

Table 2

SENIOR LOAN OFFICER OPINION SURVEY ON BANK LENDING PRACTICES
AT SELECTED BRANCHES AND AGENCIES OF FOREIGN BANKS IN THE UNITED STATES¹
(Status of policy as of October 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 | 1 | 4.5 |
| Tightened somewhat | 14 | 63.6 |
| Remained basically unchanged | 6 | 27.3 |
| Eased somewhat | 1 | 4.5 |
| 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--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 | 2.50 |
| Costs of credit lines | 2.41 |
| Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased) | 2.36 |
| Premiums charged on riskier loans | 2.23 |
| Loan covenants | 2.55 |
| Collateralization requirements | 2.55 |
| Other | 3.00 |
| Total | 22 |

1. As of June 30, 2001, the 22 respondents had combined assets of \$282 billion, compared to \$870 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 | 1.20 |
| Less favorable or more uncertain economic outlook | 2.65 |
| Worsening of industry-specific problems | 2.45 |
| Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets) | 1.10 |
| Reduced tolerance for risk | 1.80 |
| Decreased liquidity in the secondary market for these loans | 1.55 |
| Increase in defaults by borrowers in public debt markets | 2.05 |
| Other | 1.00 |
| Number of banks responding | 20 |

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 banks or 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 |
| Reduction in defaults by borrowers in public debt markets | 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 | 2 | 9.1 |
| About the same | 11 | 50.0 |
| Moderately weaker | 8 | 36.4 |
| Substantially weaker | 1 | 4.5 |
| 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 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 | 2.00 |
| Customer accounts receivable financing needs increased | 2.00 |
| Customer investment in plant or equipment increased | 1.00 |
| Customer internally generated funds decreased | 3.00 |
| Customer merger or acquisition financing needs increased | 1.00 |
| Customer borrowing shifted to your bank from other bank or nonbank sources because these other sources became less attractive | 1.00 |
| Other | 3.00 |
| Number of banks responding | 1 |

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

| | All Respondents |
|--|-----------------|
| | Mean |
| Customer inventory financing needs decreased | 1.78 |
| Customer accounts receivable financing needs decreased | 1.67 |
| Customer investment in plant or equipment decreased | 2.33 |
| Customer internally generated funds increased | 1.56 |
| Customer merger or acquisition financing needs decreased | 2.33 |
| Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive | 1.11 |
| Other | 1.22 |
| Number of banks responding | 9 |

In recent months, several credit ratings agencies have revised their ratings for a substantial number of firms. **Questions 6-9** ask about your bank's internal risk ratings for C&I loans and changes in these ratings over the past three months.

6. Approximately what percentage of the dollar volume of your bank's C&I loans has an internal credit rating?

| | All Respondents | |
|---------------------------|-----------------|--------------|
| | Banks | Pct |
| Less than 5 percent | 0 | 0.0 |
| Between 5 and 10 percent | 0 | 0.0 |
| Between 11 and 25 percent | 0 | 0.0 |
| Between 26 and 50 percent | 0 | 0.0 |
| Between 51 and 75 percent | 0 | 0.0 |
| More than 75 percent | 22 | 100.0 |
| Total | 22 | 100.0 |

7. According to your bank's internal credit ratings system, approximately what percentage of the dollar volume of your bank's C&I loans that are assigned an internal rating has been *downgraded* over the past three months?

| | All Respondents | |
|---------------------------|-----------------|--------------|
| | Banks | Pct |
| Less than 1 percent | 0 | 0.0 |
| Between 1 and 5 percent | 8 | 38.1 |
| Between 6 and 10 percent | 5 | 23.8 |
| Between 11 and 20 percent | 4 | 19.0 |
| Between 21 and 30 percent | 1 | 4.8 |
| More than 30 percent | 3 | 14.3 |
| Total | 21 | 100.0 |

8. According to your bank's internal credit ratings system, approximately what percentage of the dollar volume of your bank's C&I loans that are assigned an internal rating has been *upgraded* over the past three months?

| | All Respondents | |
|---------------------------|-----------------|--------------|
| | Banks | Pct |
| Less than 1 percent | 9 | 40.9 |
| Between 1 and 5 percent | 9 | 40.9 |
| Between 6 and 10 percent | 3 | 13.6 |
| Between 11 and 20 percent | 1 | 4.5 |
| Between 21 and 30 percent | 0 | 0.0 |
| More than 30 percent | 0 | 0.0 |
| Total | 22 | 100.0 |

