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 January 2005)

***Questions 1-3** ask about changes in your bank's **commercial and industrial** (C&I) lending policies over the past three months. If your bank's lending policies have not changed over the past three months, please report them as unchanged even if the policies are either restrictive or accommodative relative to longer-term norms. If your bank's policies have tightened or eased over the past three months, please so report them regardless of how they stand relative to longer-term norms. Also, please report changes in enforcement of existing policies as changes in policies.*

1. Over the past three months, how have your bank's credit standards for approving applications for C&I loans or credit lines--other than those to be used to finance mergers and acquisitions--to large and middle-market firms and to small firms changed? (If your bank defines firm size differently from the categories suggested below, please use your definitions and indicate what they are.)

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

	All Respondents		Large Banks		Other Banks	
	Banks	**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	42	76.4	22	66.7	20	90.9
Eased somewhat	13	23.6	11	33.3	2	9.1
Eased considerably	0	0.0	0	0.0	0	0.0
Total	55	100.0	33	100.0	22	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	1	1.9	1	3.1	0	0.0
Remained basically unchanged	45	83.3	25	78.1	20	90.9
Eased somewhat	8	14.8	6	18.8	2	9.1
Eased considerably	0	0.0	0	0.0	0	0.0
Total	54	100.0	32	100.0	22	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	3.27	3.33	3.18
Costs of credit lines	3.25	3.39	3.05
Spreads of loan rates over your bank’s cost of funds (wider spreads=tightened, narrower spreads=eased)	3.47	3.61	3.27
Premiums charged on riskier loans	3.13	3.24	2.95
Loan covenants	3.27	3.39	3.09
Collateralization requirements	3.13	3.18	3.05
Other (please specify)	4.00	3.67	5.00
Number of banks responding	55	33	22

b. Terms for small firms (annual sales of less than $50 million):

	All Respondents	**Large Banks**	**Other Banks**
	Mean	**Mean**	**Mean**
Maximum size of credit lines	3.07	3.09	3.05
Costs of credit lines	3.17	3.25	3.05
Spreads of loan rates over your bank’s cost of funds (wider spreads=tightened, narrower spreads=eased)	3.28	3.31	3.23
Premiums charged on riskier loans	3.06	3.13	2.95
Loan covenants	3.13	3.16	3.09
Collateralization requirements	3.08	3.06	3.09
Other (please specify)	3.00	3.00	0.00
Number of banks responding	54	32	22

3. If your bank has tightened or eased its credit standards or its terms for C&I loans or credit lines over the past three months (as described in questions 1 and 2), how important have been the following possible reasons for the change? (Please respond to either A, B, or both as appropriate and rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

a. Possible reasons for tightening credit standards or loan terms:

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Deterioration in your bank's current or expected capital position	1.13	1.00	1.20
Less favorable or more uncertain economic outlook	1.63	1.67	1.60
Worsening of industry-specific problems (please specify industries)	2.14	2.33	2.00
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.13	1.00	1.20
Reduced tolerance for risk	1.75	1.33	2.00
Decreased liquidity in the secondary market for these loans	1.13	1.00	1.20
Increase in defaults by borrowers in public debt markets	1.13	1.00	1.20
Other (please specify)	0.00	0.00	0.00
Number of banks responding	8	3	5

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	1.26	1.28	1.22
More favorable or less uncertain economic outlook	1.73	1.83	1.50
Improvement in industry-specific problems (please specify industries)	1.35	1.39	1.25
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	2.48	2.61	2.22
Increased tolerance for risk	1.63	1.78	1.33
Increased liquidity in the secondary market for these loans	1.41	1.56	1.11
Reduction in defaults by borrowers in public debt markets	1.19	1.17	1.22
Other (please specify)	0.00	0.00	0.00
Number of banks responding	27	18	9

4. If your bank has experienced greater competitive pressures from nonbank lenders in the C&I loan market over the past year or so, how important have been the following possible reasons for the increased competition? (Please assign, for each reason, a number between 1 and 3 using the following scale: 1=not important, 2=somewhat important, 3=very important.)

