The January 1997 Senior Loan Officer
Opinion Survey on Bank Lending Practices

The January 1997 Senior Loan Officer Opinion Survey on Bank Lending Practices posed questions about bank lending standards and terms, loan demand by businesses and households, the recent rapid growth in home equity loans, and the use of credit scoring models for small business lending.

The survey results suggest that competition for commercial credits remains stiff. Many of the respondents reported that they had eased terms on business loans over the past three months, citing pressure from other banks and nonbanks as the cause. While competing aggressively on loan terms, only a few banks said they had relaxed standards on these loans. The survey also found little evidence of looser standards for commercial real estate loans. A small net number of banks reported increased demand for business loans from large and middle-market customers, although several reported greater demand from small businesses. Several domestic and many foreign respondents also experienced an increase in demand for commercial real estate loans.

The results were consistent with the recent slowdown in consumer loan growth and the marked pick up in the growth of home equity loans. A large number of banks said they had raised standards on credit card loans and many said they had done so for other consumer loans. Furthermore, several banks eased standards on home equity loans. In addition, several banks reported weaker demand for consumer loans, but many experienced increased demand for home equity loans. The responses to special questions on the survey suggest that the recent rapid growth in home equity loans was in part the result of substitution for unsecured forms of consumer credit. This shift reportedly has arisen from bank promotion of such substitution as well as from the initiative of borrowers attempting to consolidate their debt.

Other special questions found that about two-thirds of the respondents use credit scores in their small business lending. The scores are most commonly used to decide whether a loan will be made, and rarely for the setting of loan terms.

Lending to Businesses

(Table 1, questions 1-13; table 2, questions 1-7)

The survey found a slight easing of lending standards for business loans over the past three months (chart). For loans to large, middle-market, and small businesses, about 5 percent of domestic banks indicated that they had eased standards; a similar percentage of foreign banks eased standards. Much larger fractions of banks reported easing terms on business loans. One-third of the domestic respondents reported a decrease in the spreads of loan rates over market rates for loans to large and middle-market firms, and about one-tenth reported narrower spreads for small businesses. Smaller net fractions eased other terms, including credit line costs, size of credit lines, loan covenants, and collateralization requirements. Banks generally said they had eased standards and terms to meet competition from other banks and, to a lesser extent, from nonbank lenders. A similar degree of easing of standards and terms was found in the November survey.

Also as in November, only slight net margins of banks reported stronger demand for business loans. About 15 percent, on net, of domestic respondents reported increased demand for business loans from small firms and somewhat fewer indicated increased demand from large or middle-market firms. Demand was up at about 10 percent of the foreign respondents. Banks attributed the increased demand from small firms to plant and equipment investment and inventory financing needs. The increased demand from large and middle-market firms reportedly also derived somewhat from these factors but mainly from greater merger and acquisition financing.

Only one domestic respondent, on net, and two foreign respondents indicated an easing of standards on construction and land development loans. About 15 percent of the domestic respondents and nearly one-third of the foreign respondents experienced an increase in demand for these loans.

Lending to Households

(Table 1, questions 14-26)

For the fifth consecutive survey, significant fractions of banks said they had tightened standards on consumer loans. Nearly 40 percent of the banks, on net, said they had tightened standards over the past three months for approving new credit card accounts, and 20 percent tightened standards on other consumer loans. Nevertheless, the survey found essentially no change in banks' willingness to make consumer installment loans (chart). Terms on credit cards tightened: One-fourth of the respondents, on net, lowered credit limits, and about 10 percent raised spreads on these loans and on other consumer loans. Other terms on consumer loans were about unchanged. On net, 15 percent of the respondents reported a decline in demand for consumer loans.

Banks indicated a slight tightening in standards for approving home mortgages over the past three months and a slight increase, on net, in demand for these loans. About 15 percent of the banks reported easing standards for home equity loans and similar fractions reported easing maximum loan-to-value levels. Smaller net fractions eased spreads and fees on these loans.

The easing of terms for home equity loans was apparently a factor in the recent rapid growth in these loans. One-third of the respondents said that easing terms on home equity loans, including entering the market for low- or no-equity loans, had boosted the amount of these loans on their books. However, a significantly larger fraction of the banks--two-thirds--said that encouraging specific customers to switch from unsecured consumer loans to home equity loans had boosted home equity outstandings. In addition, three-quarters said increased demand for these loans was a factor in the recent growth.

Those banks that had followed policies to increase their holdings of home equity loans said they did so because the increased riskiness of, and the increased competition for, unsecured consumer loans had made the risk-adjusted yield on home equity loans relatively more attractive. Those banks that experienced increased demand for home equity loans attributed the increase to debt consolidation and to the increased credit needs of their customers.

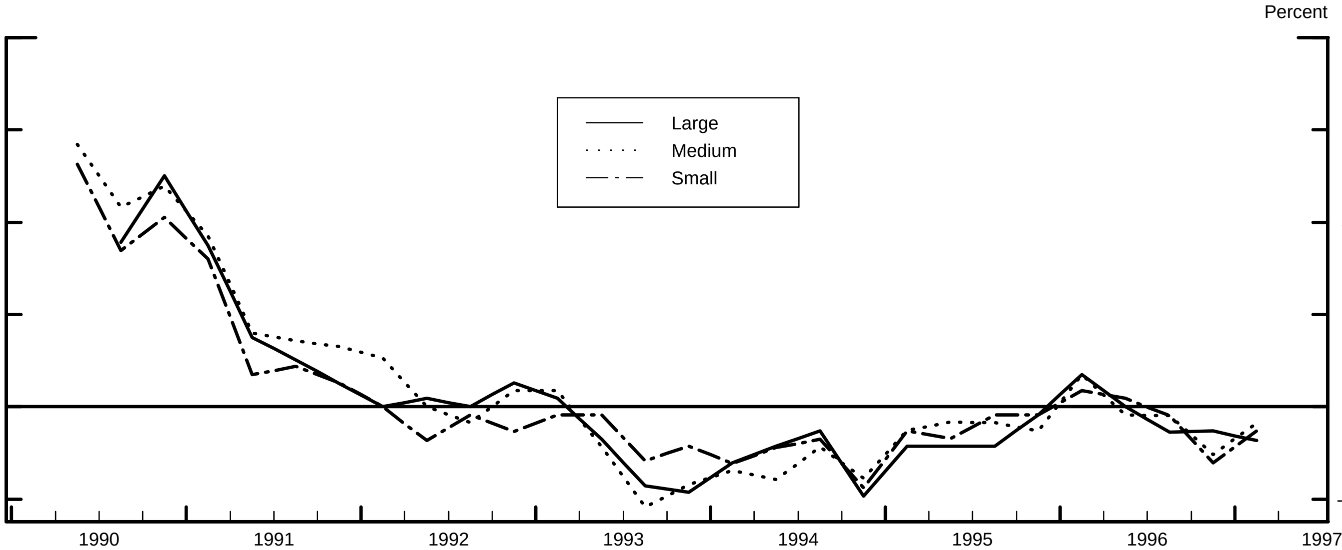
Credit Scores and Small Business Loans
(Table 1, questions 27-33)

