BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

May 17, 2007

Note: This version of the April 2007 Senior Loan Officer Opinion Survey on Bank Lending Practices, originally released on May 14, corrects errors in two graphs representing the Measures of Supply and Demand for Loans to Households. The correction resulted in changes to the last value plotted (2007:Q2) in the graphs illustrating standards for credit card loans (shown in the top panel, solid line) and the demand for consumer loans (shown in the middle panel, dotted line). There were no other revisions.

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DIVISION OF MONETARY AFFAIRS

May 17, 2007

TO: HEADS OF RESEARCH AT ALL FEDERAL RESERVE BANKS

Enclosed for distribution to respondents is a national summary of the April 2007 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 April 2007 Senior Loan Officer Opinion Survey on Bank Lending Practices

The April 2007 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. In light of recent developments in the subprime mortgage market, banks were queried separately about standards on and demand for prime, nontraditional, and subprime residential mortgages. This article is based on responses from fifty-three domestic banks and twenty foreign banking institutions.

Overall, the respondent banks reported mixed changes in lending standards and terms over the past three months and somewhat weaker demand for most loan types. Domestic and foreign institutions indicated that they had eased some terms on commercial and industrial (C&I) loans over the past three months, but that they had made few changes in credit standards on such loans. Domestic respondents reported that they had tightened credit standards on commercial real estate loans over the previous three months. Demand for both C&I and commercial real estate loans at domestic banks was reportedly weaker, on net, in the April survey. By contrast, foreign institutions noted that demand for both C&I and commercial real estate loans had not changed over the survey period.

With regard to loans to households, a relatively small net fraction of respondents reported having tightened lending standards on prime residential mortgages over the past three months, while considerable net fractions of respondents indicated that they had tightened lending standards on nontraditional and subprime mortgage loans. Moderate net fractions of domestic institutions indicated that they had experienced weaker demand for prime, nontraditional, and subprime residential mortgages, and a notable net percentage of institutions also reported weaker demand for consumer loans.

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

In the April survey, domestic institutions reported that lending standards on C&I loans to large and middle-market firms were little changed, on net, over the past three months. The respondents noted, however, that they had further eased some terms on C&I loans to such firms over the same period. About half of respondents—a slightly larger net fraction than in the January survey—indicated that they had trimmed spreads of loan rates over their cost of funds over the previous three months, and smaller net fractions reported that they had reduced the costs of credit lines and eased loan covenants.

Credit standards on C&I loans to small firms were reportedly about unchanged, on balance, in the April survey. Nonetheless, about one-third of the domestic banks, on net, indicated that they had trimmed spreads of loan rates over their cost of funds over the past three months, and smaller net fractions reported that they had reduced the cost of credit lines and reduced premiums charged on riskier loans.

As they did in the past few surveys, U.S. branches and agencies of foreign banks reported that their standards on C&I loans were essentially unchanged. However, notable net fractions of these institutions indicated that they had eased loan covenants and increased the maximum size of credit lines.

In the April survey, three-fourths of domestic banks and all U.S. branches and agencies of foreign banks that reported having eased their lending standards and terms pointed to more-aggressive competition from other banks or nonbank lenders as the most important reason for having done so. Considerable fractions of domestic and foreign institutions also cited increased liquidity in the secondary market for these loans as a reason for less-stringent business lending policies.

On net, about one-fifth of domestic respondents noted that they had experienced weaker demand for C&I loans from large and middle-market firms and from small firms. Domestic respondents that saw weaker demand for such loans attributed the softening to borrowers' increased use of internally generated funds and decreased needs to finance investment in plant or equipment, as well as to a shift in customer borrowing to another bank or to nonbank sources of credit. U.S. branches and agencies of foreign banks reported that demand for C&I loans was unchanged, on net, over the past three months.

Regarding future business, about 10 percent of domestic respondents—a slightly larger net percentage than in the January survey—reported that the number of inquiries from potential business borrowers had decreased over the previous three months. By contrast, foreign respondents indicated that the number of inquiries from potential business borrowers was unchanged in the April survey.

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

About one-third of domestic institutions—a somewhat larger net fraction than in the previous survey—indicated that they had tightened lending standards on commercial real estate loans over the past three months. As in the January survey, 35 percent of domestic respondents noted that they had experienced weaker demand for such loans over the same period. By contrast, the vast majority of foreign respondents reported that lending standards on commercial real estate loans had remained basically unchanged in the April survey. Demand for such loans at these institutions was also said to be essentially unchanged over the past three months.

