

Table 2

SENIOR LOAN OFFICER OPINION SURVEY ON BANK LENDING PRACTICES  
AT SELECTED BRANCHES AND AGENCIES OF FOREIGN BANKS IN THE UNITED STATES<sup>1</sup>  
(Status of policy as of August 2001)

**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	10.0
Tightened somewhat	8	40.0
Remained basically unchanged	10	50.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
<b>Total</b>	<b>20</b>	<b>100.0</b>

2. For applications for C&I loans or credit lines--other than those to be used to finance mergers and acquisitions--from 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.)

	All Respondents
	Mean
Maximum size of credit lines	2.55
Costs of credit lines	2.45
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.50
Premiums charged on riskier loans	2.30
Loan covenants	2.50
Collateralization requirements	2.70
Other	3.00
<b>Total</b>	<b>20</b>

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1. As of June 30, 2000, the 20 respondents had combined assets of \$277 billion, compared to \$906 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 parent bank's current or expected capital position	1.33
Less favorable or more uncertain economic outlook	2.67
Worsening of industry-specific problems	2.80
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.13
Reduced tolerance for risk	1.93
Decreased liquidity in the secondary market for these loans	1.87
Increase in defaults by below-investment-grade borrowers in public debt markets.	2.13
Other	1.00
Number of banks responding	15

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

	All Respondents
	Mean
Improvement in your parent bank's current or expected capital position	1.00
More favorable or less uncertain economic outlook	1.00
Improvement in industry-specific problems	1.00
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.00
Increased tolerance for risk	1.00
Increased liquidity in the secondary market for these loans	1.00
Reduction in defaults by borrowers in public debt markets	1.00
Other	1.00
Number of banks responding	1

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	1	5.0
About the same	14	70.0
Moderately weaker	5	25.0
Substantially weaker	0	0.0
<b>Total</b>	<b>20</b>	<b>100.0</b>

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	1.00
Customer accounts receivable financing needs increased	1.00
Customer investment in plant or equipment increased	2.00
Customer internally generated funds decreased	2.00
Customer merger or acquisition financing needs increased	2.00
Customer borrowing shifted to your bank from other bank or nonbank sources because these other sources became less attractive	2.00
Other	1.00
<b>Number of banks responding</b>	<b>1</b>

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

	All Respondents
	Mean
Customer inventory financing needs decreased	1.20
Customer accounts receivable financing needs decreased	1.20
Customer investment in plant or equipment decreased	2.00
Customer internally generated funds increased	1.20
Customer merger or acquisition financing needs decreased	2.40
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	1.60
Other	1.00
<b>Number of banks responding</b>	<b>5</b>

Over the past year, many firms in the telecommunications and other high-technology sectors posted widespread losses and there have been numerous credit defaults. **Questions 6-10** ask about bank lending to these **technology companies** over the past year. When assigning a technology company to one of the industry categories specified below, please do so on the basis of the company's main line of business. Question 6 asks about the share of technology company obligations in your bank's loan portfolio. Questions 7-8 ask about delinquency and charge-off rates on loans to technology firms. Questions 9-10 ask about changes over the past year in your bank's credit standards and loan terms for technology companies.

6. Approximately what is the percentage share of outstanding C&I loans at your bank that falls into the following industry categories? (Percentages may not sum to 100 due to rounding.)<sup>2</sup>

	All Respondents
	Mean
Telecommunications service providers	6.9
Telecommunications equipment manufacturers	2.5
Internet commerce	0.0
Semiconductors	1.2
Computer hardware, software, and other high-tech sectors	4.4
All other C&I loans	85.8
Number of banks responding	20

7. For each of these industry categories, approximately what is the percentage of the outstanding C&I loans at your bank that is more than 30 days past due or not accruing interest?

8. Approximately what percentage of the loans outstanding in each of the same industry categories as of a year ago have since been charged off?

The results for questions 7 and 8 are not reported, because the number of banks that responded was insufficient to make the aggregate information meaningful.

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2. Responses have been weighted by outstanding C&I loans.

9. Over the past year, how have your bank's credit standards for approving applications for C&I loans or credit lines to technology companies (firms in industry categories (a)-(e) in question 6) changed *relative* to credit standards on C&I loans or credit lines to non-technology companies?

A. Standards for investment-grade technology companies *relative* to standards for investment-grade non-technology companies:

	All Respondents	
	Banks	Pct
Tightened considerably more	5	26.3
Tightened somewhat more	10	52.6
Tightened about the same	4	21.1
Tightened less	0	0.0
Standards have eased for high-tech firms	0	0.0
<b>Total</b>	<b>19</b>	<b>100.0</b>

B. Standards for below-investment-grade technology companies *relative* to standards for below-investment-grade non-technology companies:

	All Respondents	
	Banks	Pct
Tightened considerably more	12	66.7
Tightened somewhat more	5	27.8
Tightened about the same	1	5.6
Tightened less	0	0.0
Standards have eased for high-tech firms	0	0.0
<b>Total</b>	<b>18</b>	<b>100.0</b>

10. For applications for C&I loans or credit lines from technology companies (firms in industry categories (a)-(e) in questions 6-8) that your bank currently is willing to approve, how have the terms of those loans changed over the past year *relative* to terms on C&I loans or credit lines to non-technology companies? (Please assign each category a number between 1 and 5 using the following scale: 1=tightened considerably more, 2=tightened somewhat more, 3=tightened about the same, 4=tightened less, 5=terms have eased for high-tech firms.)

A. Terms for investment-grade technology companies *relative* to terms for investment-grade non-technology companies:

	All Respondents
	Mean
Price-related terms (fees and spreads)	2.11
Nonprice terms (covenants, collateral requirements, etc.)	1.95
Number of banks responding	19

B. Terms for below-investment-grade technology companies *relative* to terms for below-investment-grade non-technology companies:

	All Respondents
	Mean
Price-related terms (fees and spreads)	1.61
Nonprice terms (covenants, collateral requirements, etc.)	1.50
Number of banks responding	18

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

11. 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	2	18.2
Remained basically unchanged	9	81.8
Eased somewhat	0	0.0
Eased considerably	0	0.0
<b>Total</b>	<b>11</b>	<b>100.0</b>

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	0	0.0
About the same	10	90.9
Moderately weaker	1	9.1
Substantially weaker	0	0.0
<b>Total</b>	<b>11</b>	<b>100.0</b>