Special questions on the survey examined respondents' use of credit scores for small business lending. Two-fifths of the respondents said they always use credit scores when making small business loans and one-fourth said they sometimes use them. Of those banks that used credit scores, two-fifths used them for the automatic acceptance or rejection of some applications and nearly all used them as part of the evaluation process other than automatic acceptance or rejection. Banks most commonly used the scores for automatic acceptance or rejection of loans of amounts less than $50,000, but used the scores for some part of the evaluation process for loans of amounts up to $100,000. Two-fifths of the banks used the scores to evaluate existing loans. Only a few of the banks--15 percent--used the scores to set loan terms. Most of the banks purchase their scores, although several used scores from an internally developed credit scoring model.

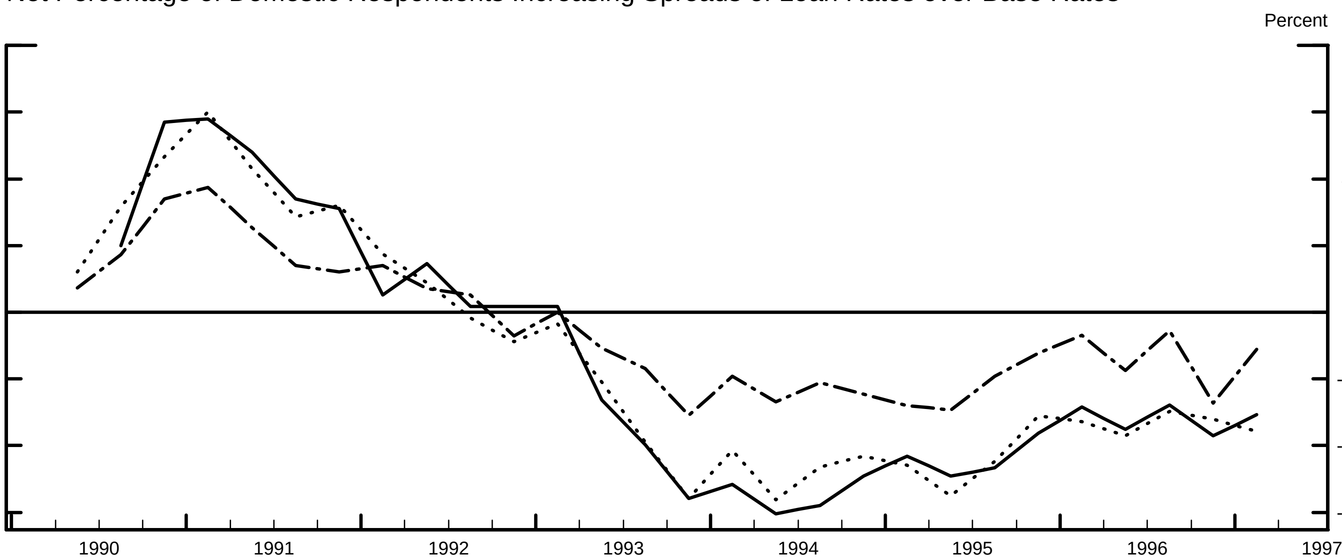
Only two of the respondents reported having securitized any small business loans, and these two had securitized only SBA-guaranteed loans. One of these banks said the use of credit scores had not facilitated the securitization of the loans, and the other bank said scoring had helped, but only slightly.

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

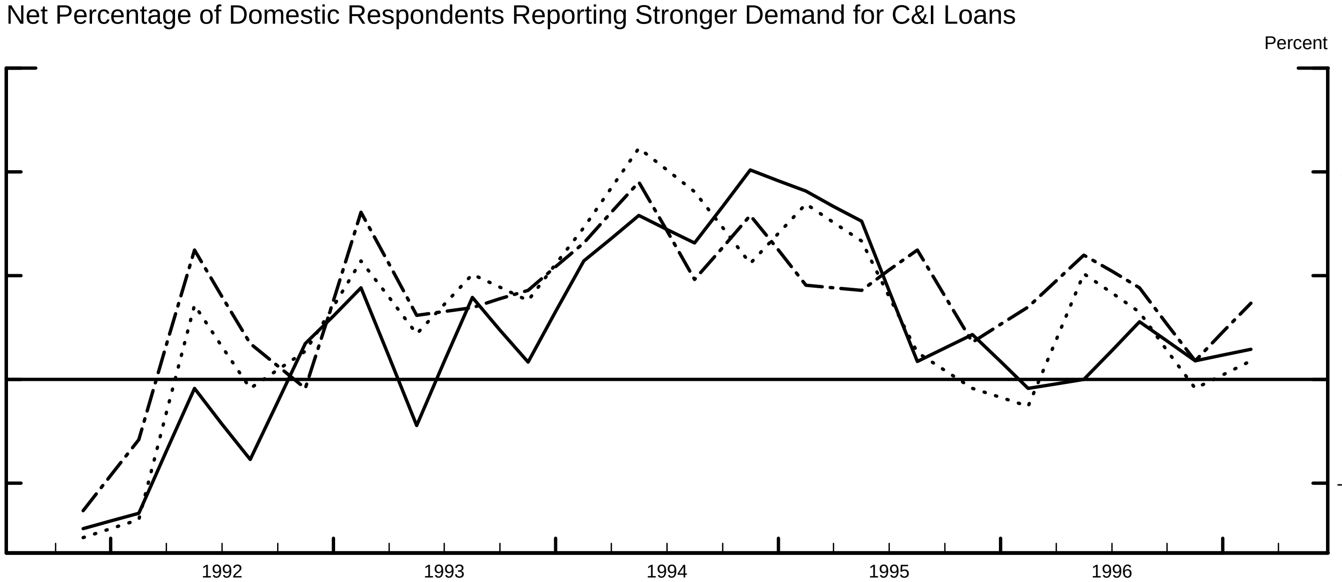
Net Percentage of Domestic Respondents Tightening Standards for C&I Loans