Lending to Households
(Table 1, questions 9-16)

In order to track developments regarding the major categories of residential real estate loans, the April survey asked banks to report separately changes in standards on and demand for prime, nontraditional, and subprime residential mortgages. A large majority of respondents indicated that standards on prime residential mortgages had remained basically unchanged over the past three months, with 15 percent reporting somewhat tighter standards. Of the forty-four domestic institutions that originated nontraditional residential mortgages, 45 percent noted a tightening of standards on such loans, whereas the rest reported that their standards had remained basically unchanged.[1] Similarly, of the sixteen institutions that indicated that they had originated subprime residential mortgages, more than half of respondents, on net, reported that they had tightened standards on such loans.[2]

Tighter standards on subprime and nontraditional mortgage loans generally were not associated with a move toward more-stringent lending policies for prime mortgages. Indeed, of the nine institutions that reported having tightened standards on subprime residential mortgages, only one indicated that it had also tightened standards on prime residential mortgages. Five of the twenty institutions that reported tightening standards on nontraditional mortgages also tightened standards on prime mortgages.

On net, about one-fifth of domestic institutions indicated that they had seen weaker demand for each of the three categories of residential mortgages—prime, nontraditional, and subprime—over the past three months.

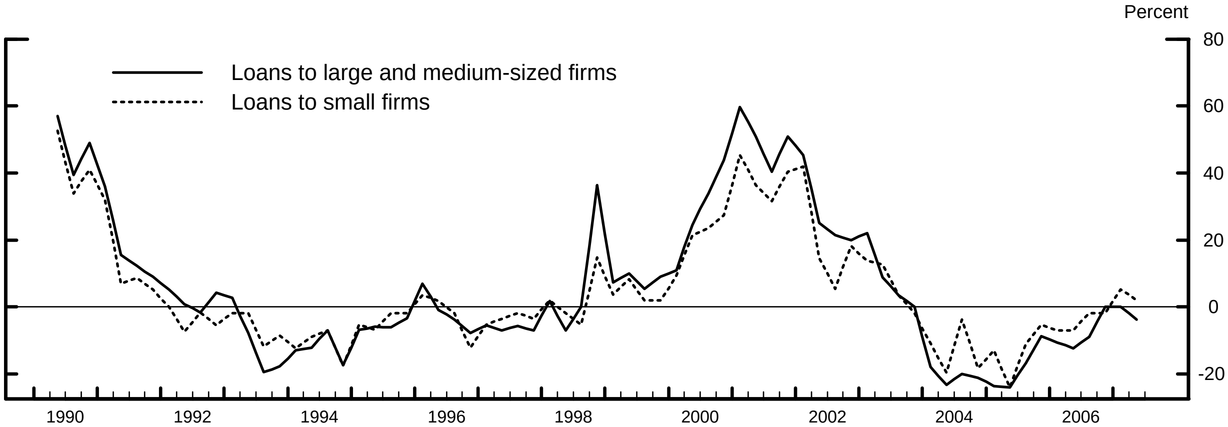
On balance, almost 10 percent of domestic respondents indicated that their willingness to make consumer installment loans had increased in the April survey. About 10 percent of institutions, on net, reported that they had eased lending standards on credit card loans over the past three months, whereas a small net fraction of respondents noted that they had tightened somewhat their lending standards on non-credit-card loans over the same period. On balance, terms on all types of consumer loans were reportedly little changed over the past three months. About one-fourth of domestic institutions indicated that they had experienced weaker demand for consumer loans, a somewhat smaller net fraction than in the January survey.

This document was prepared by David Lucca and Fabio Natalucci with the research assistance of Isaac Laughlin, Division of Monetary Affairs, Board of Governors of the Federal Reserve System.

