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 2009)

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	4	17.4
Remained basically unchanged	19	82.6
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	23	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	0	0.0
Tightened somewhat	5	21.7
Remained basically unchanged	16	69.6
Eased somewhat	2	8.7
Eased considerably	0	0.0
Total	23	100.0

b. Maximum maturity of loans or credit lines

	All Respondents	
	Banks	**Percent**
Tightened considerably	0	0.0
Tightened somewhat	4	17.4
Remained basically unchanged	19	82.6
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	23	100.0

c. Costs of credit lines

	All Respondents	
	Banks	Percent
Tightened considerably	0	0.0
Tightened somewhat	7	30.4
Remained basically unchanged	16	69.6
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	23	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	1	4.3
Tightened somewhat	5	21.7
Remained basically unchanged	14	60.9
Eased somewhat	3	13.0
Eased considerably	0	0.0
Total	23	100.0

e. Premiums charged on riskier loans

	All Respondents	
	Banks	Percent
Tightened considerably	2	8.7
Tightened somewhat	5	21.7
Remained basically unchanged	16	69.6
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	23	100.0

f. Loan covenants

	All Respondents	
	Banks	Percent
Tightened considerably	0	0.0
Tightened somewhat	8	34.8
Remained basically unchanged	14	60.9
Eased somewhat	1	4.3
Eased considerably	0	0.0
Total	23	100.0

g. Collateralization requirements

	All Respondents	
	Banks	Percent
Tightened considerably	0	0.0
Tightened somewhat	6	26.1
Remained basically unchanged	17	73.9
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	23	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	3	37.5
Somewhat important	4	50.0
Very important	1	12.5
Total	8	100.0

b. Less favorable or more uncertain economic outlook

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

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

	All Respondents	
	Banks	**Percent**
Not important	4	57.1
Somewhat important	2	28.6
Very important	1	14.3
Total	7	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	71.4
Somewhat important	2	28.6
Very important	0	0.0
Total	7	100.0

e. Reduced tolerance for risk

	All Respondents	
	Banks	Percent
Not important	0	0.0
Somewhat important	7	87.5
Very important	1	12.5
Total	8	100.0

f. Decreased liquidity in the secondary market for these loans

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

g. Increase in defaults by borrowers in public debt markets

	All Respondents	
	Banks	Percent
Not important	1	16.7
Somewhat important	4	66.7
Very important	1	16.7
Total	6	100.0

h. Deterioration in your bank's current or expected liquidity position

	All Respondents	
	Banks	**Percent**
Not important	6	85.7
Somewhat important	1	14.3
Very important	0	0.0
Total	7	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	1	50.0
Somewhat important	1	50.0
Very important	0	0.0
Total	2	100.0

b. More favorable or less uncertain economic outlook

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

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

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

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

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

e. Increased tolerance for risk

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

f. Increased liquidity in the secondary market for these loans

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

g. Reduction in defaults by borrowers in public debt markets

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

h. Improvement in your bank's current or expected liquidity position

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

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	3	13.0
About the same	11	47.8
Moderately weaker	8	34.8
Substantially weaker	1	4.3
Total	23	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	1	50.0
Somewhat important	1	50.0
Very important	0	0.0
Total	2	100.0

b. Customer accounts receivable financing needs increased

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

e. Customer merger or acquisition financing needs increased

	All Respondents	
	Banks	Percent
Not important	1	50.0
Somewhat important	1	50.0
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	2	100.0
Somewhat important	0	0.0
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	2	22.2
Somewhat important	6	66.7
Very important	1	11.1
Total	9	100.0

b. Customer accounts receivable financing needs decreased

	All Respondents	
	Banks	Percent
Not important	3	33.3
Somewhat important	6	66.7
Very important	0	0.0
Total	9	100.0

c. Customer investment in plant or equipment decreased

	All Respondents	
	Banks	**Percent**
Not important	0	0.0
Somewhat important	7	77.8
Very important	2	22.2
Total	9	100.0

d. Customer internally generated funds increased

	All Respondents	
	Banks	**Percent**
Not important	6	66.7
Somewhat important	3	33.3
Very important	0	0.0
Total	9	100.0

e. Customer merger or acquisition financing needs decreased

	All Respondents	
	Banks	**Percent**
Not important	4	44.4
Somewhat important	1	11.1
Very important	4	44.4
Total	9	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	4	57.1
Somewhat important	3	42.9
Very important	0	0.0
Total	7	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	3	13.0
The number of inquiries has stayed about the same	13	56.5
The number of inquiries has decreased moderately	4	17.4
The number of inquiries has decreased substantially	3	13.0
Total	23	100.0

According to the Federal Reserve's H.8 statistical release, "Assets and Liabilities of Commercial Banks in the United States," C&I loans have contracted sharply over the first six months of 2009. ***Question 7*** *asks about the possible reasons for the declines in C&I loans over the first half of this year.*

7. If C&I lending has declined at your bank this year, please rank, in order of their importance, the following possible reasons for the decline. Please assign the most important reason a rank of 1, and the next most important reason a rank of 2, etc. (Disregard any increases in C&I loans that may owe to the merger of your bank with another institution. If C&I lending at your bank has not declined this year, please leave this question blank.)