9. How have your bank's internal ratings for C&I loans to firms in the following industrial categories changed, on average, over the past three months? (Please assign each industrial category a number between 1 and 5 using the following scale: 1=downgraded considerably, 2=downgraded somewhat, 3=remained basically unchanged, 4=upgraded somewhat, 5=upgraded considerably.)

| | All Respondents |
|--|-----------------|
| | Mean |
| Commercial airlines and nondefense aerospace | 1.86 |
| Automobile manufacturers and distributors | 2.19 |
| Travel and other leisure-related services (car rental agencies, hotels, restaurants, etc.) | 2.05 |
| Consumer cyclicals | 2.48 |
| Defense-related industries | 3.14 |
| Energy | 2.90 |
| High-tech | 2.29 |
| Other | 2.81 |
| Number of banks responding | 21 |

In the aftermath of the terrorist attacks on September 11, the Securities and Exchange Commission temporarily eased restrictions on firms' ability to repurchase their stock. **Question 10** asks about your bank's experience with respect to requests for loans to finance equity repurchases since the resumption of trading activity on September 17. **Question 11** asks how your bank's credit standards for this type of loan have changed since the terrorist attacks. **Question 12** asks how the liquidity in the secondary market for C&I loans has changed as a result of the terrorist attacks, abstracting from the dislocations that immediately followed.

10. How has the demand for loans to finance equity repurchases--including draws on existing lines and applications for new credit arrangements--at your bank changed since the resumption of trading activity on September 17?

| | All Respondents | |
|------------------------------|-----------------|--------------|
| | Banks | Pct |
| Increased considerably | 1 | 4.5 |
| Increased somewhat | 2 | 9.1 |
| Remained basically unchanged | 19 | 86.4 |
| Decreased somewhat | 0 | 0.0 |
| Decreased considerably | 0 | 0.0 |
| Total | 22 | 100.0 |

11. Since the terrorist attacks on September 11, how has your bank changed its credit standards for approving applications for loans to finance equity repurchases?

A. For *investment-grade* firms such standards have:

| | All Respondents | |
|------------------------------|-----------------|--------------|
| | Banks | Pct |
| Tightened considerably | 0 | 0.0 |
| Tightened somewhat | 3 | 13.6 |
| Remained basically unchanged | 19 | 86.4 |
| Eased somewhat | 0 | 0.0 |
| Eased considerably | 0 | 0.0 |
| Total | 22 | 100.0 |

B. For *below-investment-grade* firms such standards have:

| | All Respondents | |
|------------------------------|-----------------|--------------|
| | Banks | Pct |
| Tightened considerably | 2 | 10.5 |
| Tightened somewhat | 4 | 21.1 |
| Remained basically unchanged | 13 | 68.4 |
| Eased somewhat | 0 | 0.0 |
| Eased considerably | 0 | 0.0 |
| Total | 19 | 100.0 |

12. Abstracting from the dislocations that immediately followed the terrorist attacks, how has liquidity in the secondary market for C&I loans changed since September 11?

A. Loan trading volume has:

| | All Respondents | |
|------------------------------|-----------------|--------------|
| | Banks | Pct |
| Decreased considerably | 7 | 35.0 |
| Decreased somewhat | 7 | 35.0 |
| Remained basically unchanged | 6 | 30.0 |
| Increased somewhat | 0 | 0.0 |
| Increased considerably | 0 | 0.0 |
| Total | 20 | 100.0 |

B. Bid-asked spreads have:

| | All Respondents | |
|------------------------------|-----------------|--------------|
| | Banks | Pct |
| Widened considerably | 8 | 42.1 |
| Widened somewhat | 7 | 36.8 |
| Remained basically unchanged | 4 | 21.1 |
| Narrowed somewhat | 0 | 0.0 |
| Narrowed considerably | 0 | 0.0 |
| Total | 19 | 100.0 |

Questions 13-14 ask about **commercial real estate loans** at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 13 deals with changes in your bank's standards over the last three months and question 14 deals with changes in demand over the same period. If your bank's lending standards have not changed over the last three months, please report them as unchanged even if they are either restrictive or accommodative relative to longer-term norms. If your bank's standards have tightened or eased over the last 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.

13. 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 | 3 | 23.1 |
| Remained basically unchanged | 10 | 76.9 |
| Eased somewhat | 0 | 0.0 |
| Eased considerably | 0 | 0.0 |
| Total | 13 | 100.0 |

14. 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 | 76.9 |
| Moderately weaker | 3 | 23.1 |
| Substantially weaker | 0 | 0.0 |
| Total | 13 | 100.0 |