BOARD OF GOVERNORS
OF THE
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DIVISION OF MONETARY AFFAIRS

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TO: HEADS OF RESEARCH AT ALL FEDERAL RESERVE BANKS

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

The January 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. The survey also contained special questions about changes in terms on commercial real estate loans during 2006, the effects of the 2005 bankruptcy reforms, and expected changes in asset quality over 2007. This article is based on responses from fifty-seven domestic banks and twenty-two foreign banking institutions.

Overall, the survey respondents reported mixed changes in lending standards and terms in January, while demand for most loan types was reportedly somewhat weaker. Domestic and foreign institutions noted that they had eased some terms on commercial and industrial (C&I) loans over the past three months, while credit standards on such loans had changed little. By contrast, domestic respondents indicated that they had tightened credit standards on commercial real estate loans over the previous three months. Demand for C&I loans at domestic banks was reportedly little changed, on balance, in the January survey, while demand for commercial real estate loans at these institutions was said to have weakened over the past three months. Foreign institutions, by contrast, reported that they had experienced stronger demand for commercial real estate loans over the same period. In the household sector, domestic respondents noted that they had tightened credit standards on residential mortgage loans over the survey period, while demand for such loans continued to weaken. Lending standards and terms on credit card and non-credit-card consumer loans were little changed in the January survey, but a considerable net fraction of domestic banks reported that they had seen weaker demand for consumer loans over the past three months.

Regarding the special questions, domestic and foreign institutions reported that terms on commercial real estate loans were generally little changed over the past year, although a considerable net fraction of domestic respondents noted that they had trimmed spreads of loan rates over their cost of funds. In response to the special questions on the effects of the 2005 bankruptcy reforms, domestic banks reported that they had not changed their lending policies for credit card loans as a result of the reforms. Nevertheless, a significant fraction of these institutions anticipate that chargeoffs on such loans will be somewhat lower in the long term. Considerable net percentages of both foreign and domestic institutions reportedly expect credit quality on loans to businesses and households to deteriorate somewhat in 2007.

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

In the January survey, domestic institutions reported that credit standards on C&I loans to large and middle-market firms were unchanged, on net, over the past three months. These respondents, however, noted that they had eased some terms on C&I loans to such firms over the same period. Forty-five percent of respondents—a somewhat larger net percentage than in the previous survey—indicated that they had trimmed spreads of loan rates over their cost of funds over the past three months, while smaller net fractions reported that they had eased loan covenants or reduced the costs of credit lines. Credit standards on C&I loans to small firms were also reportedly little changed, on balance, in the January survey, but 30 percent of domestic banks, on net, reported that they had trimmed spreads of loan rates over their cost of funds for such customers over the past three months.

As they did in the previous survey, U.S. branches and agencies of foreign banks reported that their standards on C&I loans had changed little over the past three months. However, significant net fractions of these institutions indicated that they had increased the maximum size of credit lines, eased loan covenants, and narrowed spreads of loan rates over their cost of funds.

Nearly all domestic banks and all U.S. branches and agencies of foreign banks that indicated having eased their lending standards and terms in the January survey cited more-aggressive competition from other banks or nonbank lenders as the most important reason for having done so. A significant percentage of domestic institutions also pointed to a more favorable or less uncertain economic outlook, while considerable fractions of foreign institutions cited increased liquidity in the secondary market for such loans and increased tolerance for risk as reasons for their move toward a less stringent lending posture.

At both domestic and foreign institutions, demand for C&I loans was reportedly little changed, on balance, over the past three months. Among domestic institutions that experienced stronger demand for C&I loans, more than 80 percent cited a rise in merger and acquisition activity as a reason for the strengthening in demand, while about two-thirds pointed to borrowers' increased needs to finance investment in plant or equipment. Among domestic respondents that saw weaker demand for C&I loans, about two-thirds attributed the softening to borrowers' decreased needs to finance investment in plant or equipment, while one-half cited borrowers' decreased financing needs for accounts receivable or a shift in customer borrowing to another bank or to nonbank sources of credit.

Regarding future business, a small net fraction of domestic respondents indicated that the number of inquiries from potential business borrowers had decreased over the previous three months. By contrast, about 10 percent of foreign respondents, on balance, reported that the number of inquiries from potential business borrowers had increased in January.

Commercial Real Estate Lending
(Table 1, questions 7-10; Table 2, questions 7-10)

About one-fourth of domestic institutions—a somewhat smaller net fraction than in the October survey—reported that they had tightened lending standards on commercial real estate loans over the past three months. Thirty-five percent of domestic respondents—a slightly larger net percentage than in the previous survey—indicated that they had seen weaker demand for such loans over the same period. At foreign institutions, by contrast, lending standards on commercial real estate loans were unchanged, on net, in the January survey; in addition, about one-fifth of these institutions reported that they had experienced stronger demand for such loans.