Net Percentage of Domestic Respondents Increasing Spreads of Loan Rates over Base Rates

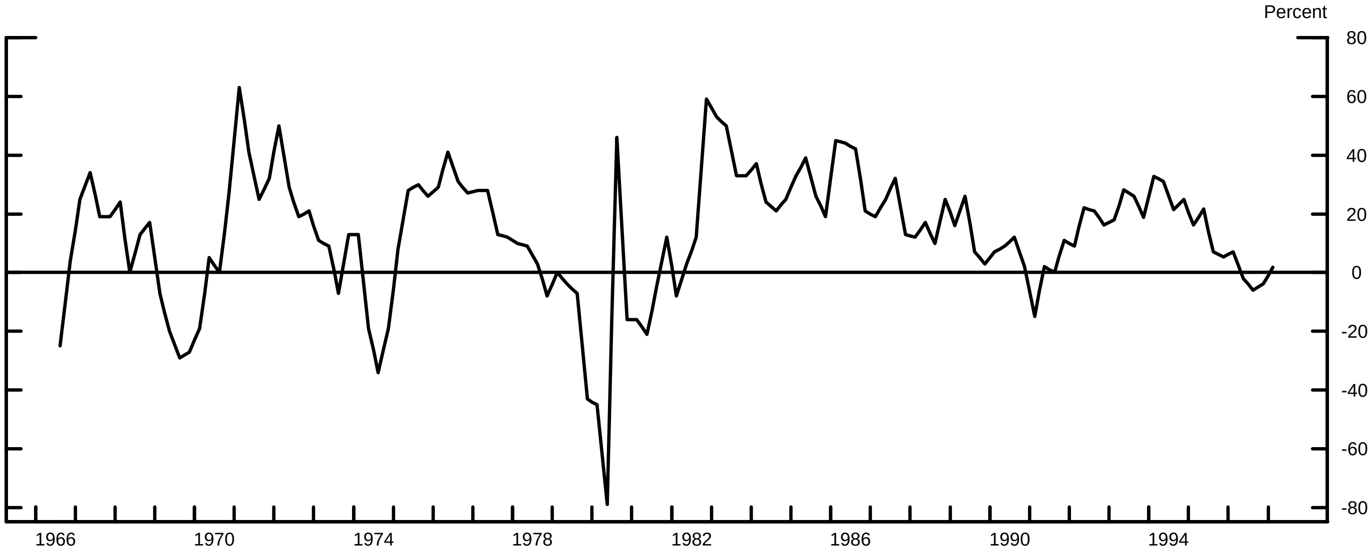


Net Percentage of Domestic Respondents Reporting Stronger Demand for C&I Loans

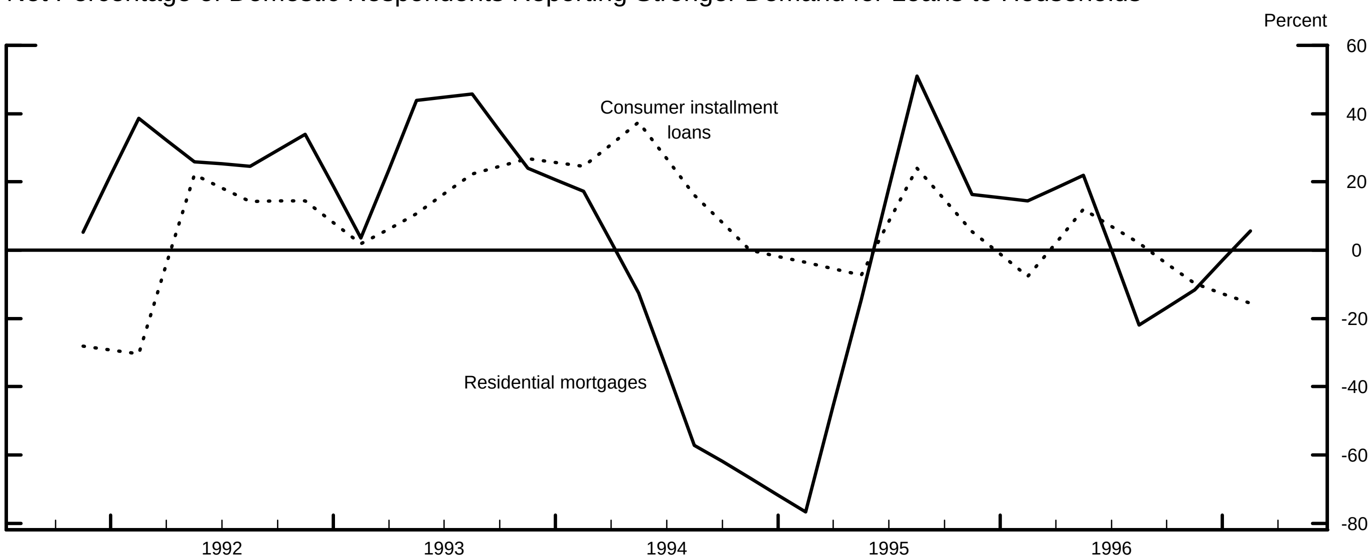


Measures of Supply and Demand for Loans to Households

Net Percentage of Domestic Respondents Indicating More Willingness to Make Consumer Installment Loans