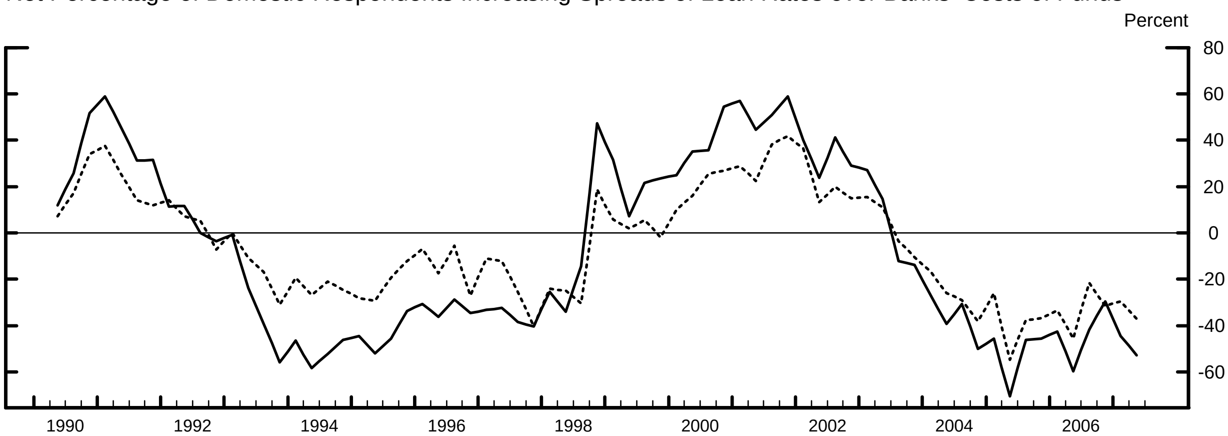
[1] These forty-four banks accounted for 67 percent of residential mortgage loans on the books of all commercial banks as of December 31, 2006.
[2] These sixteen institutions accounted for 46 percent of residential mortgage loans on the books of all commercial banks as of December 31, 2006.

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

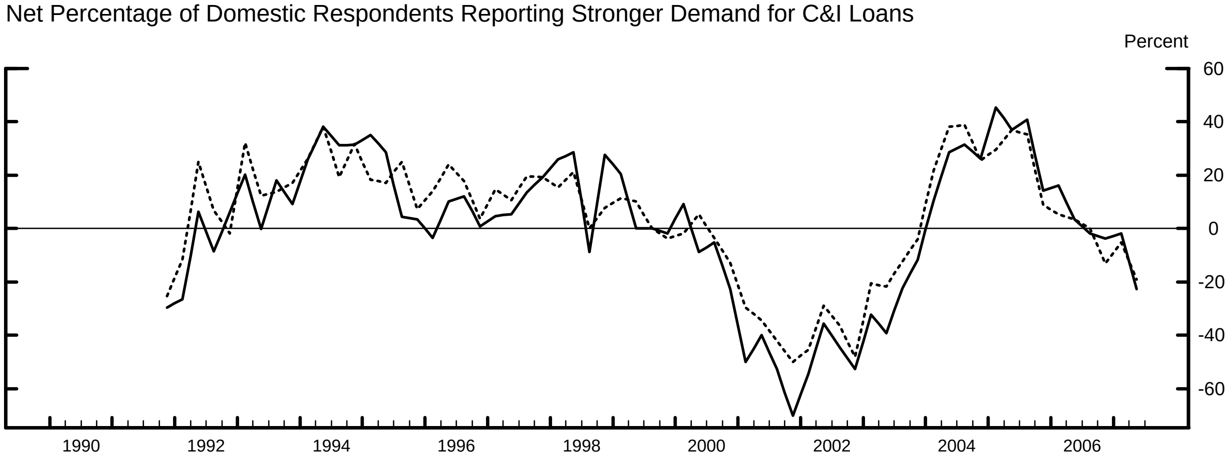
Net Percentage of Domestic Respondents Tightening Standards for C&I Loans



