<b>20</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	8	15.7	6	19.4	2	10.0
About the same	33	64.7	19	61.3	14	70.0
Moderately weaker	10	19.6	6	19.4	4	20.0
Substantially weaker	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>51</b>	<b>100.0</b>	<b>31</b>	<b>100.0</b>	<b>20</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	1.54	1.50	1.67
Customer accounts receivable financing needs increased	1.46	1.50	1.33
Customer investment in plant or equipment increased	1.54	1.40	2.00
Customer internally generated funds decreased	1.15	1.20	1.00
Customer merger or acquisition financing needs increased	1.54	1.70	1.00
Customer borrowing shifted to your bank from other bank or nonbank credit sources because these other sources became less attractive	1.62	1.70	1.33
Other	1.00	1.00	1.00
Number of banks responding	13	10	3

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	1.88	2.20	1.43
Customer accounts receivable financing needs decreased	1.82	2.20	1.29
Customer investment in plant or equipment decreased	2.29	2.40	2.14
Customer internally generated funds increased	1.59	1.80	1.29
Customer merger or acquisition financing needs decreased	1.59	1.60	1.57
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	1.59	1.60	1.57
Other	1.00	1.00	1.00
Number of banks responding	17	10	7

Banks responding to this survey since mid-2000 have consistently indicated a weakening in demand for C&I loans, and this weakening has also been reflected in substantial declines in C&I loans on bank balance sheets over this period. **Question 6** asks about 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.

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	0	0.0	0	0.0	0	0.0
Increased moderately	18	32.1	14	42.4	4	17.4
Stayed about the same	30	53.6	16	48.5	14	60.9
Decreased moderately	8	14.3	3	9.1	5	21.7
Decreased substantially	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>56</b>	<b>100.0</b>	<b>33</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>

Trading volume in the secondary market for C&I loans has increased substantially over the past decade. **Questions 7-11** ask about your bank's participation in this market over the past two years. Questions 7-9 focus on trading in adversely rated loans. Questions 10-11 ask about the prices at which your bank has sold or purchased loans-- whether adversely rated or not-- in this market.

7. Over the past two years, about what share of the adversely rated loans (those rated as special mention or classified as substandard, doubtful, and loss) that were on your bank's books did your bank sell in the secondary market?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
None	15	26.8	3	8.8	12	54.5
Less than 5 percent	24	42.9	19	55.9	5	22.7
Between 5 and 10 percent	11	19.6	6	17.6	5	22.7
Between 10 and 15 percent	2	3.6	2	5.9	0	0.0
Between 15 and 20 percent	3	5.4	3	8.8	0	0.0
More than 20 percent	1	1.8	1	2.9	0	0.0
<b>Total</b>	<b>56</b>	<b>100.0</b>	<b>34</b>	<b>100.0</b>	<b>22</b>	<b>100.0</b>

8. If your bank sold adversely rated loans in the secondary market over the past two years (answers 2-6 to question 7), please rank, in order of their importance, the following possible reasons for selling these loans. (Please assign the most important reason a rank of 1, and the next most important reason a rank of 2, etc.)

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
To reduce the overall credit risk of you bank's portfolio	1.86	1.94	1.64
To reduce your bank's exposure to particular industries	3.21	3.23	3.18
To reduce your bank's exposure to particular firms	2.24	2.23	2.27
The price was attractive given your bank's perception of the loans' value	2.65	2.69	2.55
Other	4.76	4.70	4.91
Number of banks responding	43	32	11

9. If your bank sold adversely rated loans in the secondary market over the past two years (answers 2-6 to question 7), please indicate the approximate percentage of those loans purchased by the following entities (percentages should total 100 percent):

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Other U.S. commercial banks	17.19	11.52	32.50
Foreign banking organizations	7.00	5.63	10.70
Investment banks	50.14	54.63	38.00
Insurance companies	1.08	1.11	1.00
Collateralized loan obligations (CLOs) or collateralized debt obligations (CDOs)	2.00	2.37	1.00
Other nonbank financial institutions	13.27	17.52	1.80
Other	9.32	7.22	15.00
Number of banks responding	37	27	10

10. If your bank sold *any* loans in the secondary market (adversely rated or other) over the past *two years*, please indicate the approximate percentage of those loans sold at the following ratios to face value (percentages should total 100 percent):

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Share sold at more than 100 percent of face value	7.12	9.73	0.00
Share sold at 95 percent to 100 percent of face value	24.19	26.66	17.45
Share sold at 90 percent to 95 percent of face value	10.46	7.53	18.45
Share sold at 85 percent to 90 percent of face value	9.04	7.76	12.55
Share sold at 75 percent to 85 percent of face value	14.42	13.94	15.73
Share sold at less than 75 percent of face value	34.76	34.38	35.82
Number of banks responding	41	30	11

11. If your bank purchased *any* loans in the secondary market (adversely rated or other) over the past *two years*, please indicate the approximate percentage of those loans purchased at the following ratios to face value (percentages should total 100 percent):