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



Net Percentage of Domestic Respondents Tightening Standards for Mortgages to Individuals

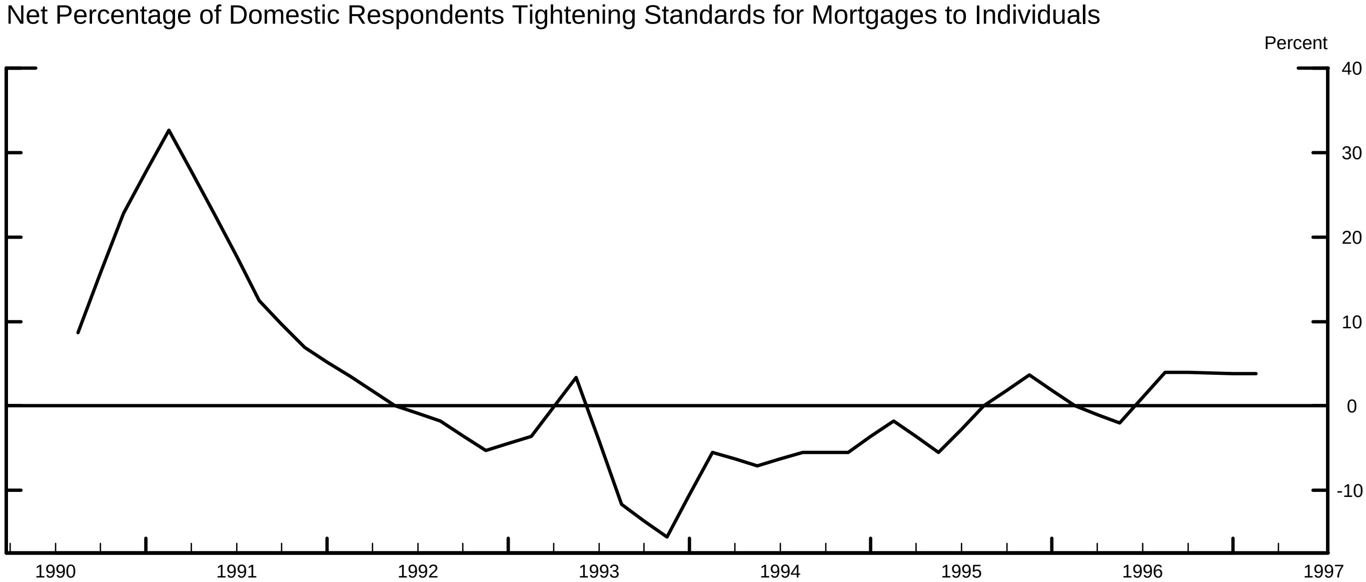


Table 1

SENIOR LOAN OFFICER OPINION SURVEY ON BANK LENDING PRACTICES
AT SELECTED LARGE BANKS IN THE UNITED STATES
(Status of policy as of January 1997)

(Number of banks and percent of banks answering question)
(By volume of total domestic assets, in $billions, as of September 30, 1996[1])

Questions 1-11 *ask about* ***commercial and industrial loans*** *at your bank: Questions 1-5 deal with changes in your bank's lending policies over the past three months, and questions 6-11 deal with changes in demand over the same period. 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 been eased or tightened 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, middle-market, and small firms changed?

a. Standards for large firms (annual sales of more than $250 million)

	All Respondents		$15.0 and over		Under $15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	1	1.8	1	3.3	0	0.0
Remained basically unchanged	49	89.1	25	83.3	24	96.0
Eased somewhat	5	9.1	4	13.3	1	4.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	55	100.0	30	100.0	25	100.0

b. Standards for middle-market firms (annual sales of $50 million to $250 million)

	All Respondents		$15.0 and over		Under $15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	1	1.8	1	3.3	0	0.0
Remained basically unchanged	52	92.9	27	90.0	25	96.2
Eased somewhat	3	5.4	2	6.7	1	3.8
Eased considerably	0	0.0	0	0.0	0	0.0
Total	56	100.0	30	100.0	26	100.0

1. As of September 30, 1996, 30 respondents had domestic assets of $15 billion or more; combined assets of these banks totaled $1.3 trillion, compared to $1.5 trillion for the entire panel of 57 banks, and $3.8 trillion for all domestically chartered federally insured commercial banks.

c. Standards for small firms (annual sales of less than $50 million)

	All Respondents		$15.0 and over		Under $15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	0	0.0	0	0.0	0	0.0
Remained basically unchanged	54	94.7	28	93.3	26	96.3
Eased somewhat	3	5.3	2	6.7	1	3.7
Eased considerably	0	0.0	0	0.0	0	0.0
Total	57	100.0	30	100.0	27	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 firms that your bank currently is willing to approve, how have the terms of those loans changed over the last 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	$15.0 and over	Under $15.0
	Mean	Mean	Mean
Maximum sizes of credit lines	3.04	3.18	3.08
Costs of credit lines	3.18	3.23	3.12
Spreads of loan rates over base rates	3.33	3.50	3.12
Loan covenants	3.15	3.23	3.04
Collateralization requirements	3.07	3.03	3.12
Other	3.02	3.03	3.00
Number of banks responding	55	30	25

3. For applications for C&I loans or credit lines--other than those to be used to finance mergers and acquisitions--from middle-market firms that your bank currently is willing to approve, how have the terms of those loans changed over the last three months? (Please assign each term a number between 1 (tightened considerably) and 5 (eased considerably) as in question 2.)