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

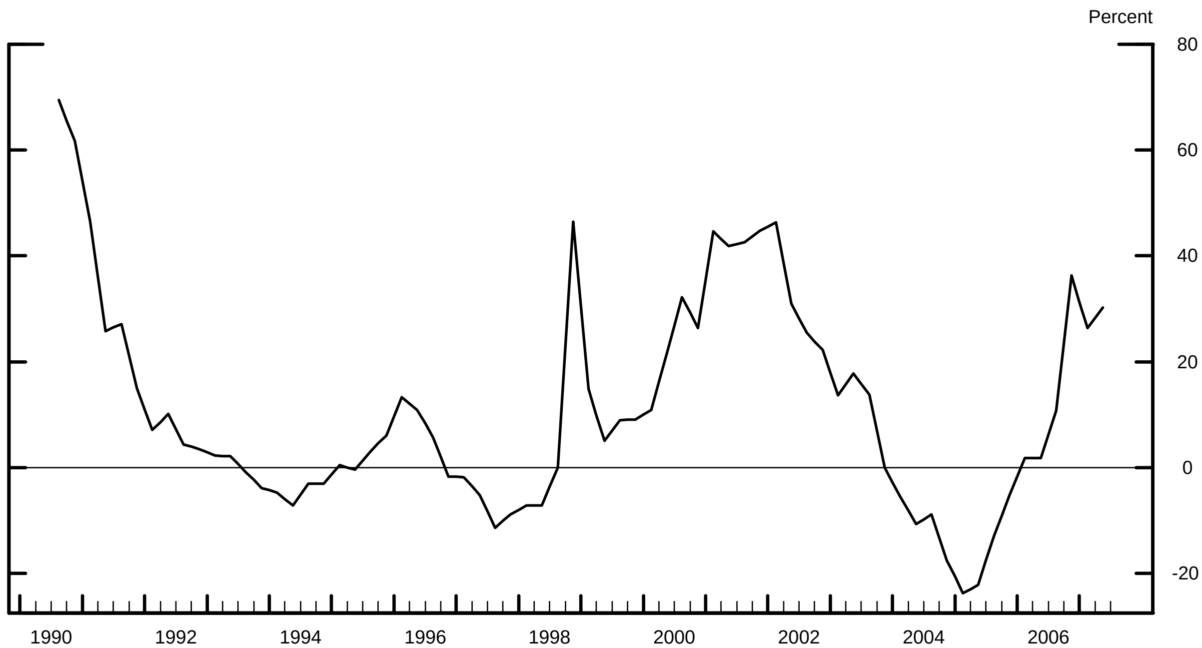


Net Percentage of Domestic Respondents Reporting Stronger Demand for C&I Loans



Measures of Supply and Demand for Commercial Real Estate Loans

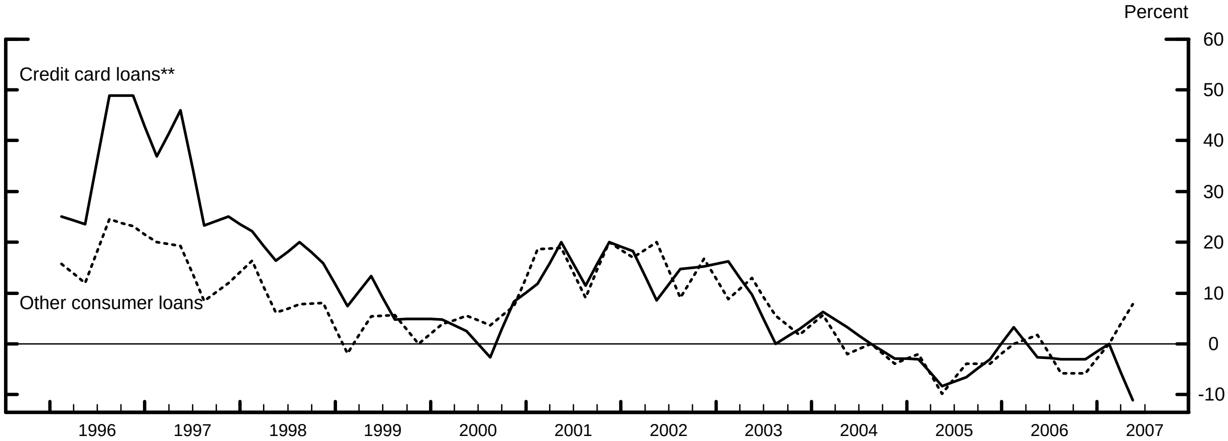
Net Percentage of Domestic Respondents Tightening Standards for Commercial Real Estate Loans