For several years, the January survey has asked banks to report the changes over the past twelve months in various commercial real estate loan terms. This year's responses indicate that at both domestic and foreign institutions most terms on such loans were little changed, on net, over the past year. However, 55 percent of domestic respondents, on balance, reported that they had trimmed spreads of loan rates over their cost of funds, while relatively small net fractions of foreign respondents noted that they had increased maximum loan sizes or reduced debt service coverage ratios. Nearly all domestic banks and all foreign institutions that had eased terms on commercial real estate loans over the past twelve months cited more-aggressive competition from other banks or nonbank lenders as the most important reason for having done so.

Lending to Households
(Table 1, questions 11-20)

On balance, about 15 percent of domestic banks reported that they had tightened credit standards on residential mortgage loans over the past three months, the highest net fraction posted since the early 1990s. Almost 40 percent of domestic institutions—a somewhat smaller net fraction than in the October survey—indicated that demand for such loans had weakened over the previous three months.

Domestic respondents reported that their willingness to make consumer installment loans was little changed in the January survey. Similarly, standards and terms on credit card and non-credit-card consumer loans had reportedly changed little, on balance, over the previous three months. One-third of domestic institutions indicated that they had experienced weaker demand for consumer loans, a slightly smaller net percentage than in the previous survey.

A set of special questions asked domestic banks about the effects of the bankruptcy reform legislation that took effect on October 17, 2005. Virtually all domestic respondents reported that they had not changed their lending policies for credit card loans in response to the reforms. Two institutions indicated that they had tightened credit standards for approving applications for credit card loans. About one-fourth of domestic institutions indicated that, after accounting for changes in their lending standards and terms, they anticipate that their chargeoffs on credit card loans will be lower in the long term as a result of the reforms.

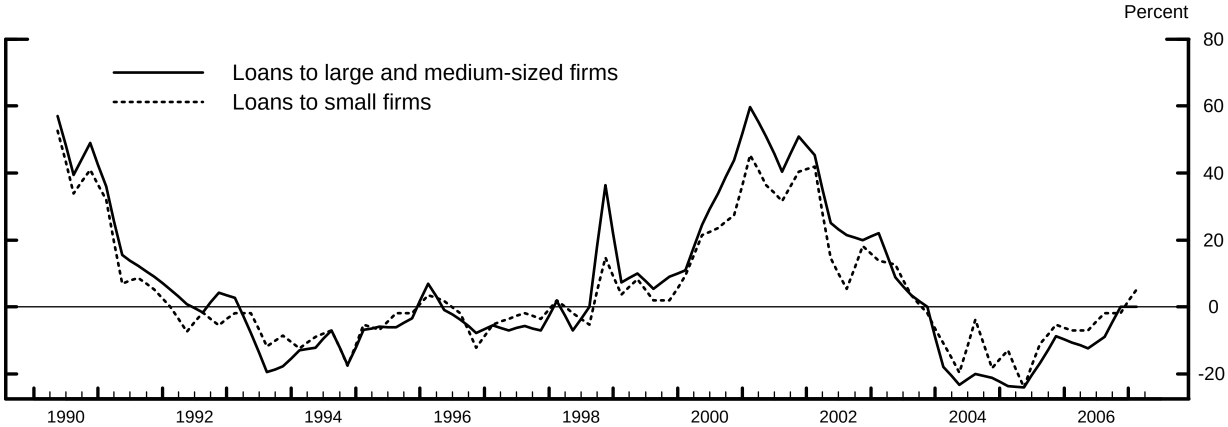
Special Questions on the Outlook for Loan Quality in 2007
(Table 1, questions 21-22; Table 2, question 11)

A final set of special questions queried banks about their outlook for delinquencies and chargeoffs on their loans to businesses and households in 2007 under the assumption that economic activity will progress in line with consensus forecasts. Overall, the responses suggest that banks expect a deterioration in loan quality this year. About 45 percent of domestic respondents, on net, reported that they expect the quality of their loans to businesses—including both C&I and commercial real estate loans—to deteriorate somewhat. At U.S. branches and agencies of foreign banks, the fraction of respondents that expected a decline in the credit quality of loans to businesses was somewhat smaller. About 35 percent of domestic institutions, on balance, indicated that they anticipate that the quality of both credit card and non-credit-card consumer loans will deteriorate in 2007. A similar net fraction of domestic respondents reported that they expect the quality of their traditional residential mortgages to decline. One-half of domestic banks, on net, reported that they expect a worsening of the quality of their nontraditional residential mortgage loans this year; a few institutions noted that they anticipate that the quality of such loans will deteriorate substantially in 2007. Banks were asked the same set of special questions about their outlook for loan quality in the January 2006 survey. A year ago, the net fraction of institutions that anticipated some deterioration in credit quality was notably smaller for loans to both businesses and households.