	All Respondents	$15.0 and over	Under $15.0
	Mean	Mean	Mean
Maximum sizes of credit lines	3.02	3.03	3.00
Costs of credit lines	3.11	3.07	3.15
Spreads of loan rates over base rates	3.38	3.50	3.23
Loan covenants	3.13	3.13	3.12
Collateralization requirements	3.05	3.00	3.12
Other	3.04	3.03	3.04
Number of banks responding	56	30	26

4. For applications for C&I loans or credit lines--other than those to be used to finance mergers and acquisitions--from small firms that your bank currently is willing to approve, how have the terms of those loans changed over the last three months? (Please assign each term a number between 1 (tightened considerably) and 5 (eased considerably) as in question 2.)

	All Respondents	$15.0 and over	Under $15.0
	Mean	Mean	Mean
Maximum sizes of credit lines	3.07	3.07	3.07
Costs of credit lines	3.09	3.00	3.19
Spreads of loan rates over base rates	3.11	3.11	3.11
Loan covenants	3.06	3.04	3.07
Collateralization requirements	3.02	2.96	3.07
Other	3.02	3.00	3.04
Number of banks responding	54	27	27

5. If your bank 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 1-4), how important were the following possible reasons for the change? (Please respond to either A or B or both as appropriate.) (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3 =very important.)

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

	All Respondents	$15.0 and over	Under $15.0
	Mean	Mean	Mean
A deterioration in your bank's current or expected capital position	1.17	1.33	1.00
A less favorable economic outlook	1.67	2.00	1.33
A worsening of industry-specific problems	1.33	1.67	1.00
Less aggressive competition from other commercial banks	1.00	1.00	1.00
Less aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.00	1.00	1.00
Reduced tolerance for risk	1.50	2.00	1.00
Other	1.50	1.00	2.00
Number of banks responding	6	3	3

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

	All Respondents	$15.0 and over	Under $15.0
	Mean	Mean	Mean
An improvement in your bank's current or expected capital position	1.10	1.06	1.17
A more favorable economic outlook	1.27	1.22	1.33
An improvement in industry-specific problems	1.20	1.17	1.25
More aggressive competition from other commercial banks	2.63	2.67	2.58
More aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.93	2.00	1.83
Increased tolerance for risk	1.20	1.11	1.33
Other	1.03	1.00	1.08
Number of banks responding	30	18	12

6. For large firms, how has demand for C&I loans (actual extensions of credit as opposed to undrawn lines) changed over the past three months (apart from normal seasonal variation)?

	All Respondents		$15.0 and over		Under $15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially stronger	1	1.9	1	3.7	0	0.0
Moderately stronger	7	13.5	5	18.5	2	8.0
About the same	39	75.0	19	70.4	20	80.0
Moderately weaker	5	9.6	2	7.4	3	12.0
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	52	100.0	27	100.0	25	100.0

7. If demand for C&I loans by large firms strengthened or weakened over the past three months, how important were the following possible reasons for the change? (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, and 3=very important.)

A. If stronger demand (answer 1 or 2 to question 6), possible reasons:

	All Respondents	$15.0 and over	Under $15.0
	Mean	Mean	Mean
Customer inventory financing needs increased	1.50	1.33	2.00
Customer investment in plant or equipment increased	1.63	1.50	2.00
Customer internally generated funds decreased	1.13	1.00	1.50
Customer borrowing shifted from other sources to your bank because these other sources became less attractive	1.13	1.17	1.00
Customer merger or acquisition financing increased	2.50	2.33	3.00
Other	1.00	1.00	1.00
Number of banks responding	8	6	2

B. If weaker demand (answer 4 or 5 to question 6), possible reasons:

	All Respondents	$15.0 and over	Under $15.0
	Mean	Mean	Mean
Customer inventory financing needs decreased	1.40	1.00	1.67
Customer investment in plant or equipment decreased	1.40	1.00	1.67
Customer internally generated funds increased	1.80	1.50	2.00
Customer borrowing shifted from your bank to other sources because these other sources became more attractive	2.40	2.00	2.67
Customer merger or acquisition financing decreased	1.80	1.50	2.00
Other	1.00	1.00	1.00
Number of banks responding	5	2	3

8. For middle-market firms, how has demand for C&I loans (actual extensions of credit as opposed to undrawn lines) changed over the past three months (apart from normal seasonal variation)?

	All Respondents		$15.0 and over		Under $15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially stronger	1	1.8	1	3.4	0	0.0
Moderately stronger	8	14.5	6	20.7	2	7.7
About the same	39	70.9	17	58.6	22	84.6
Moderately weaker	6	10.9	4	13.8	2	7.7
Substantially weaker	1	1.8	1	3.4	0	0.0
Total	55	100.0	29	100.0	26	100.0

9. If demand for C&I loans by middle-market firms strengthened or weakened over the past three months, how important were the following possible reasons for the change? (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, and 3=very important.)

A. If stronger demand (answer 1 or 2 to question 8), possible reason:

	All Respondents	$15.0 and over	Under $15.0
	Mean	Mean	Mean
Customer inventory financing needs increased	1.67	1.43	2.50
Customer investment in plant or equipment increased	2.00	1.86	2.50
Customer internally generated funds decreased	1.33	1.29	1.50
Customer borrowing shifted from other sources to your bank because these other sources became less attractive	1.56	1.71	1.00
Customer merger or acquisition financing increased	2.11	2.00	2.50
Other	1.00	1.00	1.00
Number of banks responding	9	7	2

B. If weaker loan demand (answer 4 or 5 to question 8), possible reasons:

	All Respondents	$15.0 and over	Under $15.0
	Mean	Mean	Mean
Customer inventory financing needs decreased	1.57	1.60	1.50
Customer investment in plant or equipment decreased	2.14	2.20	2.00
Customer internally generated funds increased	1.43	1.20	2.00
Customer borrowing shifted from your bank to other sources because these other sources became more attractive	1.43	1.40	1.50
Customer merger or acquisition financing decreased	1.43	1.40	1.50
Other	1.00	1.00	1.00
Number of banks responding	7	5	2

10. For small firms, how has demand for C&I loans (actual extensions of credit as opposed to undrawn lines) changed over the past three months (apart for normal seasonal variation)?