	All Respondents	**Large Banks**	**Other Banks**
	Mean	**Mean**	**Mean**
Greater confidence in the liquidity and depth of the secondary market for C&I loans has increased nonbank lenders' participation in this market.	1.95	2.14	1.60
Nonbank lenders have become more attracted to the senior status of C&I loans.	2.02	1.93	2.20
Nonbank lenders have become more attracted to the floating-rate nature of C&I loans.	1.68	1.66	1.73
Nonbank lenders believe returns on C&I loans to be less volatile than those on other financial assets and have become more attracted to this characteristic.	1.60	1.61	1.60
The trend toward market-based pricing of C&I loans has made them more attractive for nonbank lenders to hold.	1.81	1.78	1.87
Other (Please specify)	2.63	2.67	2.50
Number of banks responding	44	29	15

Questions 5-7 *deal with changes in* ***demand for C&I loans*** *over the past three months.*

5. 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	0	0.0	0	0.0	0	0.0
Moderately stronger	26	47.3	19	57.6	7	31.8
About the same	28	50.9	14	42.4	14	63.6
Moderately weaker	1	1.8	0	0.0	1	4.5
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	55	100.0	33	100.0	22	100.0

b. Demand for C&I loans from small firms (annual sales of less than $50 million):

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	18	33.3	14	43.8	4	18.2
About the same	34	63.0	17	53.1	17	77.3
Moderately weaker	2	3.7	1	3.1	1	4.5
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	54	100.0	32	100.0	22	100.0

6. If demand for C&I loans has strengthened or weakened over the past three months (as described in question 5), 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 5A or 5B), possible reasons:

	All Respondents	**Large Banks**	**Other Banks**
	Mean	**Mean**	**Mean**
Customer inventory financing needs increased	2.12	2.21	1.86
Customer accounts receivable financing needs increased	1.92	2.00	1.71
Customer investment in plant or equipment increased	1.92	1.95	1.86
Customer internally generated funds decreased	1.28	1.37	1.00
Customer merger or acquisition financing needs increased	1.96	1.95	2.00
Customer borrowing shifted to your bank from other bank or nonbank sources because these other sources became less attractive	1.42	1.50	1.17
Other (please specify)	0.00	0.00	0.00
Number of banks responding	27	20	7

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

	All Respondents	**Large Banks**	**Other Banks**
	Mean	**Mean**	**Mean**
Customer inventory financing needs decreased	1.50	1.00	2.00
Customer accounts receivable financing needs decreased	1.00	1.00	1.00
Customer investment in plant or equipment decreased	1.50	1.00	2.00
Customer internally generated funds increased	1.00	1.00	1.00
Customer merger or acquisition financing needs decreased	1.50	2.00	1.00
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	2.00	2.00	2.00
Other (please specify)	0.00	0.00	0.00
Number of banks responding	2	1	1

7. 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	0	0.0	0	0.0	0	0.0
The number of inquiries has increased moderately	28	50.9	20	60.6	8	36.4
The number of inquiries has stayed about the same	26	47.3	13	39.4	13	59.1
The number of inquiries has decreased moderately	1	1.8	0	0.0	1	4.5
The number of inquiries has decreased substantially	0	0.0	0	0.0	0	0.0
Total	55	100.0	33	100.0	22	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 asks about changes in demand. If your bank's lending standards 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 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	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
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	40	72.7	22	66.7	18	81.8
Eased somewhat	14	25.5	10	30.3	4	18.2
Eased considerably	0	0.0	0	0.0	0	0.0
Total	55	100.0	33	100.0	22	100.0

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	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	14	25.5	8	24.2	6	27.3
About the same	36	65.5	25	75.8	11	50.0
Moderately weaker	5	9.1	0	0.0	5	22.7
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	55	100.0	33	100.0	22	100.0

Questions 10-11 *focus on changes in your bank's terms on* **commercial real estate loans** *over the* **past year** *. If your bank's lending terms have not changed over the past year, please report them as unchanged even if they are either restrictive or accommodative relative to longer-term norms. If your bank's lending terms have tightened or eased over the past year, please so report them regardless of how they stand relative to longer-term norms.*

