

**Supporting Statement for the
Senior Loan Officer Opinion Survey on Bank Lending Practices
(FR 2018; OMB No. 7100-0058)**

Summary

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB) proposes to extend for three years, without revision, the voluntary Senior Loan Officer Opinion Survey on Bank Lending Practices (FR 2018; OMB No. 7100-0058). A senior loan officer at each respondent bank completes this survey through an electronic submission, up to six times a year. Consistent with the Senior Financial Officer Survey (FR 2023; OMB No. 7100-0223), senior staff at the Reserve Banks with knowledge of bank lending practices usually administers the survey. The current reporting panel consists of up to 80 large domestically chartered commercial banks and up to 24 large U.S. branches and agencies of foreign banks. The purpose of the survey is to provide qualitative and limited quantitative information on credit availability and demand, as well as on evolving developments and lending practices in the U.S. loan markets. A portion of the questions in each survey typically covers special topics of timely interest; therefore, a sample form is not included in this proposal.

Although the Federal Reserve has the authority to conduct the survey up to six times a year, the survey has typically been conducted only four times a year since 1992. Consistent with the FR 2023, other types of respondents, such as other depository institutions, bank holding companies, or other financial entities, may be surveyed, if appropriate. The annual burden for the FR 2018 survey is estimated to be 1,248 hours, based on six surveys per year.

The respondents' answers provide information that is critical to the Federal Reserve's monitoring of bank lending practices and credit markets. The Federal Reserve relies on the regular opportunity to solicit information from banks within the framework of the survey. Survey results from 1997 to present are available to the public on the Federal Reserve Board's website.¹

Background and Justification

The Federal Reserve initiated a survey on bank lending practices in 1964. Until 1981, it was conducted quarterly at 120 respondent banks and consisted of 22 standard questions, seeking qualitative information with respect to changes in bank lending practices in the three months preceding the survey date. The survey's original questions dealt with perceived changes in business loan demand, willingness to make business loans, various non-rate aspects of business loan pricing, and willingness to extend consumer, mortgage, and certain other types of loans.

In 1981, the number of respondents was decreased by half, the number of core questions was reduced to six, and a provision was made to include additional questions in each survey that would address current topics on bank lending practices. In 1984, the authorized frequency was increased from four to eight times a year, most of the remaining core questions were dropped,

¹ See <http://www.federalreserve.gov/boarddocs/SnLoanSurvey/>.

and the survey came to consist mainly of questions focusing on one or more topics of current interest. For example, banks were queried about the market for interest rate swaps, the market for business loan sales and participations, business lending to middle market firms, and the effects of tax changes on bank lending. In 1987, the Federal Reserve reduced the authorized frequency from eight to six times a year after determining that this would reduce the burden on respondents without compromising the Federal Reserve's ability to keep abreast of important banking developments.²

In August 1990, the respondent panel was enlarged to include 18 of the largest U.S. branches and agencies of foreign banks. In November 1994, the Federal Reserve increased the number of foreign banks surveyed to 24 to make the foreign bank coverage more thorough and to rectify an under-representation of branches and agencies of European banks.

In May 2012, the Federal Reserve reduced the minimum asset size for panel institutions from \$3 billion to \$2 billion and added 20 domestically chartered commercial banks with \$2 to \$10 billion in total assets to the authorized panel. The expanded panel provided deeper coverage of commercial real estate loans and small business lending, as well as a more comprehensive picture of differences in lending conditions at the largest banks and regional banks.

The information obtained from the survey provides valuable insights on credit market and banking developments and is helpful in the formulation of monetary policy. Information from the survey is reported regularly to the Board of Governors and to the Federal Open Market Committee (FOMC) as an official memorandum to FOMC participants and in other internal briefing materials. This information has been particularly valuable in recent years as it has provided the Federal Reserve with insight into the effects of the financial crisis on the availability of credit to households and businesses. The survey has also attracted considerable attention from the business press and is used in academic research on banking and macroeconomic activity.³ Aggregate survey responses have been used to study the effects of the more stringent international capital requirements commonly referred to as Basel III.⁴ The results are also included in the Federal Reserve Board's reports to Congress on *Availability of Credit to Small Businesses*, which are produced every five years pursuant to Section 2227 of the Economic Growth and Regulatory Paperwork Reduction Act of 1996. The survey results have also been useful in enabling the Federal Reserve to keep abreast of complex banking developments that have evolved over time.