	All Respondents		$15.0 and over		Under $15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	12	22.2	7	25.9	5	18.5
About the same	38	70.4	17	63.0	21	77.8
Moderately weaker	3	5.6	2	7.4	1	3.7
Substantially weaker	1	1.9	1	3.7	0	0.0
Total	54	100.0	27	100.0	27	100.0

11. If demand for C&I loans by small firms strengthened or weakened over the past three months, how important were the following possible reasons for the change? (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, and 3=very important.)

A. If stronger demand (answer 1 or 2 to question 10). possible reasons

	All Respondents	$15.0 and over	Under $15.0
	Mean	Mean	Mean
Customer inventory financing needs increased	1.91	1.83	2.00
Customer investment in plant or equipment increased	2.00	1.83	2.20
Customer internally generated funds decreased	1.27	1.50	1.00
Customer borrowing shifted from other sources to your bank because these other sources became less attractive	1.55	1.83	1.20
Customer merger or acquisition financing increased	1.18	1.17	1.20
Other	1.00	1.00	1.00
Number of banks responding	11	6	5

B. If weaker loan demand (answer 4 or 5 to question 10), possible reasons

	All Respondents	$15.0 and over	Under $15.0
	Mean	Mean	Mean
Customer inventory financing needs decreased	1.25	1.33	1.00
Customer investment in plant or equipment decreased	1.75	2.00	1.00
Customer internally generated funds increased	1.25	1.33	1.00
Customer borrowing shifted from your bank to other sources because these other sources became more attractive	1.25	1.33	1.00
Customer merger or acquisition financing decreased	1.00	1.00	1.00
Other	1.00	1.00	1.00
Number of banks responding	4	3	1

Questions 12 and 13 *ask about* ***commercial real estate loans*** *at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate: Question 12 deals with changes in your bank's credit standards over the past three months, and question 13 deals with changes in demand over the same period. If your bank's credit standards have not changed over the past three months, 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 been eased or tightened 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 standards as changes in standards.*

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

	All Respondents		$15.0 and over		Under $15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	4	7.3	2	7.1	2	7.4
Remained basically unchanged	46	83.6	24	85.7	22	81.5
Eased somewhat	5	9.1	2	7.1	3	11.1
Eased considerably	0	0.0	0	0.0	0	0.0
Total	55	100.0	28	100.0	27	100.0

13. Over the past three months, how has the demand for commercial real estate loans changed (apart from normal seasonal variation)?

	All Respondents		$15.0 and over		Under $15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially stronger	1	1.8	1	3.6	0	0.0
Moderately stronger	15	27.3	9	32.1	6	22.2
About the same	32	58.2	14	50.0	18	66.7
Moderately weaker	7	12.7	4	14.3	3	11.1
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	55	100.0	28	100.0	27	100.0

Questions 14 and 15 *ask about* ***residential mortgage loans*** *at your bank: Question 14 deals with changes in your bank's credit standards over the past three months, and question 15 deals with changes in demand over the same period. If your bank's credit standards have not changed over the past three months, 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 been eased or tightened 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 standards as changes in standards.*

14. 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		$15.0 and over		Under $15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	2	3.8	0	0.0	2	7.4
Remained basically unchanged	51	96.2	26	100.0	25	92.6
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	26	100.0	27	100.0

15. Over the past three months, how has demand for residential mortgages to purchase homes changed (apart from normal seasonal variation)?

	All Respondents		$15.0 and over		Under $15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	10	18.9	7	26.9	3	11.1
About the same	36	67.9	14	53.8	22	81.5
Moderately weaker	7	13.2	5	19.2	2	7.4
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	53	100.0	26	100.0	27	100.0

Questions 16-21 *ask about* ***consumer lending*** *at your bank: Questions 16-18 deal with changes in your bank's willingness to make, and in its credit standards for, consumer loans over the past three months; question 19 deals with changes in demand over the same period; and questions 20 and 21 deal with changes in loan terms over the same period. 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 been eased or tightened over the past three months, please so report them regardless of how they stand relative to longer-term norms. Also, please report changes in enforcement of existing policies as changes in policies.*

16. Please indicate your bank's willingness to make consumer installment loans now as opposed to three months ago.

	All Respondents		$15.0 and over		Under $15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Much more	2	3.9	0	0.0	2	7.4
Somewhat more	2	3.9	1	4.2	1	3.7
About unchanged	42	82.4	20	83.3	22	81.5
Somewhat less	5	9.8	3	12.5	2	7.4
Much less	0	0.0	0	0.0	0	0.0
Total	51	100.0	24	100.0	27	100.0

17. Over the past three months, how have your bank's credit standards for approving applications for credit cards from individuals or households changed?

	All Respondents		$15.0 and over		Under $15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	2	4.3	1	4.5	1	4.2
Tightened somewhat	16	34.8	11	50.0	5	20.8
Remained basically unchanged	27	58.7	10	45.5	17	70.8
Eased somewhat	1	2.2	0	0.0	1	4.2
Eased considerably	0	0.0	0	0.0	0	0.0
Total	46	100.0	22	100.0	24	100.0

18. Over the past three months, how have your bank's credit standards for approving applications for consumer loans other than credit card loans changed?

	All Respondents		$15.0 and over		Under $15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	12	24.0	7	30.4	5	18.5
Remained basically unchanged	36	72.0	16	69.6	20	74.1
Eased somewhat	2	4.0	0	0.0	2	7.4
Eased considerably	0	0.0	0	0.0	0	0.0
Total	50	100.0	23	100.0	27	100.0

19. Over the past three months, how has demand for consumer loans of all types changed (apart from normal seasonal variation)?