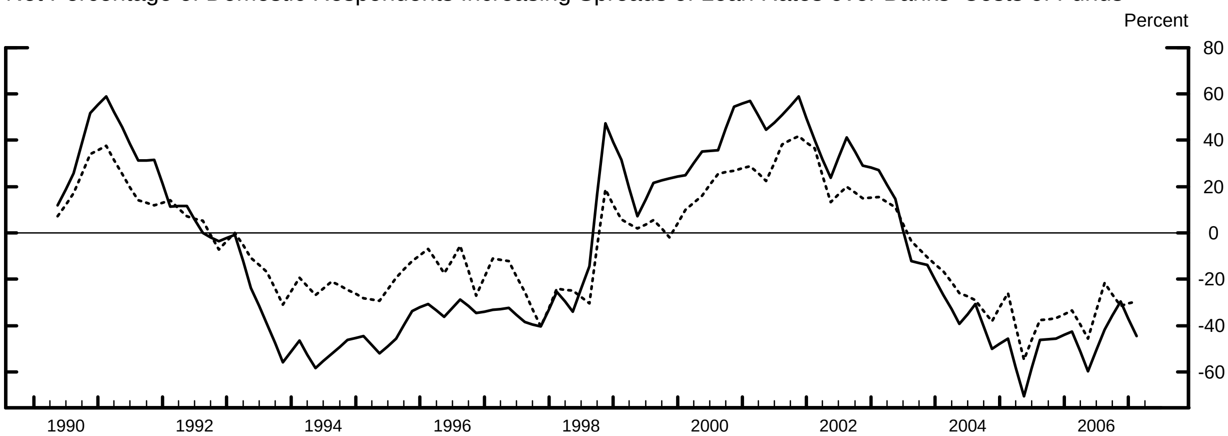
This document was prepared by Fabio Natalucci with the research assistance of Arshia Burney and Isaac Laughlin, Division of Monetary Affairs, Board of Governors of the Federal Reserve System.

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

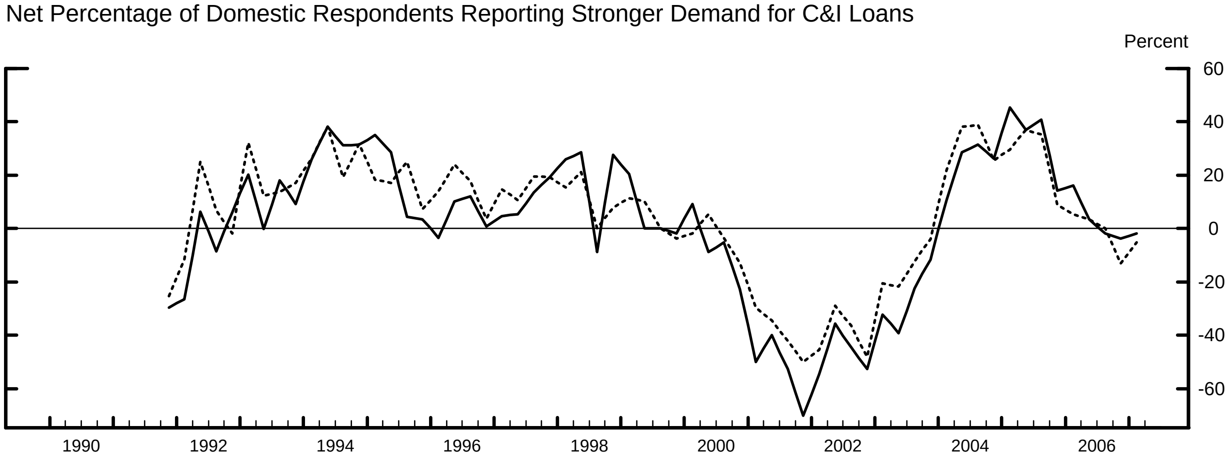
Net Percentage of Domestic Respondents Tightening Standards for C&I Loans



