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 July 2008)

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	2	9.5
Tightened somewhat	5	23.8
Remained basically unchanged	14	66.7
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	21	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?

a. Maximum size of credit lines

	All Respondents	
	Banks	**Percent**
Tightened considerably	2	9.5
Tightened somewhat	7	33.3
Remained basically unchanged	12	57.1
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	21	100.0

b. Maximum maturity of loans or credit lines

	All Respondents	
	Banks	**Percent**
Tightened considerably	0	0.0
Tightened somewhat	5	23.8
Remained basically unchanged	16	76.2
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	21	100.0

c. Costs of credit lines

	All Respondents	
	Banks	**Percent**
Tightened considerably	1	4.8
Tightened somewhat	12	57.1
Remained basically unchanged	8	38.1
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	21	100.0

d. Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)

	All Respondents	
	Banks	**Percent**
Tightened considerably	2	9.5
Tightened somewhat	11	52.4
Remained basically unchanged	8	38.1
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	21	100.0

e. Premiums charged on riskier loans

	All Respondents	
	Banks	**Percent**
Tightened considerably	3	14.3
Tightened somewhat	10	47.6
Remained basically unchanged	8	38.1
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	21	100.0

f. Loan covenants

	All Respondents	
	Banks	**Percent**
Tightened considerably	1	4.8
Tightened somewhat	9	42.9
Remained basically unchanged	11	52.4
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	21	100.0

g. Collateralization requirements

	All Respondents	
	Banks	**Percent**
Tightened considerably	1	5.0
Tightened somewhat	3	15.0
Remained basically unchanged	16	80.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	20	100.0

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?

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

a. Deterioration in your bank's current or expected capital position

	All Respondents	
	Banks	**Percent**
Not important	5	35.7
Somewhat important	6	42.9
Very important	3	21.4
Total	14	100.0

b. Less favorable or more uncertain economic outlook

	All Respondents	
	Banks	**Percent**
Not important	0	0.0
Somewhat important	6	42.9
Very important	8	57.1
Total	14	100.0

c. Worsening of industry-specific problems (please specify industries)

	All Respondents	
	Banks	**Percent**
Not important	4	28.6
Somewhat important	6	42.9
Very important	4	28.6
Total	14	100.0

d. Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)

	All Respondents	
	Banks	**Percent**
Not important	5	35.7
Somewhat important	7	50.0
Very important	2	14.3
Total	14	100.0

e. Reduced tolerance for risk

	All Respondents	
	Banks	**Percent**
Not important	3	21.4
Somewhat important	9	64.3
Very important	2	14.3
Total	14	100.0

f. Decreased liquidity in the secondary market for these loans

	All Respondents	
	Banks	**Percent**
Not important	3	21.4
Somewhat important	4	28.6
Very important	7	50.0
Total	14	100.0

g. Increase in defaults by borrowers in public debt markets

	All Respondents	
	Banks	**Percent**
Not important	5	35.7
Somewhat important	7	50.0
Very important	2	14.3
Total	14	100.0

h. Increased concern about your bank's current or expected liquidity position

	All Respondents	
	Banks	**Percent**
Not important	9	69.2
Somewhat important	3	23.1
Very important	1	7.7
Total	13	100.0

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

a. Improvement in your bank's current or expected capital position

	All Respondents	
	Banks	**Percent**
Not important	0	-
Somewhat important	0	-
Very important	0	-
Total	0	-

b. More favorable or less uncertain economic outlook

	All Respondents	
	Banks	**Percent**
Not important	0	-
Somewhat important	0	-
Very important	0	-
Total	0	-

c. Improvement in industry-specific problems (please specify industries)

	All Respondents	
	Banks	**Percent**
Not important	0	-
Somewhat important	0	-
Very important	0	-
Total	0	-

d. More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)

	All Respondents	
	Banks	**Percent**
Not important	0	-
Somewhat important	0	-
Very important	0	-
Total	0	-

e. Increased tolerance for risk

	All Respondents	
	Banks	**Percent**
Not important	0	-
Somewhat important	0	-
Very important	0	-
Total	0	-

f. Increased liquidity in the secondary market for these loans

	All Respondents	
	Banks	**Percent**
Not important	0	-
Somewhat important	0	-
Very important	0	-
Total	0	-

g. Reduction in defaults by borrowers in public debt markets

	All Respondents	
	Banks	**Percent**
Not important	0	-
Somewhat important	0	-
Very important	0	-
Total	0	-

h. Reduced concern about your bank's current or expected liquidity position

	All Respondents	
	Banks	**Percent**
Not important	0	-
Somewhat important	0	-
Very important	0	-
Total	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.)

	All Respondents	
	Banks	**Percent**
Substantially stronger	0	0.0
Moderately stronger	2	9.5
About the same	12	57.1
Moderately weaker	7	33.3
Substantially weaker	0	0.0
Total	21	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?

