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 August 1999[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 and 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 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	Pct
Tightened considerably	0	0.0
Tightened somewhat	5	22.7
Remained basically unchanged	17	77.3
Eased somewhat	0	0.0
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	2.95
Costs of credit lines	2.62
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.33
The premiums charged on riskier loans	2.48
Loan covenants	2.76
Collateralization requirements	2.76
Other	2.90
Total	21

1. As of March 31, 1999, the 22 respondents had combined assets of $200 billion, compared to $757 billion 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.

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 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 tightening credit standards or loan terms:

	All Respondents
	Mean
A deterioration in your parent bank's current or expected capital position	1.33
A less favorable or more uncertain economic outlook	1.92
A worsening of industry-specific problems	1.92
Less aggressive competition from other commercial banks	1.33
Less aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.17
A reduced tolerance for risk	1.58
Decreased liquidity in the secondary market for these loans	1.50
Other	1.08
Number of banks responding	12

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	2.00
A more favorable or less uncertain economic outlook	1.33
An improvement in industry-specific problems	1.00
More aggressive competition from other commercial banks	1.33
More aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.00
An increased tolerance for risk	1.00
Increased liquidity in the secondary market for these loans	1.33
Other	1.00
Number of banks responding	4

4. How has demand for C&I loans (actual disbursements of funds as opposed to requests for new or increased lines of credit) changed over the past three months (apart from normal seasonal variation)?

	All Respondents	
	Banks	Pct
Substantially stronger	0	0.0
Moderately stronger	3	13.6
About the same	17	77.3
Moderately weaker	2	9.1
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	1.25
Customer accounts receivable financing needs increased	1.25
Customer investment in plant or equipment increased	1.25
Customer internally generated funds decreased	1.50
Customer borrowing shifted from other sources to your bank because these other sources became less attractive	1.25
Customer merger or acquisition financing increased	2.00
Other	1.25
Number of banks responding	4

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

	All Respondents
	Mean
Customer inventory financing needs decreased	2.50
Customer accounts receivable financing needs decreased	2.00
Customer investment in plant or equipment decreased	2.50
Customer internally generated funds increased	2.00
Customer borrowing shifted from your bank to other sources because these other sources became more attractive	1.00
Customer merger or acquisition financing decreased	1.50
Other	1.00
Number of banks responding	2

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: Questions 6 deals with changes in your bank's standards over the last three months, and question 7 deals with changes in demand over the same period. If your bank's lending 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 standards 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 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	1	7.7
Tightened somewhat	4	30.8
Remained basically unchanged	8	61.5
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	13	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	1	7.7
About the same	10	76.9
Moderately weaker	2	15.4
Substantially weaker	0	0.0
Total	13	100.0

Questions 8-15 *ask about how your bank is managing risks resulting from any* ***Year 2000*** *problems of its customers and about demand for, and bank policy regarding, business credit over the year-end.*

8. At this time, what percentage of your bank's material business customers[2] have been evaluated for Year 2000 preparedness?

	All Respondents	
	Banks	Pct
Less than 75 percent	1	4.5
At least 75 percent but less than 90 percent	3	13.6
At least 90 percent but less than 95 percent	2	9.1
At least 95 percent	16	72.7
Total	22	100.0

9. What percentage of your bank's material business customers that have been evaluated for Year 2000 preparedness *were not* making satisfactory progress toward achieving Year 2000 preparedness at the time of the most recent evaluation?

	All Respondents	
	Banks	Pct
Less than 2 percent	15	68.2
At least 2 percent but less than 5 percent	6	27.3
At least 5 percent but less than 10 percent	1	4.5
At least 10 percent but less than 15 percent	0	0.0
At least 15 percent	0	0.0
Total	22	100.0

10. To date, how many requests has your bank experienced from *nonfinancial* firms for new credit lines or extensions of existing credit lines that are specifically related to firms' Year 2000 contingency preparations? Such lines are sometimes referred to as "Year 2000 contingency lines of credit."

	All Respondents	
	Banks	Pct
A substantial number	0	0.0
A moderate number	0	0.0
A negligible number	22	100.0
Total	22	100.0

2. A material business customer is one that represents a material risk exposure, as indicated, for example, by the size of the overall relationship with the customer, the customer's risk rating, the complexity of the customer's operating and information technology systems, and the degree of the customer's reliance on these systems.

11. To date, how many requests has your bank experienced for Year 2000 contingency lines of credit (as defined in question 10) from *financial* firms?

	All Respondents	
	Banks	Pct
A substantial number	0	0.0
A moderate number	2	10.0
A negligible number	18	90.0
Total	20	100.0

12. If your bank has received at least a moderate number of requests from *financial* firms for Year 2000 contingency lines of credit (answer 1 or 2 to question 11), which of the following are important sources of these requests? (Please select all that apply.)

	All Respondents	
	Banks	Pct
Insurance companies	0	0.0
Finance companies	0	0.0
Mutual funds	0	0.0
Securities dealers and brokerages	1	50.0
REITs	0	0.0
Domestic banks	0	0.0
Branches and agencies of foreign banks	1	50.0
Credit unions	0	0.0
Savings and loans institutions	0	0.0
Mortgage banks	0	0.0
Other	0	0.0
Number of banks responding	2	100.0

13. Is your bank willing to extend Year 2000 contingency lines of credit?

	All Respondents	
	Banks	Pct
Yes, to existing and new customers	0	0.0
Yes, but only to existing customers	12	63.2
No	7	36.8
Total	19	100.0

14. How has your bank's strategy to manage its own Year 2000 risks affected the standards and terms it applies to customer requests to renew expiring credit lines that would extend over year-end, but are not specifically meant to meet year-end funding needs? (Please select all that apply.)