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

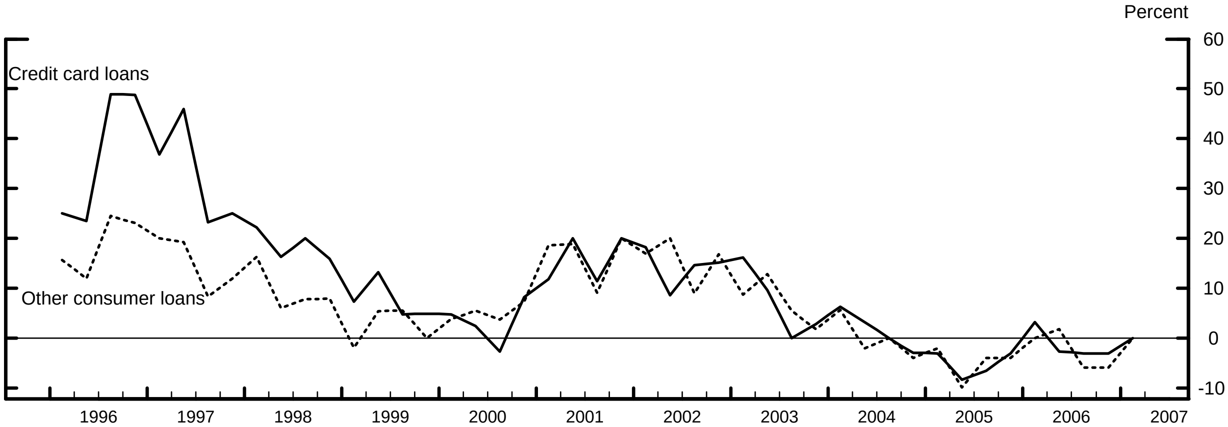


Net Percentage of Domestic Respondents Reporting Stronger Demand for C&I Loans

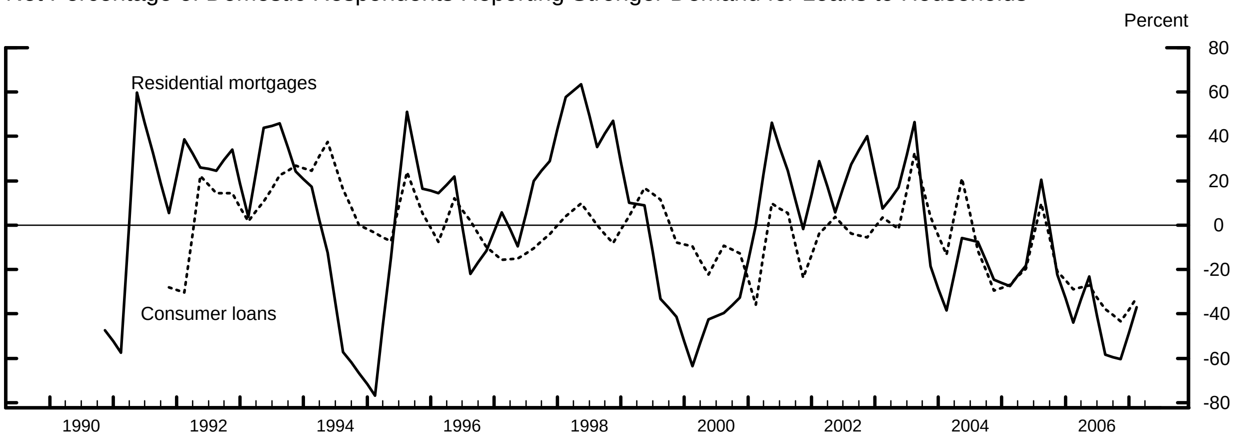


Measures of Supply and Demand for Loans to Households

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

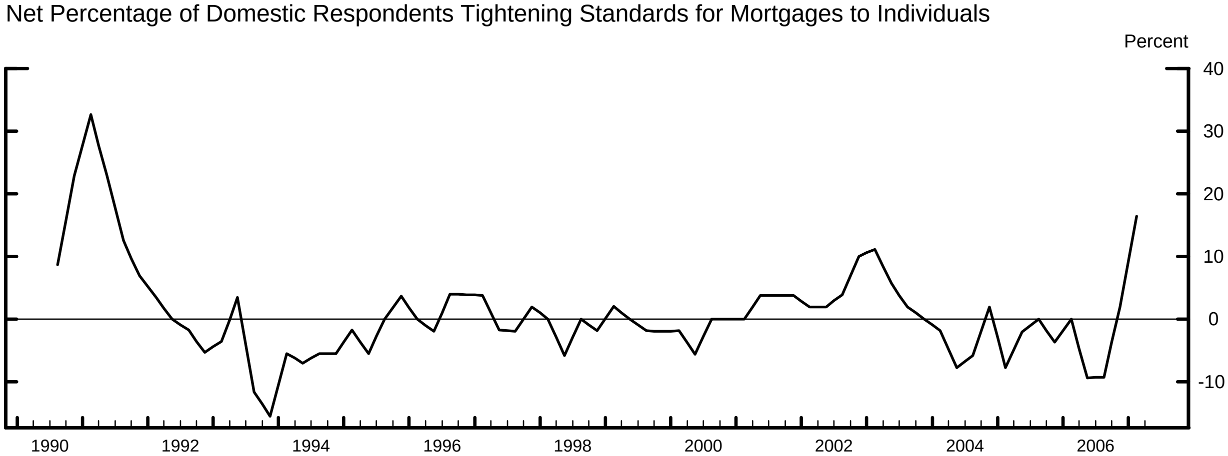


Table 1

Senior Loan Officer Opinion Survey on Bank Lending Practices at Selected Large Banks in the United States [1]