² The survey was conducted five times in 1985, 1986, and 1987, four times in 1988 and 1989, five times in 1990, and six times in 1991. Since that time, it has been conducted four times every year, except for 1998 and 2001, in which the survey was conducted five times.

³ Examples of academic research include William F. Bassett III, Mary Beth Chosak, John C. Driscoll, and Egon Zakrajsek (2014). "Changes in Bank Lending Standards and the Macroeconomy," *Journal of Monetary Economics*, 62(1), pp. 23-40, and Jose M. Berrospide and Rochelle M. Edge (2011). "The Effects of Bank Capital on Lending: What Do We Know, and What Does it Mean?" *International Journal of Central Banking*, 6(4), pp. 5-54.

⁴ Examples of Basel III research include BIS (2010). "Assessing the Macroeconomic Impact of the Transition to Stronger Capital and Liquidity Requirements," Macroeconomic Assessment Group. Basel, Switzerland: Bank for International Settlements, and Angela Maddaloni and Jose-Luis Peydro (2011). "Bank Risk-Taking, Securitization, Supervision, and Low Interest Rates: Evidence from U.S. and Euro Area Lending Standards," [Review of Financial Studies](#), 24(6), pp. 2121-2165.

In the last several years, the survey has provided critical information on a number of important banking topics. Recent special questions have addressed issues in rapidly changing credit markets: banks' involvement in the syndicated loan market; banks' assessment of the levels of lending standards relative to longer-term norms, and banks' expectations about changes in asset quality and credit standards over the coming year. Regarding lending to households, the survey has provided valuable information on timely topics including the response of residential real estate lending to regulatory changes, credit card lending, and automobile lending.

Description of Information Collection

The questions on the FR 2018 survey are generally qualitative. They are drafted with the intent to elicit useful information without imposing undue reporting burden. To understand certain banking practices, however, the Federal Reserve occasionally needs to ask quantitative questions. The Federal Reserve has sought to limit the difficulty and quantitative content of survey questions, insofar as an adequate understanding of the subject matter allows. When quantitative information is requested, respondents generally are asked to provide approximate or rough estimates, usually in terms of percentages rather than dollar amounts. A respondent may decline to answer a particular question when answering would entail excessive burden. Experience has shown that only a small number of respondents decline to answer any particular question. Response rates overall have been high and resulted in adequate and informative answers.

Since May 1990, the survey has included approximately 20 questions designed to measure changes in credit standards and terms on bank loans and perceived changes in the demand for bank credit. The survey has also normally included a number of special questions about developments in banking practices. The Federal Reserve distributes two versions of the survey, one to domestically chartered institutions and one to U.S. branches and agencies of foreign banks. The survey tailored to the branches and agencies of foreign banks contains fewer questions. Specifically, it omits both the recurring and the special questions on residential mortgage and consumer lending because the branches and agencies typically make few, if any, loans to households.

Reporting Panel

Domestically Chartered Commercial Banks. From 1981 to 2012, the Federal Reserve has tried to maintain a panel of 60 insured, domestically chartered commercial banks; since 2012, the Federal Reserve has tried to maintain a panel of 80 such banks. To ensure adequate geographic coverage, the survey panel of domestic banks spans all Federal Reserve Districts, while balancing the need to keep it heavily weighted toward the largest banks. When the largest banks in a District are not among its respondents, it is generally because the banks are specialized (for example, credit card banks) or because they are part of a holding company that is already represented in another District. The presence of the largest banks in the survey is critical, as they play an important role in developing and practicing new banking techniques. However, the panel also includes a fair number of large and medium-size regional banks, which allows for a greater diversity of responses and provides a broader view of the banking system.