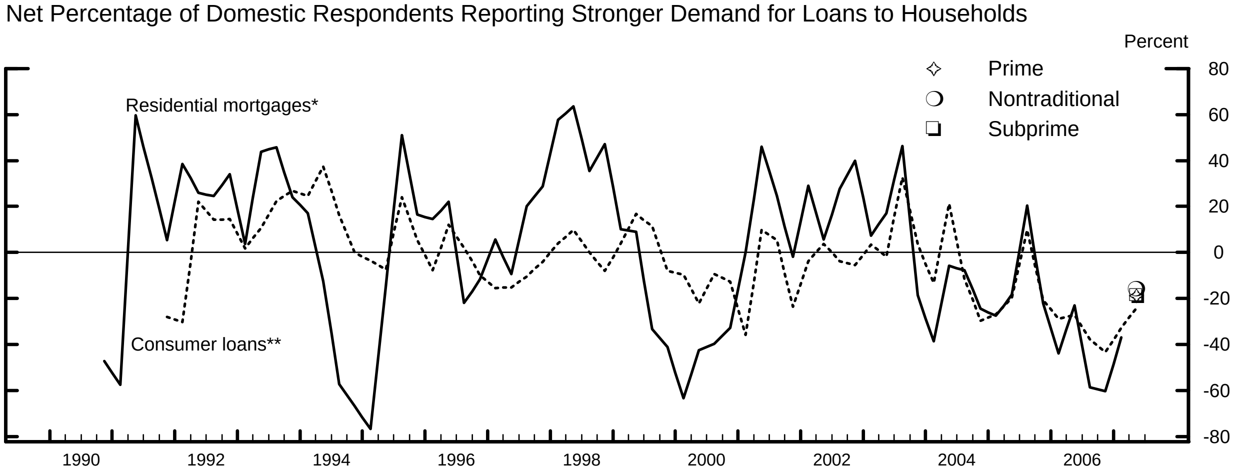
Net Percentage of Domestic Respondents Reporting Stronger Demand for Commercial Real Estate Loans

Measures of Supply and Demand for Loans to Households

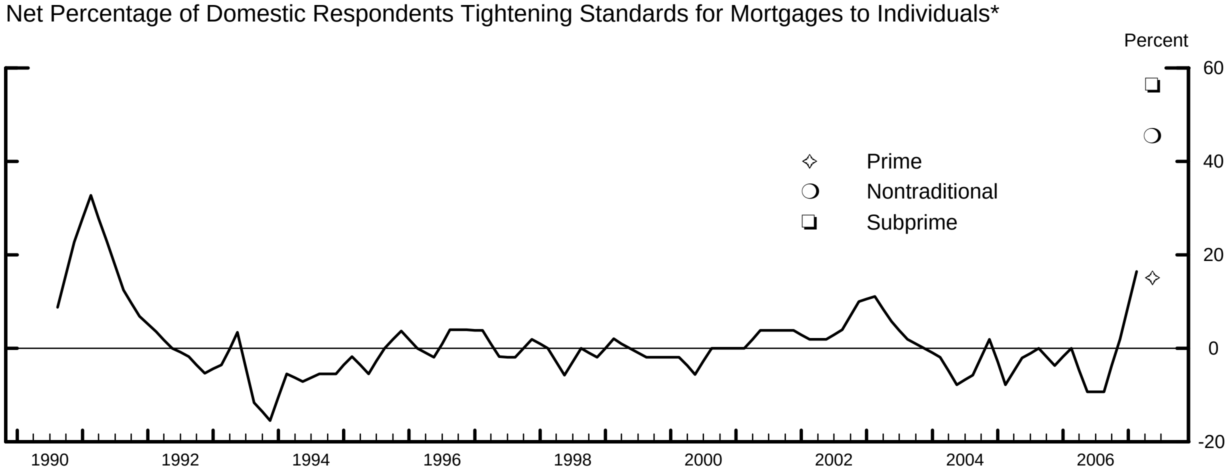
Net Percentage of Domestic Respondents Tightening Standards for Consumer Loans



Net Percentage of Domestic Respondents Reporting Stronger Demand for Loans to Households



Net Percentage of Domestic Respondents Tightening Standards for Mortgages to Individuals*



* In the latest survey the questions on residential mortgages were separated into three questions (for prime, nontraditional, and subprime mortgages). Responses to the new questions are shown separately.

** Data on standards for credit card loans (top panel) and demand for consumer loans (middle panel) in 2007:Q2 were revised on May 17, 2007.

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 April 2007)

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	2	3.8	0	0.0	2	11.8
Remained basically unchanged	47	88.7	32	88.9	15	88.2
Eased somewhat	4	7.5	4	11.1	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	53	100.0	36	100.0	17	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	2	3.8	1	2.9	1	5.9
Remained basically unchanged	49	94.2	33	94.3	16	94.1
Eased somewhat	1	1.9	1	2.9	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	52	100.0	35	100.0	17	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	3.09	3.17	2.94
Maximum maturity of loans or credit lines	3.09	3.17	2.94
Costs of credit lines	3.26	3.36	3.06
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.57	3.61	3.47
Premiums charged on riskier loans	3.17	3.25	3.00
Loan covenants	3.25	3.36	3.00
Collateralization requirements	3.11	3.17	3.00
Other (please specify)	3.50	3.50	0.00
Number of banks responding	53	36	17