(Status of policy as of January 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	3	5.3	1	2.7	2	10.0
Remained basically unchanged	51	89.5	34	91.9	17	85.0
Eased somewhat	3	5.3	2	5.4	1	5.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	57	100.0	37	100.0	20	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	4	7.1	2	5.6	2	10.0
Remained basically unchanged	51	91.1	34	94.4	17	85.0
Eased somewhat	1	1.8	0	0.0	1	5.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	56	100.0	36	100.0	20	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	3.05	3.11	2.95
Maximum maturity of loans or credit lines	3.04	3.03	3.05
Costs of credit lines	3.16	3.22	3.05
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.45	3.42	3.50
Premiums charged on riskier loans	3.09	3.08	3.10
Loan covenants	3.18	3.28	3.00
Collateralization requirements	3.04	3.06	3.00
Other (please specify)	2.75	2.50	3.00
Number of banks responding	56	36	20

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	3.04	3.09	2.95
Maximum maturity of loans or credit lines	3.06	3.06	3.05
Costs of credit lines	3.11	3.15	3.05
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.30	3.26	3.35
Premiums charged on riskier loans	3.04	3.06	3.00
Loan covenants	3.04	3.09	2.95
Collateralization requirements	3.00	3.00	3.00
Other (please specify)	3.00	3.00	3.00
Number of banks responding	54	34	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	**Large Banks**	**Other Banks**
	Mean	**Mean**	**Mean**
Deterioration in your bank's current or expected capital position	1.38	1.50	1.00
Less favorable or more uncertain economic outlook	1.77	1.80	1.67
Worsening of industry-specific problems (please specify industries)	1.69	1.80	1.33
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.46	1.40	1.67
Reduced tolerance for risk	1.69	1.60	2.00
Decreased liquidity in the secondary market for these loans	1.23	1.30	1.00
Increase in defaults by borrowers in public debt markets	1.15	1.20	1.00
Other (please specify)	2.67	2.67	0.00
Number of banks responding	14	11	3

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	1.10	1.09	1.14
More favorable or less uncertain economic outlook	1.24	1.23	1.29
Improvement in industry-specific problems (please specify industries)	1.03	1.05	1.00
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	2.66	2.59	2.86
Increased tolerance for risk	1.17	1.23	1.00
Increased liquidity in the secondary market for these loans	1.14	1.18	1.00
Reduction in defaults by borrowers in public debt markets	1.21	1.27	1.00
Other (please specify)	1.00	1.00	1.00
Number of banks responding	29	22	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	11	19.3	9	24.3	2	10.0
About the same	34	59.6	20	54.1	14	70.0
Moderately weaker	12	21.1	8	21.6	4	20.0
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	57	100.0	37	100.0	20	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	9	16.1	8	22.2	1	5.0
About the same	35	62.5	19	52.8	16	80.0
Moderately weaker	12	21.4	9	25.0	3	15.0
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	56	100.0	36	100.0	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 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	1.69	1.55	2.50
Customer accounts receivable financing needs increased	1.54	1.36	2.50
Customer investment in plant or equipment increased	1.85	1.73	2.50
Customer internally generated funds decreased	1.31	1.27	1.50
Customer merger or acquisition financing needs increased	2.31	2.36	2.00
Customer borrowing shifted to your bank from other bank or nonbank sources because these other sources became less attractive	1.46	1.55	1.00
Other (please specify)	3.00	3.00	0.00
Number of banks responding	13	11	2

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	1.50	1.58	1.25
Customer accounts receivable financing needs decreased	1.56	1.67	1.25
Customer investment in plant or equipment decreased	1.88	2.00	1.50
Customer internally generated funds increased	1.38	1.42	1.25
Customer merger or acquisition financing needs decreased	1.25	1.25	1.25
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	1.56	1.50	1.75
Other (please specify)	2.00	3.00	1.00
Number of banks responding	16	12	4

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	0	0.0	0	0.0	0	0.0
The number of inquiries has increased moderately	8	14.0	5	13.5	3	15.0
The number of inquiries has stayed about the same	38	66.7	26	70.3	12	60.0
The number of inquiries has decreased moderately	11	19.3	6	16.2	5	25.0
The number of inquiries has decreased substantially	0	0.0	0	0.0	0	0.0
Total	57	100.0	37	100.0	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		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	19	33.3	12	32.4	7	35.0
Remained basically unchanged	34	59.6	22	59.5	12	60.0
Eased somewhat	4	7.0	3	8.1	1	5.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	57	100.0	37	100.0	20	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	5.3	1	2.7	2	10.0
About the same	31	54.4	20	54.1	11	55.0
Moderately weaker	22	38.6	15	40.5	7	35.0
Substantially weaker	1	1.8	1	2.7	0	0.0
Total	57	100.0	37	100.0	20	100.0

Questions 9-10 *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.*

9. 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	3.09	3.14	3.00
Maximum loan maturity	3.07	3.08	3.05
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.58	3.57	3.60
Loan-to-value ratios	3.04	3.03	3.05
Requirements for take-out financing	3.02	3.03	3.00
Debt-service coverage ratios	3.09	3.11	3.05
Other (please specify)	2.11	2.25	1.00
Number of banks responding	57	37	20

