

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 2001¹)

Questions 1-5 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. 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	2	8.3
Tightened somewhat	18	75.0
Remained basically unchanged	4	16.7
Eased somewhat	0	0.0
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, 5=eased considerably.)

	All Respondents
	Mean
Maximum size of credit lines	2.46
Costs of credit lines	2.33
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.21
Premiums charged on riskier loans	2.00
Loan covenants	2.38
Collateralization requirements	2.50
Other	3.00
Total	24

1. As of June 30, 2000, the 24 respondents had combined assets of \$277 billion, compared to \$808 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, 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	1.43
Less favorable or more uncertain economic outlook	2.52
Worsening of industry-specific problems	2.65
Less aggressive competition from other commercial banks	1.22
Less aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.09
Reduced tolerance for risk	2.26
Decreased liquidity in the secondary market for these loans	1.91
Increase in defaults by below-investment-grade borrowers in public debt markets.	2.17
Other	1.04
Number of banks responding	23

B. Possible reasons for easing credit standards or loan terms

	All Respondents
	Mean
Improvement in your bank's current or expected capital position	0.00
More favorable or less uncertain economic outlook	0.00
Improvement in industry-specific problems	0.00
More aggressive competition from other commercial banks	0.00
More aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	0.00
Increased tolerance for risk	0.00
Increased liquidity in the secondary market for these loans	0.00
Other	0.00
Number of banks responding	0

4. Apart from normal seasonal variation, how has demand for C&I loans changed over the past three months? (Please consider only funds actually disbursed as opposed to requests for new or increased lines of credit.)

	All Respondents	
	Banks	Pct
Substantially stronger	0	0.0
Moderately stronger	4	16.7
About the same	11	45.8
Moderately weaker	8	33.3
Substantially weaker	1	4.2
Total	24	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 4), possible reasons:

	All Respondents
	Mean
Customer inventory financing needs increased	1.50
Customer accounts receivable financing needs increased	1.00
Customer investment in plant or equipment increased	1.00
Customer internally generated funds decreased	2.00
Customer merger or acquisition financing needs increased	1.75
Customer borrowing shifted to your bank from the commercial paper market because of unusual year-end pressures on lower-rated commercial paper rates	2.25
Customer borrowing shifted to your bank from credit sources other than the commercial paper market because these other sources became less attractive	1.75
Other	1.00
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	1.33
Customer accounts receivable financing needs decreased	1.33
Customer investment in plant or equipment decreased	1.78
Customer internally generated funds increased	1.22
Customer merger or acquisition financing needs decreased	2.00
Customer borrowing shifted from your bank to other credit sources because these other sources became more attractive	1.22
Other	1.33
Number of banks responding	9

Since late 1998, this survey has consistently shown many respondent banks --- in some instances a sizeable majority --- to be tightening lending standards and terms on C&I loans. **Question 6-8** ask how your bank's C&I customers responded to the tightening of lending standards and terms they may have encountered at your bank over the past year.

6. Looking back at credit requests your bank has received from its C&I customers during the *past year*, please indicate the approximate percentage of these customers that responded to tighter lending standards and terms in each of the following ways:

	All Respondents
	Mean
Customers borrowed as planned at your bank despite tighter lending standards and terms	49.00
Customers borrowed somewhat less than planned at your bank because of tighter lending standards and terms	25.10
Customers borrowed significantly less than planned at your bank because of tighter lending standards and terms	11.30
Customers did not borrow at all at your bank because of tighter lending standards and terms	14.60
Total	24

7. For those customers whose activities you follow closely and which either curtailed or cancelled their planned borrowing at your bank because of tighter lending standards and terms (answers (b) (c) or (d) to question 6), what is the approximate distribution of these customers across the following categories?

	All Respondents
	Mean
Customers whose spending plans were little affected and were financed either by borrowing elsewhere or by selling liquid assets	53.60
Customers whose spending plans were cut back moderately	27.00
Customers whose spending plans were cut back significant	11.80
Customers whose spending plans were cut back altogether	7.50
Total	22

8. For customers who either curtailed or cancelled their spending plans because of tighter lending standards and terms at your bank (answers (b) (c) or (d) to question 7), by how much were the following customer groups affected? (Rate each possible reason using the following scale: 1=significantly affected, 2=moderately affected, 3=largely unaffected.)

	All Respondents
	Mean
Customers seeking to finance inventories	2.26
Customers seeking to finance plant and equipment purchases	2.05
Customers seeking to lease equipment or vehicles	2.37
Customers seeking to finance mergers and acquisitions	2.21
Total	19

Questions 9-12 ask about **commercial real estate loans** at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 9 deals with changes in your bank's standards over the last three months. Questions 10-11 ask about changes in terms over the past year. Question 12 deals with changes in demand over the past three months. 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.

9. 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	2	14.3
Tightened somewhat	2	14.3
Remained basically unchanged	10	71.4
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	14	100.0

10. 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	2.69
Maximum loan maturity	2.77
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.46
Loan-to-value ratios	2.62
Requirements for take-out financing	2.54
Debt-service coverage ratios	2.62
Other	2.85
Total	13

11. If your bank has tightened or eased its terms for commercial real estate loans over the *past year* (as described in question 10), 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	2.29
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 commercial banks	1.29
Less aggressive competition from nonbank lenders	1.14
Reduced tolerance for risk	2.00
Increased concern about take-out financing	2.14
Less liquid market for securities collateralized by these loans	1.57
Other	1.29
Number of banks responding	7

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

	All Respondents
	Mean
More favorable economic outlook	0.00
Improvement in the condition of or the outlook for commercial real estate in the markets where your bank operates	0.00
More aggressive competition from other commercial banks	0.00
More aggressive competition from nonbank lenders	0.00
Increased tolerance for risk	0.00
Reduced concern about take-out financing	0.00
More liquid market for securities collateralized by these loans	0.00
Other	0.00
Number of banks responding	0

12. Apart from normal seasonal variation, how has demand for commercial real estate loans changed over the past three months?

	All Respondents	
	Banks	Pct
Substantially stronger	0	0.0
Moderately stronger	3	23.1
About the same	5	38.5
Moderately weaker	4	30.8
Substantially weaker	1	7.7
Total	13	100.0