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Share purchased at more than 100 percent of face value	17.07	9.90	35.00
Share purchased at 95 percent to 100 percent of face value	65.29	65.40	65.00
Share purchased at 90 percent to 95 percent of face value	6.21	8.70	0.00
Share purchased at 85 percent to 90 percent of face value	6.79	9.50	0.00
Share purchased at 75 percent to 85 percent of face value	2.50	3.50	0.00
Share purchased at less than 75 percent of face value	2.14	3.00	0.00
Number of banks responding	14	10	4

**Questions 12-14** ask about **commercial real estate loans** at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 12 deals with changes in your bank's standards over the last three months. Question 13 deals with changes in demand. Question 14 asks about commercial real estate loans to commercial and industrial firms that are used for purposes other than the acquisition or improvement of real estate. 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 lending standards or terms have not changed over the relevant period, please report them as unchanged 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 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	4	7.0	4	11.4	0	0.0
Remained basically unchanged	49	86.0	28	80.0	21	95.5
Eased somewhat	4	7.0	3	8.6	1	4.5
Eased considerably	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>57</b>	<b>100.0</b>	<b>35</b>	<b>100.0</b>	<b>22</b>	<b>100.0</b>

13. 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	5	8.8	1	2.9	4	18.2
About the same	41	71.9	27	77.1	14	63.6
Moderately weaker	11	19.3	7	20.0	4	18.2
Substantially weaker	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>57</b>	<b>100.0</b>	<b>35</b>	<b>100.0</b>	<b>22</b>	<b>100.0</b>

14. The weekly and quarterly Reports of Condition specify that any extension of credit that is secured by real estate is to be reported as a real estate loan. Relative to one year ago, how has the volume of loans to commercial and industrial firms secured by real estate but used for purposes other than the acquisition or improvement of real estate changed at your bank?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Decreased considerably	0	0.0	0	0.0	0	0.0
Decreased somewhat	6	10.3	3	8.6	3	13.0
Remained basically unchanged	43	74.1	28	80.0	15	65.2
Increased somewhat	9	15.5	4	11.4	5	21.7
Increased considerably	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>58</b>	<b>100.0</b>	<b>35</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>



**Questions 15-16** ask about **residential mortgage loans** at your bank. Question 15 deals with changes in your bank's credit standards over the past three months, and question 16 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.

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

	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	1.9	0	0.0	1	4.8
Remained basically unchanged	52	96.3	32	97.0	20	95.2
Eased somewhat	1	1.9	1	3.0	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>33</b>	<b>100.0</b>	<b>21</b>	<b>100.0</b>

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

	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	4	7.4	3	9.1	1	4.8
About the same	36	66.7	21	63.6	15	71.4
Moderately weaker	13	24.1	9	27.3	4	19.0
Substantially weaker	1	1.9	0	0.0	1	4.8
<b>Total</b>	<b>54</b>	<b>100.0</b>	<b>33</b>	<b>100.0</b>	<b>21</b>	<b>100.0</b>

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

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

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Much more willing	1	1.8	1	2.9	0	0.0
Somewhat more willing	8	14.3	5	14.7	3	13.6
About unchanged	46	82.1	27	79.4	19	86.4
Somewhat less willing	1	1.8	1	2.9	0	0.0
Much less willing	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>56</b>	<b>100.0</b>	<b>34</b>	<b>100.0</b>	<b>22</b>	<b>100.0</b>

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

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	1	2.9	1	5.3	0	0.0
Remained basically unchanged	33	97.1	18	94.7	15	100.0
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>34</b>	<b>100.0</b>	<b>19</b>	<b>100.0</b>	<b>15</b>	<b>100.0</b>

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

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	1	1.8	1	3.0	0	0.0
Remained basically unchanged	54	98.2	32	97.0	22	100.0
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>33</b>	<b>100.0</b>	<b>22</b>	<b>100.0</b>

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

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Credit limits	3.03	3.00	3.07
Spreads of interest rates charged on outstanding balances over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.10	3.06	3.14
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)	2.90	2.88	2.93
The extent to which loans are granted to some customers that do not meet credit scoring thresholds (increased=eased, decreased=tightened)	2.80	2.75	2.86
Other	3.00	3.00	3.00
Number of banks responding	30	16	14

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

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Maximum maturity	3.04	3.00	3.10
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.92	2.94	2.90
Minimum required downpayment	3.00	2.97	3.05
Minimum required credit score (increased score=tightened, reduced score=eased)	2.94	2.94	2.95
The extent to which loans are granted to some customers that do not meet credit scoring thresholds (increased=eased, decreased=tightened)	2.89	2.88	2.90
Other	2.98	2.97	3.00
Number of banks responding	53	32	21

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

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	7	12.7	5	15.2	2	9.1
About the same	43	78.2	25	75.8	18	81.8
Moderately weaker	5	9.1	3	9.1	2	9.1
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	55	100.0	33	100.0	22	100.0