10. If your bank has tightened or eased its terms for commercial real estate loans over the **past year** (as described in question 9), 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	2.05	2.20	1.67
Worsening of the condition of, or the outlook for, commercial real estate in the markets where your bank operates	2.00	2.13	1.67
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.14	1.20	1.00
Reduced tolerance for risk	1.76	1.80	1.67
Less liquid market for securities collateralized by these loans	1.14	1.20	1.00
The federal banking agencies' guidance on concentrations in commercial real estate lending	1.33	1.40	1.17
Other (please specify)	2.33	2.33	0.00
Number of banks responding	21	15	6

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

	All Respondents	Large Banks	Other Banks
	Mean	**Mean**	**Mean**
More favorable economic outlook	1.28	1.26	1.33
Improvement in the condition of, or the outlook for, commercial real estate in the markets where your bank operates	1.38	1.39	1.33
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	2.50	2.39	2.78
Increased tolerance for risk	1.13	1.13	1.11
More liquid market for securities collateralized by these loans	1.47	1.48	1.44
The federal banking agencies' guidance on concentrations in commercial real estate lending	1.06	1.09	1.00
Other (please specify)	2.00	2.00	0.00
Number of banks responding	32	23	9

Questions 11-12 *ask about* ***residential mortgage loans*** *at your bank. Question 11 deals with changes in your bank's credit standards over the past three months, and question 12 deals with changes in demand over the same period. If your bank's credit standards have not changed over the relevant period, please report them as unchanged even if the standards are either restrictive or accommodative relative to longer-term norms. If your bank's credit standards have tightened or eased over the relevant period, please so report them regardless of how they stand relative to longer-term norms. Also, please report changes in enforcement of existing standards as changes in standards.*

11. 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	10	18.2	8	22.2	2	10.5
Remained basically unchanged	44	80.0	28	77.8	16	84.2
Eased somewhat	1	1.8	0	0.0	1	5.3
Eased considerably	0	0.0	0	0.0	0	0.0
Total	55	100.0	36	100.0	19	100.0

12. 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	3	5.6	3	8.3	0	0.0
About the same	28	51.9	15	41.7	13	72.2
Moderately weaker	22	40.7	18	50.0	4	22.2
Substantially weaker	1	1.9	0	0.0	1	5.6
Total	54	100.0	36	100.0	18	100.0

Questions 13-18 *ask about* **consumer lending** *at your bank. Question 13 deals with changes in your bank's willingness to make consumer loans over the past three months. Questions 14-17 deal with changes in credit standards and loan terms over the same period. Question 18 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.*

13. 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	0	0.0	0	0.0	0	0.0
Somewhat more willing	2	3.6	2	5.7	0	0.0
About unchanged	52	94.5	33	94.3	19	95.0
Somewhat less willing	1	1.8	0	0.0	1	5.0
Much less willing	0	0.0	0	0.0	0	0.0
Total	55	100.0	35	100.0	20	100.0

14. 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	5.7	2	9.5	0	0.0
Remained basically unchanged	31	88.6	18	85.7	13	92.9
Eased somewhat	2	5.7	1	4.8	1	7.1
Eased considerably	0	0.0	0	0.0	0	0.0
Total	35	100.0	21	100.0	14	100.0

15. 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	3	5.5	2	5.7	1	5.0
Remained basically unchanged	49	89.1	30	85.7	19	95.0
Eased somewhat	3	5.5	3	8.6	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	55	100.0	35	100.0	20	100.0

16. 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	3.06	3.05	3.08
Spreads of interest rates charged on outstanding balances over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.09	3.00	3.23
Minimum percent of outstanding balances required to be repaid each month	2.94	2.90	3.00
Minimum required credit score (increased score=tightened, reduced score=eased)	2.97	2.90	3.08
The extent to which loans are granted to some customers that do not meet credit scoring thresholds (increased=eased, decreased=tightened)	2.94	2.95	2.92
Other (please specify)	0.00	0.00	0.00
Number of banks responding	34	21	13

17. 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	3.07	3.09	3.05
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.00	2.89	3.20
Minimum required downpayment	3.02	3.03	3.00
Minimum required credit score (increased score=tightened, reduced score=eased)	2.98	2.97	3.00
The extent to which loans are granted to some customers that do not meet credit scoring thresholds (increased=eased, decreased=tightened)	2.89	2.86	2.95
Other (please specify)	2.00	2.00	0.00
Number of banks responding	55	35	20

18. 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	4	7.3	3	8.6	1	5.0
About the same	29	52.7	17	48.6	12	60.0
Moderately weaker	21	38.2	14	40.0	7	35.0
Substantially weaker	1	1.8	1	2.9	0	0.0
Total	55	100.0	35	100.0	20	100.0

The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 took effect on October 17, 2005. After a jump in the fourth quarter of 2005, chargeoffs on credit card loans fell to relatively low levels in 2006. ***Questions 19-20*** *ask for your assessment of the effects of the bankruptcy reform legislation.*