	All Respondents	
	Banks	Pct
No effect on either standards or terms	7	31.8
Standards are tighter	6	27.3
The sizes of lines are smaller	2	9.1
Spreads over base rates or fees are higher	6	27.3
Advances around year-end will require additional or more liquid collateral	0	0.0
Usage of the lines around year-end will be limited	7	31.8
Advances around year-end will entail a rate premium	3	13.6
Lines are being priced relative to your bank's cost of funds rather than independent indexes (such as LIBOR)	4	18.2
Other	2	9.1
Number of banks responding	22	100.0

15. If your bank is not willing to extend Year 2000 contingency lines of credit or is limiting such lines only to existing borrowers (answer 2 or 3 to question 13), or has tightened standards or terms on other lines of credit extending over year-end (as described in question 14), why? (Please select all that apply.)

	All Respondents	
	Banks	Pct
Anticipated difficulty of funding credit lines over year-end	11	55.0
Concerns about the effects of additional lending on capital ratios	8	40.0
Concerns about repayment prospects related to Year 2000 effects on customers	5	25.0
Heightened concerns about credit quality generally	5	25.0
Other	3	15.0
Number of banks responding	20	100.0

*Recently, the Federal Reserve announced the creation of a **Century Date Change Special Liquidity Facility** that will make Federal Reserve credit readily available to depository institutions in sound financial condition at a 150 basis point premium over the Federal Open Market Committee's target federal funds rate. The facility will be available from October 1, 1999 to April 7, 2000. **Questions 16 and 17** ask about your bank's willingness to use the facility. **Questions 18 and 19** ask about the impact of the facility on your bank's willingness to extend Year 2000 contingency lines of credit.*

16. During the period when the Special Liquidity Facility is available, is it likely that your bank would nonetheless find it attractive to borrow overnight funds elsewhere at an interest rate higher than that charged by the facility?

	All Respondents	
	Banks	Pct
No	9	60.0
Yes, but not at a rate more than 25 basis points over the facility rate	2	13.3
Yes, but not at a rate more than 50 basis points over the facility rate	0	0.0
Yes, at a rate more than 50 basis points over the facility rate	4	26.7
Total	15	100.0

17. If it is likely that your bank would find it attractive to borrow overnight funds at a rate higher than that charged by the Special Liquidity Facility (an answer of 2, 3, or 4 to question 16), how important are the following reasons? (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

	All Respondents
	Mean
The "haircuts" the Federal Reserve applies when valuing collateral	1.67
The range of collateral that the Federal Reserve accepts	2.00
Other collateral requirements the Federal Reserve imposes	1.20
Limitations on the amount of collateral your bank has available to pledge	2.83
A resistance within your bank's senior management to borrowing from the discount window	1.83
Concern that use of the facility would be viewed negatively by bank regulators[3]	1.50
Concern that use of the facility would be viewed negatively by market participants[4]	2.00
Other	2.00
Total	6

3. Absent signs of financial trouble, use of the Special Liquidity Facility will not be taken as an indication of underlying problems and will not trigger intensified oversight by supervisory authorities. See the Federal Reserve System's request for public comment on the Special Liquidity Facility, Docket R-1038.

4. The Federal Reserve treats information on individual bank borrowing at the discount window as confidential.

18. How has the availability of the Special Liquidity Facility changed your bank's willingness to extend Year 2000 lines of credit to *depository* institutions?

	All Respondents	
	Banks	Pct
The availability of the facility has increased the willingness of your bank to extend such lines	2	11.1
The availability of the facility has not affected the willingness of your bank to extend such lines	16	88.9
The availability of the facility has reduced the willingness of your bank to extend such lines	0	0.0
Total	18	100.0

19. How has the availability of the Special Liquidity Facility changed your bank's willingness to extend Year 2000 lines of credit to *non-depository* institutions?

	All Respondents	
	Banks	Pct
The availability of the facility has increased the willingness of your bank to extend such lines	1	5.6
The availability of the facility has not affected the willingness of your bank to extend such lines	17	94.4
The availability of the facility has reduced the willingness of your bank to extend such lines	0	0.0
Total	18	100.0

Questions 20 and 21 deal with changes in **loan quality** at your bank over the past year.

20. How has the sensitivity of the delinquency rates on the following types of loans held in your bank's portfolio to a period of economic weakness changed over the past year? (Please assign each loan type a number between 1 and 5 using the following scale: 1=increased substantially, 2=increased somewhat, 3=remained basically unchanged 4=decreased somewhat, 5=decreased substantially.

	All Respondents	
	Banks	Mean
Commercial and industrial loans (including merger and acquisition financing)	22	2.64
Commercial real estate loans	14	2.93

21. If your bank's commercial and industrial loan portfolio has become more sensitive to a period of economic weakness over the past year (an answer of 1 or 2 to question 20a), how important are the following reasons for the increase? (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

	All Respondents
	Mean
Prevailing lending standards and terms have eased	1.60
The credit-risk mix of borrowers has changed	1.80
The financial leverage of borrowers has increased	1.60
Overcapacity has led to narrower profit margins in some industries	1.67
Cash-flow projections of borrowers have weakened	1.89
The aging or seasoning of a large volume of loans made earlier	1.44
Other	1.20
Total	10