Table 1
Distribution of Current Domestic Commercial Bank Reporters by
Total of Assets and District
(As of June 30, 2014)

District	Asset Size of smallest respondent (\$ billions) ⁵	Number of Reporters by Asset Size (\$ billions)			
		Total Number of Reporters	Total assets of \$20 billion or more	Total assets of \$10 billion or more, but less than \$20 billion	Total assets of less than \$10 billion
Boston	6	4	3	0	1
New York	8	10	8	1	1
Philadelphia	3	5	1	1	3
Cleveland	5	7	5	0	2
Richmond	4	6	4	0	2
Atlanta	4	7	4	2	1
Chicago	3	5	3	0	2
St. Louis	3	7	1	3	3
Minneapolis	2	5	1	1	3
Kansas City	3	7	2	2	3
Dallas	2	6	2	1	3
San Francisco	7	9	6	2	1
All Districts	2 ⁶	78	40	13	25

Source - Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices (FFIEC 031) and Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only (FFIEC 041) (OMB No. 7100-0036).

As of June 30, 2014, the current panel of domestic respondents contained 78 banks, 40 of which had assets of \$20 billion or more as shown in Table 1. The assets of the panel banks totaled \$8.7 trillion and accounted for about 62 percent of the \$14.0 trillion in total assets at domestically chartered institutions.

Selection Criteria for the Domestic Bank Panel. In selecting the panel, the Federal Reserve generally imposed three constraints. The first is size: the Federal Reserve has been eliminating banks having less than \$2 billion in assets or for which commercial and industrial (C&I) loans are less than 5 percent of total assets, with a few exceptions.⁷ The second is geographic diversity: the Federal Reserve has been including between two and ten banks in each District.⁸ The third is mutual independence: With some exceptions, the Federal Reserve

⁵ The asset size of the smallest respondent is rounded to the nearest billion.

⁶ This number represents the asset size of the smallest respondent across all Federal Reserve districts.

⁷ As of June 30, 2014, three banks had C&I loans that were less than 5 percent of total assets.

⁸ Two institutions that are currently in the panel report main offices in Federal Reserve Districts that are different from those that collect their responses to the survey. This structure is used in order to establish a relationship with a primary lending bank as opposed to just making the main office the responder.

eliminates a bank from consideration if it is a subsidiary of a bank holding company that is already represented in the panel (because its responses would likely not be independent of those of the related bank already providing responses).⁹

U.S. Branches and Agencies of Foreign Banks. The current panel includes 24 institutions, 21 of which are located in the New York District. As Table 2 displays, in September 2011, the share of C&I loans held by respondent U.S. branches and agencies of foreign banks (\$132.5 billion) relative to the universe of foreign branches and agencies (\$241.7 billion) equaled roughly 55 percent. In September 2014, the share of C&I loans held by respondent U.S. branches and agencies of foreign banks (\$179.1 billion) relative to the universe of foreign branches and agencies (\$319.1 billion) edged up to 56 percent. To keep the panel representative with respect to the parent banks' countries of origin going forward, branches and agencies would continue to be added to the panel based on location of the parent bank as well as size.

Table 2
Loan Shares Among U.S. Branches and Agencies of Foreign Banks
by Country of Charter

Commercial and Industrial Loans (Percent)				
Location of charter	June 30, 2014		September 30, 2011	
	Respondent panel	Universe	Respondent panel	Universe
Canada	12.4	10.8	8.9	9.5
Japan	37.8	33.0	35.6	23.6
Europe and other	49.8	56.2	55.4	67.0
<i>Total</i>	100.0	100.0	100.0	100.0
Memo: Total (\$ billions)	\$179.1	\$319.1	\$132.5	\$241.7

Source - Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002) and Report of Assets and Liabilities of a Non-U.S. Branch That is Managed or Controlled by a U.S. Branch or Agency of a Foreign (Non-U.S.) Bank (FFIEC 002S) (OMB No. 7100-0032).