	All Respondents		$15.0 and over		Under $15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	1	2.0	0	0.0	1	3.7
About the same	41	80.4	18	75.0	23	85.2
Moderately weaker	9	17.6	6	25.0	3	11.1
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	51	100.0	24	100.0	27	100.0

20. Over the past three months, how has your bank changed the following terms 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	$15.0 and over	Under $15.0
	Mean	Mean	Mean
Credit limits	2.78	2.77	2.79
Spreads of interest rates charged on outstanding balances over market rates	2.91	2.91	2.92
Minimum fractions of outstanding balances required to be repaid each month	3.00	3.00	3.00
Other	3.00	2.95	3.04
Number of banks responding	46	22	24

21. Over the past three months, how has your bank changed the following terms on consumer loans excluding credit card loans? (Please assign each term a number between 1 (tightened considerably) and 5 (eased considerably) as in question 20.)

	All Respondents	$15.0 and over	Under $15.0
	Mean	Mean	Mean
Maximum maturities	2.98	2.87	3.07
Spreads of loan rates over market rates	2.90	2.96	2.85
Minimum required down payments	3.02	3.00	3.04
Other	2.98	2.96	3.00
Number of banks responding	50	23	27

Questions 22-26 *ask about* ***home equity loans*** *(defined to include takedowns under home equity lines of credit or junior liens secured by 1-4 family residential properties) at your bank.*

22. Over the past three months, how have your bank's standards for approving applications from individuals for home equity loans changed?

	All Respondents		$15.0 and over		Under $15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	0	0.0	0	0.0	0	0.0
Remained basically unchanged	42	87.5	22	95.7	20	80.0
Eased somewhat	5	10.4	1	4.3	4	16.0
Eased considerably	1	2.1	0	0.0	1	4.0
Total	48	100.0	23	100.0	25	100.0

23. Over the past three months, how has your bank changed the following terms on home equity loans? (Please assign each term a number between 1 (tightened considerably) and 5 (eased considerably) as in question 20.)

	All Respondents	$15.0 and over	Under $15.0
	Mean	Mean	Mean
Spreads of loan rates over market rates	3.04	3.04	3.04
Maximum loan-to-value ratios	3.16	3.00	3.32
Maximum maturities	3.02	3.00	3.04
Fees	3.10	3.04	3.16
Other	3.00	3.00	3.00
Number of banks responding	49	24	25

24. Nationwide, the outstanding amount of home equity loans on banks' books grew rapidly in the last three months of 1996. Whether or not you bank has experienced rapid growth in these loans over this period, to what extent have the following factors boosted home equity loans currently on your bank's books? (Please rate each factor using the following scale: 1=not at all or only slightly, 2=somewhat, 3=considerably.)

	All Respondents	$15.0 and over	Under $15.0
	Mean	Mean	Mean
Encouraging specific customers to shift from unsecured consumer loans to home equity loans	1.67	1.67	1.68
Entering the market for low- or no-equity home equity loans	1.33	1.17	1.48
Easing other terms or standards for home equity loans	1.31	1.21	1.40
Increased demand for home equity loans	1.73	1.75	1.72
Securitizing a reduced fraction of these loans	1.02	1.04	1.00
Other	1.14	1.29	1.00
Number of banks responding	49	24	25

25. If your bank is following policies designed to increase its home equity lending (for example, by encouraging shifts from unsecured loans or by easing terms or standards on home equity loans), what have been the reasons? If your bank has not pursued such policies please skip this question. (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

	All Respondents	$15.0 and over	Under $15.0
	Mean	Mean	Mean
The riskiness of unsecured consumer loans has increased, making the risk-adjusted yield of home equity loans relatively more attractive	1.90	1.93	1.88
Competition has driven down yields on unsecured consumer loans, making the risk-adjusted yield of home equity loans relatively more attractive	1.39	1.33	1.44
Home equity loans have become easier to securitize, making them a more liquid asset	1.23	1.40	1.06
Other	1.42	1.40	1.44
Number of banks responding	31	15	16

26. If increased demand has boosted home equity loans at your bank, what have been the reasons? If your bank has not experienced increased demand for these loans please skip this question. (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

	All Respondents	$15.0 and over	Under $15.0
	Mean	Mean	Mean
Increased credit needs by customers	1.70	1.56	1.86
Debt consolidation by customers	2.00	1.81	2.21
Reduced availability of other forms of household credit	1.00	1.00	1.00
Other	1.33	1.31	1.36
Number of banks responding	30	16	14

Questions 27-33 *ask about the use of* ***credit scores*** *by your bank for* ***small business lending****. By “credit scores” we mean scores generated by an internally developed credit scoring model or scores purchased from a vendor. The term “credit score” is more inclusive that just the applicant’s credit rating, which may be used as part of the overall evaluation process with or without the generation of a credit score.*

27. Does your bank use credit scores when making small business loans?

	All Respondents		$15.0 and over		Under $15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Yes, usually or always	22	40.7	9	33.3	13	48.1
Yes, sometimes	16	29.6	13	48.1	3	11.1
No	16	29.6	5	18.5	11	40.7
Number of banks responding	54	100.0	27	100.0	27	100.0

If your bank does not use credit scoring models for small business lending (answer 3 to question 27), skip questions 28-33

28. For which of the following does your bank use credit scores? (Please indicate all that apply.)

	All Respondents		$15.0 and over		Under $15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Automatically approving high quality applicants	16	43.2	11	50.0	5	33.3
Automatically rejecting low quality applicants	16	43.2	10	45.5	6	40.0
As part of the evaluation process of loans not automatically approved or rejected	33	89.2	21	95.5	12	80.0
Setting loan terms	5	13.5	2	9.1	3	20.0
Evaluation of existing loans	15	40.5	9	40.9	6	40.0
Other	1	2.7	1	1	0	0.0
Number of banks responding	37		22		15	

29. What is your source for small business credit scores?

	All Respondents		$15.0 and over		Under $15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Your bank developed its own credit scoring model	7	18.4	5	22.7	2	12.5
Your bank purchases scores or purchased a model	25	65.8	12	54.5	13	81.3
Other	6	15.8	5	22.7	1	6.3
Number of banks responding	38	100.0	22	100.0	16	100.0

30. For what size loans are credit scores used for automatic approval or rejection of loan applications? If your bank does not automatically approve or reject loans based on credit scores, please skip this question. (Please indicate all that apply.)