19. How has your bank changed its lending policy for credit card loans in response to the bankruptcy reform legislation? (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 standards	2.94	2.95	2.93
Price-related terms (higher fees and wider spreads=tightened; lower fees and narrower spreads=eased)	3.00	3.00	3.00
Non-price-related terms	3.00	3.00	3.00
Number of banks responding	36	21	15

20. After accounting for changes in standards and terms, how is the bankruptcy reform legislation expected to affect your bank's chargeoffs on new credit card loans in the long term? Chargeoffs will be:

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
About the same	26	76.5	15	75.0	11	78.6
Moderately lower	6	17.6	3	15.0	3	21.4
Substantially lower	2	5.9	2	10.0	0	0.0
Total	34	100.0	20	100.0	14	100.0

In recent quarters, delinquencies and chargeoffs on loans to both businesses and households have been low relative to longer-term norms. ***Questions 21-22*** *ask about your bank's expectations for the behavior of these measures of loan quality in 2007.*

21. Assuming that economic activity progresses in line with consensus forecasts, what is your outlook for delinquencies and chargeoffs on your bank's **loans to businesses** in 2007?

a. Outlook for loan quality on C&I loans:

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Loan quality is likely to improve substantially	0	0.0	0	0.0	0	0.0
Loan quality is likely to improve somewhat	0	0.0	0	0.0	0	0.0
Loan quality is likely to stabilize around current levels	29	54.7	17	51.5	12	60.0
Loan quality is likely to deteriorate somewhat	24	45.3	16	48.5	8	40.0
Loan quality is likely to deteriorate substantially	0	0.0	0	0.0	0	0.0
Total	53	100.0	33	100.0	20	100.0

b. Outlook for loan quality on commercial real estate loans:

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Loan quality is likely to improve substantially	0	0.0	0	0.0	0	0.0
Loan quality is likely to improve somewhat	2	3.7	2	5.9	0	0.0
Loan quality is likely to stabilize around current levels	27	50.0	13	38.2	14	70.0
Loan quality is likely to deteriorate somewhat	25	46.3	19	55.9	6	30.0
Loan quality is likely to deteriorate substantially	0	0.0	0	0.0	0	0.0
Total	54	100.0	34	100.0	20	100.0

22. Assuming that economic activity progresses in line with consensus forecasts, what is your outlook for delinquencies and chargeoffs on your bank's **loans to households** in 2007?

a. Outlook for loan quality on credit card loans:

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Loan quality is likely to improve substantially	0	0.0	0	0.0	0	0.0
Loan quality is likely to improve somewhat	1	2.9	1	5.0	0	0.0
Loan quality is likely to stabilize around current levels	20	58.8	9	45.0	11	78.6
Loan quality is likely to deteriorate somewhat	13	38.2	10	50.0	3	21.4
Loan quality is likely to deteriorate substantially	0	0.0	0	0.0	0	0.0
Total	34	100.0	20	100.0	14	100.0

b. Outlook for loan quality on consumer loans other than credit cards:

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Loan quality is likely to improve substantially	0	0.0	0	0.0	0	0.0
Loan quality is likely to improve somewhat	1	1.9	1	2.9	0	0.0
Loan quality is likely to stabilize around current levels	32	59.3	17	50.0	15	75.0
Loan quality is likely to deteriorate somewhat	20	37.0	15	44.1	5	25.0
Loan quality is likely to deteriorate substantially	1	1.9	1	2.9	0	0.0
Total	54	100.0	34	100.0	20	100.0

c. Outlook for loan quality on *traditional* residential mortgage loans:*

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Loan quality is likely to improve substantially	0	0.0	0	0.0	0	0.0
Loan quality is likely to improve somewhat	2	3.8	2	5.9	0	0.0
Loan quality is likely to stabilize around current levels	29	54.7	13	38.2	16	84.2
Loan quality is likely to deteriorate somewhat	22	41.5	19	55.9	3	15.8
Loan quality is likely to deteriorate substantially	0	0.0	0	0.0	0	0.0
Total	53	100.0	34	100.0	19	100.0

d. Outlook for loan quality on *nontraditional* residential mortgage loans:†

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Loan quality is likely to improve substantially	0	0.0	0	0.0	0	0.0
Loan quality is likely to improve somewhat	1	2.1	1	3.1	0	0.0
Loan quality is likely to stabilize around current levels	22	45.8	12	37.5	10	62.5
Loan quality is likely to deteriorate somewhat	21	43.8	16	50.0	5	31.3
Loan quality is likely to deteriorate substantially	4	8.3	3	9.4	1	6.3
Total	48	100.0	32	100.0	16	100.0

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 September 30, 2006. The combined assets of the 37 large banks totaled $5.04 trillion, compared to $5.25 trillion for the entire panel of 57 banks, and $8.37 trillion for all domestically chartered, federally insured commercial banks.