Optional Panel. The panels of large domestically chartered commercial banks and 24 U.S. branches and agencies of foreign banks would be appropriate for most survey topics. In some situations, however, panels based on alternative criteria may be more appropriate or may provide useful additional information. Consequently, the Federal Reserve has the option to survey other types of respondents (such as other depository institutions, bank holding companies, or other financial entities) in addition to the current panel. For example, it may be useful to

⁹ In cases where two banks under a common parent company are included in the panel, the Federal Reserve has made efforts to determine that the banks' responses to survey questions are independent.

survey institutional loan investors to gain a better understanding of how that part of the syndicated loan market works. This option enhances the potential scope and utility of the survey and is consistent with the FR 2023. Also consistent with the FR 2023, the surveys of optional panels would be conducted either by Federal Reserve Bank staff or Federal Reserve Board staff, as appropriate.

Frequency

This voluntary survey is conducted up to six times a year and the Federal Reserve recommends no change in the frequency of this survey.

Time Schedule for Information Collection and Publication

The survey is generally completed through an electronic submission. Reserve Banks e-mail the survey questions to a senior loan officer at each respondent bank. Federal Reserve Banks conduct follow-up telephone interviews with institutions that did not respond or if the responses require further information. The Reserve Banks electronically transmit survey responses to the Federal Reserve Board, where the data are tabulated and summarized in a public release, which is made available on the Federal Reserve's website. The survey results also are discussed in the semiannual *Monetary Policy Report* to Congress.

Legal Status

The Federal Reserve Board's Legal Division has determined that the Senior Loan Officer Opinion Survey on Bank Lending Practices is authorized by Sections 2A, 11, and 12A of the Federal Reserve Act (12 U.S.C. §§ 225a, 248(a), and 263) and Section 7 of the International Banking Act (12 U.S.C. § 3105(c)(2)) and is voluntary. Individual survey responses from each respondent can be held confidential under section (b)(4) of the Freedom of Information Act (5 U.S.C. § 552 (b)(4)). However, certain data from the survey is reported is aggregate from and the information in aggregate form is made publicly available and not considered confidential.

Consultation Outside the Agency

On February 11, 2015, the Federal Reserve published a notice in the *Federal Register* (80 FR 7592) requesting public comment for 60 days on the extension, without revision, of the FR 2018. The comment period for this notice expired on April 13, 2015. The Federal Reserve did not receive any comments. On April 27, 2015, the Federal Reserve published a final notice in the *Federal Register* (80 FR 23274).

Estimate of Respondent Burden

The annual burden for the FR 2018 is estimated to be 1,248 hours annually, as shown in the following table. Actual respondent burden for this survey varies, depending on how many of the six authorized surveys are actually carried out and on the specific content of each questionnaire. Based on input from respondents and Reserve Banks as well as its own experience in conducting telephone interviews, the Federal Reserve estimates that, on average, a

typical telephone interview takes approximately two hours of a respondent’s time.¹⁰ These reporting requirements represent less than 1 percent of the total Federal Reserve System annual paperwork burden.

	<i>Number of respondents¹¹</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
FR 2018	104	6	2	1,248

The total cost to the public is estimated to be \$64,584.¹²

Sensitive Questions

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

Estimate of Cost to the Federal Reserve System

The Federal Reserve’s processing costs associated with this survey are nominal.

¹⁰ Actual burden underlying the average two-hour response rate varies considerably not only from survey to survey, depending on the number and nature of the questions, but also among respondents for any one survey.

¹¹ Of these respondents required to comply with this information collection, one is considered small entities as defined by the Small Business Administration (i.e., entities with less than \$550 million in total assets) www.sba.gov/content/small-business-size-standards.

¹² Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at \$17, 45% Financial Managers at \$63, 15% Lawyers at \$64, and 10% Chief Executives at \$87). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), *Occupational Employment and Wages May 2014*, published March 25, 2015, www.bls.gov/news.release/ocwage.nr0.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.