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

a. Customer inventory financing needs increased

	All Respondents	
	Banks	**Percent**
Not important	0	0.0
Somewhat important	1	50.0
Very important	1	50.0
Total	2	100.0

b. Customer accounts receivable financing needs increased

	All Respondents	
	Banks	**Percent**
Not important	0	0.0
Somewhat important	2	100.0
Very important	0	0.0
Total	2	100.0

c. Customer investment in plant or equipment increased

	All Respondents	
	Banks	**Percent**
Not important	0	0.0
Somewhat important	2	100.0
Very important	0	0.0
Total	2	100.0

d. Customer internally generated funds decreased

	All Respondents	
	Banks	**Percent**
Not important	0	0.0
Somewhat important	1	50.0
Very important	1	50.0
Total	2	100.0

e. Customer merger or acquisition financing needs increased

	All Respondents	
	Banks	**Percent**
Not important	0	0.0
Somewhat important	2	100.0
Very important	0	0.0
Total	2	100.0

f. Customer borrowing shifted to your bank from other bank or nonbank sources because these other sources became less attractive

	All Respondents	
	Banks	**Percent**
Not important	0	0.0
Somewhat important	2	100.0
Very important	0	0.0
Total	2	100.0

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

a. Customer inventory financing needs decreased

	All Respondents	
	Banks	**Percent**
Not important	5	71.4
Somewhat important	2	28.6
Very important	0	0.0
Total	7	100.0

b. Customer accounts receivable financing needs decreased

	All Respondents	
	Banks	**Percent**
Not important	5	71.4
Somewhat important	2	28.6
Very important	0	0.0
Total	7	100.0

c. Customer investment in plant or equipment decreased

	All Respondents	
	Banks	**Percent**
Not important	3	42.9
Somewhat important	3	42.9
Very important	1	14.3
Total	7	100.0

d. Customer internally generated funds increased

	All Respondents	
	Banks	**Percent**
Not important	3	50.0
Somewhat important	3	50.0
Very important	0	0.0
Total	6	100.0

e. Customer merger or acquisition financing needs decreased

	All Respondents	
	Banks	**Percent**
Not important	2	28.6
Somewhat important	1	14.3
Very important	4	57.1
Total	7	100.0

f. Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive

	All Respondents	
	Banks	**Percent**
Not important	6	100.0
Somewhat important	0	0.0
Very important	0	0.0
Total	6	100.0

6. At your bank, how has the number of inquiries from potential business borrowers regarding the availability and terms of new credit lines or increases in existing lines changed over the past three months? (Please consider only inquiries for additional C&I lines as opposed to the refinancing of existing loans.)

	All Respondents	
	Banks	**Percent**
The number of inquiries has increased substantially	0	0.0
The number of inquiries has increased moderately	5	23.8
The number of inquiries has stayed about the same	11	52.4
The number of inquiries has decreased moderately	4	19.0
The number of inquiries has decreased substantially	1	4.8
Total	21	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	3	21.4
Tightened somewhat	2	14.3
Remained basically unchanged	9	64.3
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	14	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	1	7.1
Moderately stronger	0	0.0
About the same	6	42.9
Moderately weaker	3	21.4
Substantially weaker	4	28.6
Total	14	100.0

In recent quarters, significant fractions of survey respondents have reported having tightened their credit standards on a broad range of loan types. ***Question 9*** *asks about your expectations for changes in credit standards at your bank through the end of 2008 and in the first half of 2009.*

9. Assuming that economic activity progresses in line with consensus forecasts, how do you expect your bank's credit standards on **loans to businesses** to change?

A. Credit standards for approving applications for **C&I loans** or credit lines—other than those to be used to finance mergers and acquisitions—through the end of 2008 are expected to:

	All Respondents	
	Banks	**Percent**
Tighten considerably	0	0.0
Tighten somewhat	9	42.9
Remain basically unchanged	12	57.1
Ease somewhat	0	0.0
Ease considerably	0	0.0
Total	21	100.0

B. Credit standards for approving applications for **C&I loans** or credit lines—other than those to be used to finance mergers and acquisitions— in the first half of 2009 are expected to:

	All Respondents	
	Banks	**Percent**
Tighten considerably	0	0.0
Tighten somewhat	7	33.3
Remain basically unchanged	13	61.9
Ease somewhat	1	4.8
Ease considerably	0	0.0
Total	21	100.0

C. Credit standards for approving applications for **commercial real estate loans** through the end of 2008 are expected to:

	All Respondents	
	Banks	Percent
Tighten considerably	2	14.3
Tighten somewhat	4	28.6
Remain basically unchanged	8	57.1
Ease somewhat	0	0.0
Ease considerably	0	0.0
Total	14	100.0

For this question, 5 respondents answered “My bank does not originate this type of loan.”

D. Credit standards for approving applications for **commercial real estate loans** in the first half of 2009 are expected to:

	All Respondents	
	Banks	Percent
Tighten considerably	2	14.3
Tighten somewhat	5	35.7
Remain basically unchanged	7	50.0
Ease somewhat	0	0.0
Ease considerably	0	0.0
Total	14	100.0

For this question, 5 respondents answered “My bank does not originate this type of loan.”

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1. As of March 31, 2008, the 21 respondents had combined assets of $1.0 trillion, compared to $2.0 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.