	All Respondents
	Mean
Loan demand from creditworthy borrowers (customers that have met your bank's lending standards) has fallen because their funding needs have declined	3.4
Loan demand from creditworthy borrowers has fallen because they have tapped other sources of funding (e.g., bond market, nonbank lenders, internal funds)	3.8
Higher spreads and fees that your bank has charged on loans have reduced creditworthy firms' appetite for credit	3.9
Deteriorating credit quality has reduced the number of firms that your bank views as creditworthy	2.3
Tighter lending standards at your bank have reduced the number of firms that your bank views as creditworthy	2.8
Other	4.8
Number of respondents	16

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 past three months. Question 9 deals with changes in demand. If your bank's lending standards or terms have not changed over the relevant period, please report them as unchanged even if they are either restrictive or accommodative relative to longer-term norms. If your bank's standards or terms have tightened or eased over the relevant period, please so report them regardless of how they stand relative to longer-term norms. Also, please report changes in enforcement of existing standards as changes in standards.*

8. Over the past three months, how have your bank's credit standards for approving applications for commercial real estate loans changed?

	All Respondents	
	Banks	**Percent**
Tightened considerably	3	21.4
Tightened somewhat	3	21.4
Remained basically unchanged	8	57.1
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	14	100.0

9. 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	0	0.0
About the same	8	57.1
Moderately weaker	3	21.4
Substantially weaker	3	21.4
Total	14	100.0

10. Over the past three months, how has your bank changed the size of credit lines for existing customers with the following types of accounts? Please consider changes made to line sizes during the life of existing credit agreements as well as changes made to line sizes upon renewal or renegotiation of existing agreements.

a. Business credit card accounts

	All Respondents	
	Banks	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	4	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	4	100.0

b. C&I credit lines (excluding business credit card accounts)

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

c. Commercial construction lines of credit

	All Respondents	
	Banks	Percent
Increased considerably	0	0.0
Increased somewhat	1	7.7
Remained basically unchanged	4	30.8
Decreased somewhat	4	30.8
Decreased considerably	4	30.8
Total	13	100.0

d. Lines of credit for financial firms

	All Respondents	
	Banks	Percent
Increased considerably	1	5.9
Increased somewhat	0	0.0
Remained basically unchanged	8	47.1
Decreased somewhat	5	29.4
Decreased considerably	3	17.6
Total	17	100.0

11. While large fractions of respondents to this survey in recent quarters have reported that they have tightened their lending standards on most major loan categories, strains on banks appear to be easing. The macroeconomic outlook is related to how quickly banks become more willing lenders. If your bank's current level of lending standards is tighter than its average level over the past decade for any of the loan categories listed below, when do you expect that your bank's lending standards will return to their long-run norms, assuming that economic activity progresses according to consensus forecasts?

A. Investment-grade firms (or unrated firms of similar creditworthiness):

a. C&I loans

	All Respondents	
	Banks	**Percent**
By the end of 2009	1	4.5
In the first half of 2010	5	22.7
In the second half of 2010	4	18.2
In 2011	3	13.6
I expect my bank's lending standards to remain tighter than their longer-run average levels for the foreseeable future	3	13.6
My bank's current level of lending standards is not tighter than its average level over the past decade	6	27.3
Total	22	100.0

b. Commercial mortgages

	All Respondents	
	Banks	Percent
By the end of 2009	1	7.1
In the first half of 2010	2	14.3
In the second half of 2010	2	14.3
In 2011	2	14.3
I expect my bank’s lending standards to remain tighter than their longer-run average levels for the foreseeable future	5	35.7
My bank’s current level of lending standards is not tighter than its average level over the past decade	2	14.3
Total	14	100.0

B. Below-investment-grade firms (or unrated firms of similar creditworthiness):

a. C&I loans

	All Respondents	
	Banks	Percent
By the end of 2009	0	0.0
In the first half of 2010	0	0.0
In the second half of 2010	5	23.8
In 2011	4	19.0
I expect my bank’s lending standards to remain tighter than their longer-run average levels for the foreseeable future	8	38.1
My bank’s current level of lending standards is not tighter than its average level over the past decade	4	19.0
Total	21	100.0

b. Commercial mortgages

	All Respondents	
	Banks	**Percent**
By the end of 2009	0	0.0
In the first half of 2010	0	0.0
In the second half of 2010	3	20.0
In 2011	2	13.3
I expect my bank’s lending standards to remain tighter than their longer-run average levels for the foreseeable future	8	53.3
My bank’s current level of lending standards is not tighter than its average level over the past decade	2	13.3
Total	15	100.0

1. As of March 31, 2009, the 23 respondents had combined assets of $1.0 trillion, compared to $1.9 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.