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	3.06	3.09	3.00
Maximum maturity of loans or credit lines	3.08	3.09	3.06
Costs of credit lines	3.20	3.29	3.00
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.41	3.44	3.35
Premiums charged on riskier loans	3.14	3.24	2.94
Loan covenants	3.12	3.21	2.94
Collateralization requirements	3.08	3.15	2.94
Other (please specify)	3.33	3.50	3.00
Number of banks responding	51	34	17

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	1.43	1.44	1.40
Worsening of industry-specific problems (please specify industries)	1.43	1.67	1.00
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.29	1.22	1.40
Reduced tolerance for risk	1.50	1.56	1.40
Decreased liquidity in the secondary market for these loans	1.14	1.11	1.20
Increase in defaults by borrowers in public debt markets	1.07	1.11	1.00
Other (please specify)	3.00	3.00	0.00
Number of banks responding	14	9	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	1.04	1.00	1.14
More favorable or less uncertain economic outlook	1.07	1.10	1.00
Improvement in industry-specific problems (please specify industries)	1.14	1.10	1.29
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	2.50	2.62	2.14
Increased tolerance for risk	1.25	1.29	1.14
Increased liquidity in the secondary market for these loans	1.57	1.71	1.14
Reduction in defaults by borrowers in public debt markets	1.14	1.14	1.14
Other (please specify)	0.00	0.00	0.00
Number of banks responding	28	21	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.)

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	8	15.1	5	13.9	3	17.6
About the same	25	47.2	18	50.0	7	41.2
Moderately weaker	20	37.7	13	36.1	7	41.2
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	53	100.0	36	100.0	17	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	8	15.4	5	14.3	3	17.6
About the same	26	50.0	17	48.6	9	52.9
Moderately weaker	17	32.7	12	34.3	5	29.4
Substantially weaker	1	1.9	1	2.9	0	0.0
Total	52	100.0	35	100.0	17	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	1.42	1.38	1.50
Customer accounts receivable financing needs increased	1.25	1.25	1.25
Customer investment in plant or equipment increased	1.33	1.13	1.75
Customer internally generated funds decreased	1.17	1.13	1.25
Customer merger or acquisition financing needs increased	2.17	2.38	1.75
Customer borrowing shifted to your bank from other bank or nonbank sources because these other sources became less attractive	1.17	1.00	1.50
Other (please specify)	0.00	0.00	0.00
Number of banks responding	12	8	4

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	1.57	1.60	1.50
Customer accounts receivable financing needs decreased	1.57	1.60	1.50
Customer investment in plant or equipment decreased	1.83	2.07	1.38
Customer internally generated funds increased	1.91	2.07	1.63
Customer merger or acquisition financing needs decreased	1.48	1.60	1.25
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	1.83	1.60	2.25
Other (please specify)	0.00	0.00	0.00
Number of banks responding	23	15	8

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	1	1.9	1	2.8	0	0.0
The number of inquiries has increased moderately	8	15.1	4	11.1	4	23.5
The number of inquiries has stayed about the same	29	54.7	20	55.6	9	52.9
The number of inquiries has decreased moderately	15	28.3	11	30.6	4	23.5
The number of inquiries has decreased substantially	0	0.0	0	0.0	0	0.0
Total	53	100.0	36	100.0	17	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	18	34.0	10	27.8	8	47.1
Remained basically unchanged	33	62.3	24	66.7	9	52.9
Eased somewhat	2	3.8	2	5.6	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	53	100.0	36	100.0	17	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	0	0.0	0	0.0	0	0.0
Moderately stronger	3	5.7	0	0.0	3	17.6
About the same	28	52.8	20	55.6	8	47.1
Moderately weaker	20	37.7	14	38.9	6	35.3
Substantially weaker	2	3.8	2	5.6	0	0.0
Total	53	100.0	36	100.0	17	100.0

Questions 9-10 *ask about three categories of* ***residential mortgage loans*** *at your bank--prime residential mortgages, nontraditional residential mortgages, and subprime residential mortgages. Question 9 deals with changes in your bank's credit standards for loans in each of these categories over the past three months. Question 10 deals with changes in demand for loans in each of these categories 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.*

For the purposes of this survey, please use the following definitions of these loan categories (note that the loan categories are not mutually exclusive) and include first-lien loans only:

- *The* ***prime*** *category of residential mortgages includes loans made to borrowers that typically had relatively strong, well-documented credit histories, relatively high credit scores, and relatively low debt-to-income ratios at the time of origination. This would include fully amortizing loans that have a fixed rate, a standard adjustable rate, or a common hybrid adjustable rate--those for which the interest rate is initially fixed for a multi-year period and subsequently adjusts more frequently.*

- *The* ***nontraditional*** *category of residential mortgages includes, but is not limited to, adjustable-rate mortgages with multiple payment options, interest-only mortgages, and ``Alt-A'' products such as mortgages with limited income verification and mortgages secured by non-owner-occupied properties. (Please exclude standard adjustable-rate mortgages and common hybrid adjustable-rate mortgages.)*

- *The* ***subprime*** *category of residential mortgages typically includes loans made to borrowers that displayed one or more of the following characteristics at the time of origination: weakened credit histories that include payment delinquencies, chargeoffs, judgments, and/or bankruptcies; reduced repayment capacity as measured by credit scores or debt-to-income ratios; or incomplete credit histories.*

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?

a. Credit standards on mortgage loans that your bank categorizes as ***prime*** residential mortgages have:

	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	8	15.1	5	13.9	3	17.6
Remained basically unchanged	45	84.9	31	86.1	14	82.4
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	53	100.0	36	100.0	17	100.0

b. Credit standards on mortgage loans that your bank categorizes as ***nontraditional*** residential mortgages have:

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Tightened considerably	5	11.4	5	16.7	0	0.0
Tightened somewhat	15	34.1	12	40.0	3	21.4
Remained basically unchanged	24	54.5	13	43.3	11	78.6
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	44	100.0	30	100.0	14	100.0

For this question, 9 respondents answered “My bank does not originate nontraditional residential mortgages.”

c. Credit standards on mortgage loans that your bank categorizes as ***subprime*** residential mortgages have:

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Tightened considerably	5	31.3	5	55.6	0	0.0
Tightened somewhat	4	25.0	1	11.1	3	42.9
Remained basically unchanged	7	43.8	3	33.3	4	57.1
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	16	100.0	9	100.0	7	100.0

For this question, 37 respondents answered “My bank does not originate subprime residential mortgages.”

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.)

a. Demand for mortgages that your bank categorizes as ***prime*** residential mortgages was:

	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	7	13.2	4	11.1	3	17.6
About the same	29	54.7	19	52.8	10	58.8
Moderately weaker	15	28.3	11	30.6	4	23.5
Substantially weaker	2	3.8	2	5.6	0	0.0
Total	53	100.0	36	100.0	17	100.0

b. Demand for mortgages that your bank categorizes as ***nontraditional*** residential mortgages was:

	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	7	15.9	6	20.0	1	7.1
About the same	23	52.3	13	43.3	10	71.4
Moderately weaker	13	29.5	10	33.3	3	21.4
Substantially weaker	1	2.3	1	3.3	0	0.0
Total	44	100.0	30	100.0	14	100.0

For this question, 9 respondents answered “My bank does not originate nontraditional residential mortgages.”

c. Demand for mortgages that your bank categorizes as ***subprime*** residential mortgages was:

	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	12.5	1	11.1	1	14.3
About the same	9	56.3	4	44.4	5	71.4
Moderately weaker	3	18.8	3	33.3	0	0.0
Substantially weaker	2	12.5	1	11.1	1	14.3
Total	16	100.0	9	100.0	7	100.0

For this question, 37 respondents answered “My bank does not originate subprime residential mortgages.”

Questions 11-16 *ask about* ***consumer lending*** *at your bank. Question 11 deals with changes in your bank's willingness to make consumer loans over the past three months. Questions 12-15 deal with changes in credit standards and loan terms over the same period. Question 16 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.*

11. 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	2.0	1	2.9	0	0.0
Somewhat more willing	5	9.8	1	2.9	4	23.5
About unchanged	43	84.3	32	94.1	11	64.7
Somewhat less willing	2	3.9	0	0.0	2	11.8
Much less willing	0	0.0	0	0.0	0	0.0
Total	51	100.0	34	100.0	17	100.0

12. 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	5.6	1	4.8	1	6.7
Remained basically unchanged	28	77.8	15	71.4	13	86.7
Eased somewhat	6	16.7	5	23.8	1	6.7
Eased considerably	0	0.0	0	0.0	0	0.0
Total	36	100.0	21	100.0	15	100.0