*Traditional mortgage products include fixed-rate mortgages, standard adjustable-rate mortgages, and common hybrid adjustable-rate mortgages—that is, mortgages for which the interest rate is initially fixed for a multi-year period and subsequently adjusts more frequently.

†Nontraditional mortgage products include, but are 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.

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 January 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	4.5
Remained basically unchanged	19	86.4
Eased somewhat	2	9.1
Eased considerably	0	0.0
Total	22	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	3.29
Maximum maturity of loans or credit lines	3.14
Costs of credit lines	3.10
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.24
Premiums charged on riskier loans	3.19
Loan covenants	3.29
Collateralization requirements	3.05
Other (please specify)	3.00
Number of banks responding	21

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	2.00
Less favorable or more uncertain economic outlook	1.50
Worsening of industry-specific problems (please specify industries)	1.50
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.50
Reduced tolerance for risk	1.00
Decreased liquidity in the secondary market for these loans	1.50
Increase in defaults by borrowers in public debt markets	1.00
Other (please specify)	1.00
Number of banks responding	2

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	1.11
Improvement in industry-specific problems (please specify industries)	1.00
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	2.64
Increased tolerance for risk	1.40
Increased liquidity in the secondary market for these loans	1.82
Reduction in defaults by borrowers in public debt markets	1.11
Other (please specify)	1.00
Number of banks responding	11

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	13.6
About the same	16	72.7
Moderately weaker	3	13.6
Substantially weaker	0	0.0
Total	22	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	1.00
Customer accounts receivable financing needs increased	1.00
Customer investment in plant or equipment increased	1.33
Customer internally generated funds decreased	1.33
Customer merger or acquisition financing needs increased	2.33
Customer borrowing shifted to your bank from other bank or nonbank sources because these other sources became less attractive	1.33
Other (please specify)	1.00
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	2.50
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	5	22.7
The number of inquiries has stayed about the same	14	63.6
The number of inquiries has decreased moderately	3	13.6
The number of inquiries has decreased substantially	0	0.0
Total	22	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	1	5.9
Tightened somewhat	1	5.9
Remained basically unchanged	13	76.5
Eased somewhat	2	11.8
Eased considerably	0	0.0
Total	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	
	Banks	**Percent**
Substantially stronger	1	6.3
Moderately stronger	5	31.3
About the same	7	43.8
Moderately weaker	3	18.8
Substantially weaker	0	0.0
Total	16	100.0

Questions 9-10 *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.*

9. 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
	Mean
Maximum loan size	3.23
Maximum loan maturity	3.07
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.07
Loan-to-value ratios	3.00
Requirements for take-out financing	3.00
Debt-service coverage ratios	3.21
Other (please specify)	3.00
Number of banks responding	14

10. If your bank has tightened or eased its terms for commercial real estate loans over the **past year** (as described in question 9), 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
	Mean
Less favorable economic outlook	1.67
Worsening of the condition of, or the outlook for, commercial real estate in the markets where your bank operates	2.00
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	2.00
Reduced tolerance for risk	2.00
Less liquid market for securities collateralized by these loans	1.33
The federal banking agencies' guidance on concentrations in commercial real estate lending	1.33
Other (please specify)	1.00
Number of banks responding	3

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

	All Respondents
	Mean
More favorable economic outlook	1.20
Improvement in the condition of, or the outlook for, commercial real estate in the markets where your bank operates	1.40
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	2.50
Increased tolerance for risk	1.83
More liquid market for securities collateralized by these loans	1.60
The federal banking agencies' guidance on concentrations in commercial real estate lending	1.80
Other (please specify)	0.00
Number of banks responding	6

In recent quarters, delinquencies and chargeoffs on loans to businesses have been low relative to longer-term norms. ***Question 11*** *asks about your bank's expectations for the behavior of these measures of loan quality in 2007.*

11. Assuming that economic activity progresses in line with consensus forecasts, what is your outlook for delinquencies and chargeoffs on your bank's **loans to businesses** in 2007?

a. Outlook for loan quality on C&I loans:

	All Respondents	
	Banks	**Percent**
Loan quality is likely to improve substantially	0	0.0
Loan quality is likely to improve somewhat	0	0.0
Loan quality is likely to stabilize around current levels	14	66.7
Loan quality is likely to deteriorate somewhat	7	33.3
Loan quality is likely to deteriorate substantially	0	0.0
Total	21	100.0

b. Outlook for loan quality on commercial real estate loans:

	All Respondents	
	Banks	**Percent**
Loan quality is likely to improve substantially	0	0.0
Loan quality is likely to improve somewhat	1	6.7
Loan quality is likely to stabilize around current levels	8	53.3
Loan quality is likely to deteriorate somewhat	6	40.0
Loan quality is likely to deteriorate substantially	0	0.0
Total	15	100.0

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1. As of September 30, 2006, the 22 respondents had combined assets of $831 billion, compared to $1.41 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.