	All Respondents		$15.0 and over		Under $15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Less than $10,000	12	57.1	7	58.3	5	55.6
$10,001 to $25,000	14	66.7	8	66.7	6	66.7
$25,001 to $50,000	13	61.9	7	58.3	6	66.7
$50,001 to $100,000	7	33.3	4	33.3	3	33.3
More than $100,000	3	14.3	2	16.7	1	11.1
Number of banks responding	21		12		9	

31. For what size loans are credit scores used in any part of the approval/evaluation process? (Please indicate all that apply.)

	All Respondents		$15.0 and over		Under $15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Less than $50,000	29	82.9	18	85.7	11	78.6
$50,001 to $100,000	23	65.7	14	66.7	9	64.3
$100,001 to $250,000	20	57.1	13	61.9	7	50.0
$250,001 to $500,000	6	17.1	4	19.0	2	14.3
More than $500,000	4	11.4	2	9.5	2	14.3
Total	35		21		14	

32. Have any small business loans originated by your bank been securitized? (Exclude any loans collateralized by real estate.)

	All Respondents		$15.0 and over		Under $15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Yes, but only SBA-guaranteed loans	2	5.3	2	9.1	0	0.0
Yes, including loans that do not carry SBA guarantees	0	0.0	0	0.0	0	0.0
No	36	94.7	20	90.9	16	100.0
Total	38	100.0	22	100.0	16	100.0

33. If your bank has securitized any small business loans, has the application of credit scores to these loans facilitated their securitization? (Exclude any loans collateralized by real estate.)

	All Respondents		$15.0 and over	
	Banks	Pct	Banks	Pct
Yes, a great deal	0	0.0	0	0.0
Yes, somewhat	0	0.0	0	0.0
Only slightly	1	50.0	1	50.0
Not at all	1	50.0	1	50.0
Total	2	100.0	2	100.0

Table 2

SENIOR LOAN OFFICER OPINION SURVEY ON BANK LENDING PRACTICES
AT SELECTED BRANCHES AND AGENCIES OF FOREIGN BANKS IN THE UNITED STATES
(Status of policy as of January 1997)

(Number of banks and percent of banks answering question[1])

Questions 1-5 *ask about* ***commercial and industrial loans*** *at your bank: Questions 1-3 deal with changes in your bank's lending policies over the past three months, and questions 4-5 deal with changes in demand over the same period. 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 been eased or tightened 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	Pct
Tightened considerably	0	0.0
Tightened somewhat	2	8.3
Remained basically unchanged	19	79.2
Eased somewhat	3	12.5
Eased considerably	0	0.0
Total	24	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, and 5=eased considerably.)

	All Respondents
	Mean
Maximum sizes of credit lines	3.13
Costs of credit lines	3.13
Spreads of loan rates over base rates	3.17
Loan covenants	3.13
Collateralization requirements	2.96
Other	2.96
Total	24

1. As of September 30, 1996, the 24 respondents had combined assets of $174.4 billion, compared to $613.6 billion for all foreign-related banking institutions in the United States.

3. If your bank 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 were the following possible reasons for the change? (Please respond to either A or B or both as appropriate.) (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, and 3=very important.

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

	All Respondents
	Mean
A deterioration in your parent bank's current or expected capital position	1.40
A less favorable economic outlook	1.20
A worsening of industry-specific problems	1.40
Less aggressive competition from other commercial banks	1.00
Less aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.00
Reduced tolerance for risk	1.40
Other	1.60
Number of banks responding	5

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

	All Respondents
	Mean
An improvement in your parent bank's current or expected capital position	1.00
A more favorable economic outlook	1.00
An improvement in industry-specific problems	1.25
More aggressive competition from other commercial banks	2.38
More aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	2.00
Increased tolerance for risk	1.38
Other	1.50
Number of banks responding	8

4. How has demand for C&I loans (actual extensions of credit as opposed to undrawn lines) changed over the past three months (apart from normal seasonal variation)?

	All Respondents	
	Banks	Pct
Substantially stronger	1	4.2
Moderately stronger	4	16.7
About the same	17	70.8
Moderately weaker	2	8.3
Substantially weaker	0	0.0
Total	24	100.0

5.If demand for C&I loans strengthened or weakened over the past three months, how important were the following possible reasons for the change? (Please rate each possible reason using the following scale:1=not important, 2=somewhat important, and 3=very important.)

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

	All Respondents
	Mean
Customer inventory financing needs increased	1.20
Customer investment in plant or equipment increased	1.80
Customer internally generated funds decreased	1.00
Customer borrowing shifted from other sources to your bank because these other sources became less attractive	1.00
Customer merger or acquisition financing increased	2.60
Other	1.40
Number of banks responding	5

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

	All Respondents
	Mean
Customer inventory financing needs decreased	2.00
Customer investment in plant or equipment decreased	2.00
Customer internally generated funds increased	3.00
Customer borrowing shifted from your bank to other sources because these other sources became more attractive	2.00
Customer merger or acquisition financing decreased	2.00
Other	1.00
Number of banks responding	1

Questions 6 and 7 *ask about* ***commercial real estate loans*** *at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate: Question 6 deals with changes in your bank's credit standards over the past three months, and question 7 deals with changes in demand over the same period. If your bank's credit standards have not changed over the past three months, 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 been eased or tightened 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 standards as changes in standards.*

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

	All Respondents	
	Banks	Pct
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	15	88.2
Eased somewhat	2	11.8
Eased considerably	0	0.0
Total	17	100.0

7. Over the past three months, how has demand for commercial real estate loans changed (apart from normal seasonal variation)?

	All Respondents	
	Banks	Pct
Substantially stronger	0	0.0
Moderately stronger	6	35.3
About the same	10	58.8
Moderately weaker	1	5.9
Substantially weaker	0	0.0
Total	17	100.0