10. Over the past year , how have the following terms on commercial real estate loans changed? (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 loan size	3.27	3.33	3.18
Maximum loan maturity	3.15	3.15	3.14
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.47	3.48	3.45
Loan-to-value ratios	3.04	3.06	3.00
Requirements for take-out financing	3.04	3.03	3.05
Debt-service coverage ratios	3.07	3.12	3.00
Other (please specify)	4.00	0.00	4.00
Number of banks responding	55	33	22

11. If your bank has tightened or eased its terms for commercial real estate loans over the past year (as described in question 10), 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 commercial real estate loan terms:

	All Respondents	Large Banks	Other Banks
	Mean	**Mean**	**Mean**
Less favorable economic outlook	1.57	1.33	1.75
Worsening of the condition of, or the outlook for, commercial real estate in the markets where your bank operates	1.71	1.33	2.00
Less aggressive competition from other commercial banks	1.00	1.00	1.00
Less aggressive competition from nonbank lenders	1.14	1.00	1.25
Reduced tolerance for risk	1.86	2.33	1.50
Increased concern about take-out financing	1.43	1.67	1.25
Less liquid market for securities collateralized by these loans	1.29	1.33	1.25
Other (please specify)	3.00	3.00	3.00
Number of banks responding	7	3	4

b. Possible reasons for easing commercial real estate loan terms:

	All Respondents	Large Banks	Other Banks
	Mean	**Mean**	**Mean**
More favorable economic outlook	1.60	1.80	1.20
Improvement in the condition of, or the outlook for, commercial real estate in the markets where your bank operates	1.73	1.90	1.40
More aggressive competition from other commercial banks	2.61	2.48	2.90
More aggressive competition from nonbank lenders	2.23	2.20	2.30
Increased tolerance for risk	1.45	1.48	1.40
Reduced concern about take-out financing	1.17	1.20	1.10
More liquid market for securities collateralized by these loans	1.33	1.50	1.00
Other (please specify)	3.00	3.00	0.00
Number of banks responding	32	22	10

Questions 12-15 *ask about* ***residential mortgage loans*** *at your bank. Question 12 deals with changes in your bank's credit standards over the past three months, and question 13 deals with changes in demand over the same period. Questions 14 and 15 ask about the increase in residential mortgage loans as a share of assets at commercial banks over the past three years. If your bank's credit standards have not changed over the relevant period, please report them as unchanged even if the standards are either restrictive or accommodative relative to longer-term norms. If your bank's credit standards have tightened or eased over the relevant period, please so report them regardless of how they stand relative to longer-term norms. Also, please report changes in enforcement of existing standards as changes in standards.*

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

	All Respondents		**Large Banks**		**Other Banks**	
	Banks	**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	47	92.2	28	93.3	19	90.5
Eased somewhat	4	7.8	2	6.7	2	9.5
Eased considerably	0	0.0	0	0.0	0	0.0
Total	51	100.0	30	100.0	21	100.0

13. 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	2	3.9	0	0.0	2	9.5
About the same	33	64.7	20	66.7	13	61.9
Moderately weaker	15	29.4	10	33.3	5	23.8
Substantially weaker	1	2.0	0	0.0	1	4.8
Total	51	100.0	30	100.0	21	100.0

14. During the past three years, residential mortgage loans, including home equity loans, have increased significantly as a share of assets at commercial banks. How important have been the following possible reasons for the increase in the share of residential mortgage loans held by commercial banks? (Please assign, for each reason, a number between 1 and 3 using the following scale: 1=not important, 2=somewhat important, 3=very important.)