13. 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	7	13.7	3	8.6	4	25.0
Remained basically unchanged	41	80.4	31	88.6	10	62.5
Eased somewhat	3	5.9	1	2.9	2	12.5
Eased considerably	0	0.0	0	0.0	0	0.0
Total	51	100.0	35	100.0	16	100.0

14. 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	3.13	3.05	3.27
Spreads of interest rates charged on outstanding balances over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.90	2.80	3.09
Minimum percent of outstanding balances required to be repaid each month	3.00	3.00	3.00
Minimum required credit score (increased score=tightened, reduced score=eased)	3.06	3.10	3.00
The extent to which loans are granted to some customers that do not meet credit scoring thresholds (increased=eased, decreased=tightened)	3.03	3.00	3.09
Other (please specify)	3.00	3.00	0.00
Number of banks responding	32	21	11

15. 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	3.03	3.06
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.86	2.82	2.94
Minimum required downpayment	2.98	3.00	2.94
Minimum required credit score (increased score=tightened, reduced score=eased)	2.88	2.91	2.82
The extent to which loans are granted to some customers that do not meet credit scoring thresholds (increased=eased, decreased=tightened)	2.96	3.00	2.88
Other (please specify)	2.33	2.50	2.00
Number of banks responding	51	34	17

16. 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	12.0	4	12.1	2	11.8
About the same	26	52.0	14	42.4	12	70.6
Moderately weaker	16	32.0	13	39.4	3	17.6
Substantially weaker	2	4.0	2	6.1	0	0.0
Total	50	100.0	33	100.0	17	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 December 31, 2006. The combined assets of the 36 large banks totaled $5.26 trillion, compared to $5.44 trillion for the entire panel of 53 banks, and $8.72 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 April 2007)

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	0	0.0
Tightened somewhat	1	5.0
Remained basically unchanged	17	85.0
Eased somewhat	2	10.0
Eased considerably	0	0.0
Total	20	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	3.20
Maximum maturity of loans or credit lines	3.10
Costs of credit lines	3.00
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.10
Premiums charged on riskier loans	2.85
Loan covenants	3.25
Collateralization requirements	3.00
Other (please specify)	3.00
Number of banks responding	20

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	1.33
Less favorable or more uncertain economic outlook	1.33
Worsening of industry-specific problems (please specify industries)	1.33
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.67
Reduced tolerance for risk	1.33
Decreased liquidity in the secondary market for these loans	1.33
Increase in defaults by borrowers in public debt markets	1.00
Other (please specify)	1.00
Number of banks responding	3

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

	All Respondents
	Mean
Improvement in your bank's current or expected capital position	1.00
More favorable or less uncertain economic outlook	1.00
Improvement in industry-specific problems (please specify industries)	1.20
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	3.00
Increased tolerance for risk	1.60
Increased liquidity in the secondary market for these loans	2.00
Reduction in defaults by borrowers in public debt markets	1.40
Other (please specify)	0.00
Number of banks responding	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.)

	All Respondents	
	Banks	**Percent**
Substantially stronger	0	0.0
Moderately stronger	3	15.0
About the same	14	70.0
Moderately weaker	3	15.0
Substantially weaker	0	0.0
Total	20	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	2.00
Customer accounts receivable financing needs increased	2.00
Customer investment in plant or equipment increased	1.67
Customer internally generated funds decreased	1.00
Customer merger or acquisition financing needs increased	2.00
Customer borrowing shifted to your bank from other bank or nonbank sources because these other sources became less attractive	1.33
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	1.00
Customer accounts receivable financing needs decreased	1.00
Customer investment in plant or equipment decreased	1.00
Customer internally generated funds increased	1.00
Customer merger or acquisition financing needs decreased	1.00
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	3.00
Other (please specify)	2.00
Number of banks responding	3

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	3	15.0
The number of inquiries has stayed about the same	14	70.0
The number of inquiries has decreased moderately	3	15.0
The number of inquiries has decreased substantially	0	0.0
Total	20	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	13	86.7
Eased somewhat	2	13.3
Eased considerably	0	0.0
Total	15	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	2	13.3
About the same	10	66.7
Moderately weaker	2	13.3
Substantially weaker	1	6.7
Total	15	100.0

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1. As of December 31, 2006, the 20 respondents had combined assets of $725 billion, compared to $1.49 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.