	All Respondents	Large Banks	Other Banks
	Mean	**Mean**	**Mean**
Strong demand for residential mortgages has made it more profitable to originate and hold these instruments by supporting the returns on them.	1.82	1.90	1.71
The fraction of newly originated loans that have adjustable rates, which are better suited for holding in bank portfolios, has risen.	2.04	2.17	1.86
Interest rate spreads between underlying residential mortgages and the yield on mortgage-backed securities widened enough to make the underlying loans attractive to hold, despite the greater liquidity and lower risk-weighted capital charge on most mortgage-backed securities.	1.56	1.62	1.48
The share of newly originated loans that cannot be purchased by the government sponsored mortgage enterprises (GSEs), either because they exceed the conforming loan limit or for other reasons (e.g., insufficient credit quality), has risen.	1.38	1.52	1.19
The GSEs have chosen to slow the rate of growth of their portfolios, reducing their demand for mortgage loans.	1.12	1.14	1.10
Other (Please specify)	2.67	3.00	2.00
Number of banks responding	50	29	21

15. If your bank has increased the share of the residential real estate loans that it holds on its books as a result of reduced sales to GSEs (answers 2 or 3 to questions 14d-14e) what has been the effect on other assets on your bank's balance sheet? (Please assign, for each response, a number between 1 and 3 using the following scale: 1=not important, 2=somewhat important, 3=very important.)

	All Respondents	Large Banks	Other Banks
	Mean	**Mean**	**Mean**
None, because your bank's capital has been adequate to allow the additional balance sheet growth.	2.26	2.21	2.40
Acquistions of mortgage-backed securities have been reduced.	1.22	1.31	1.00
Acquistions of other securities have been reduced.	1.32	1.29	1.40
Acquistions of other types of loans have been reduced.	1.21	1.29	1.00
Other (Please specify)	0.00	0.00	0.00
Number of banks responding	20	15	5

Questions 16-21 *ask about* **consumer lending** *at your bank. Question 16 deals with changes in your bank's willingness to make consumer loans over the past three months. Questions 17-20 deal with changes in credit standards and loan terms over the same period. Question 21 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.*

16. 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	1	1.9	1	3.1	0	0.0
Somewhat more willing	5	9.6	3	9.4	2	10.0
About unchanged	46	88.5	28	87.5	18	90.0
Somewhat less willing	0	0.0	0	0.0	0	0.0
Much less willing	0	0.0	0	0.0	0	0.0
Total	52	100.0	32	100.0	20	100.0

17. 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	1	2.9	0	0.0	1	6.7
Remained basically unchanged	31	91.2	17	89.5	14	93.3
Eased somewhat	2	5.9	2	10.5	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	34	100.0	19	100.0	15	100.0

18. 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	2	3.8	0	0.0	2	10.0
Remained basically unchanged	47	90.4	30	93.8	17	85.0
Eased somewhat	3	5.8	2	6.3	1	5.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	52	100.0	32	100.0	20	100.0

19. 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	3.00	3.07	2.93
Spreads of interest rates charged on outstanding balances over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.90	2.87	2.93
Minimum percent of outstanding balances required to be repaid each month	2.97	3.00	2.93
Minimum required credit score (increased score=tightened, reduced score=eased)	3.03	3.13	2.93
The extent to which loans are granted to some customers that do not meet credit scoring thresholds (increased=eased, decreased=tightened)	2.97	3.07	2.87
Other (please specify)	3.00	3.00	0.00
Number of banks responding	30	15	15

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

	All Respondents	Large Banks	Other Banks
	Mean	**Mean**	**Mean**
Maximum maturity	3.06	3.03	3.10
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.00	2.97	3.05
Minimum required downpayment	3.06	3.06	3.05
Minimum required credit score (increased score=tightened, reduced score=eased)	3.00	3.06	2.90
The extent to which loans are granted to some customers that do not meet credit scoring thresholds (increased=eased, decreased=tightened)	2.96	3.03	2.85
Other (please specify)	3.00	3.00	0.00
Number of banks responding	52	32	20

21. 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	3	5.8	1	3.1	2	10.0
About the same	32	61.5	18	56.3	14	70.0
Moderately weaker	17	32.7	13	40.6	4	20.0
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	52	100.0	32	100.0	20	100.0

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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, 2004. The combined assets of the 33 large banks totaled $3.51 trillion, compared to $3.73 trillion for the entire panel of 55 banks, and $7.04 trillion for all domestically chartered, federally insured commercial banks.