Table 2

Senior Loan Officer Opinion Survey on Bank Lending Practices at Selected Branches and Agencies of Foreign Banks in the United States [1]

(Status of policy as of January 2005)

Questions 1-3 *ask about changes in your bank's* ***commercial and industrial*** *(C&I) lending policies 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	**Percent**
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	16	80.0
Eased somewhat	4	20.0
Eased considerably	0	0.0
Total	20	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	3.25
Costs of credit lines	3.45
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.55
Premiums charged on riskier loans	3.26
Loan covenants	3.50
Collateralization requirements	3.20
Other (please specify)	3.00
Number of banks responding	20

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	1.00
Less favorable or more uncertain economic outlook	1.00
Worsening of industry-specific problems (please specify industries)	1.00
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.00
Reduced tolerance for risk	3.00
Decreased liquidity in the secondary market for these loans	1.00
Increase in defaults by borrowers in public debt markets	1.00
Other (please specify)	0.00
Number of banks responding	1

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

	All Respondents
	Mean
Improvement in your bank's current or expected capital position	1.36
More favorable or less uncertain economic outlook	1.45
Improvement in industry-specific problems (please specify industries)	1.18
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	2.45
Increased tolerance for risk	1.36
Increased liquidity in the secondary market for these loans	1.64
Reduction in defaults by borrowers in public debt markets	1.45
Other (please specify)	1.00
Number of banks responding	11

4. If your bank has experienced greater competitive pressures from nonbank lenders in the C&I loan market over the past year or so, how important have been the following possible reasons for the increased competition? (Please assign, for each reason, a number between 1 and 3 using the following scale: 1=not important, 2=somewhat important, 3=very important.)

	All Respondents
	Mean
Greater confidence in the liquidity and depth of the secondary market for C&I loans has increased nonbank lenders' participation in this market.	2.06
Nonbank lenders have become more attracted to the senior status of C&I loans.	1.94
Nonbank lenders have become more attracted to the floating-rate nature of C&I loans.	1.65
Nonbank lenders believe returns on C&I loans to be less volatile than those on other financial assets and have become more attracted to this characteristic.	1.56
The trend toward market-based pricing of C&I loans has made them more attractive for nonbank lenders to hold.	1.69
Other (Please specify)	2.00
Number of banks responding	17

Questions 5-7 *deal with changes in* ***demand for C&I loans*** *over the past three months.*

5. 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	**Percent**
Substantially stronger	0	0.0
Moderately stronger	2	10.0
About the same	16	80.0
Moderately weaker	2	10.0
Substantially weaker	0	0.0
Total	20	100.0

6. If demand for C&I loans has strengthened or weakened over the past three months (as described in question 5), 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 5), possible reasons:

	All Respondents
	Mean
Customer inventory financing needs increased	2.00
Customer accounts receivable financing needs increased	1.50
Customer investment in plant or equipment increased	1.50
Customer internally generated funds decreased	1.00
Customer merger or acquisition financing needs increased	1.67
Customer borrowing shifted to your bank from other bank or nonbank sources because these other sources became less attractive	2.00
Other (please specify)	2.00
Number of banks responding	3

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

	All Respondents
	Mean
Customer inventory financing needs decreased	2.00
Customer accounts receivable financing needs decreased	2.00
Customer investment in plant or equipment decreased	2.00
Customer internally generated funds increased	2.00
Customer merger or acquisition financing needs decreased	2.00
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	1.00
Other (please specify)	3.00
Number of banks responding	2

7. At your bank, how has the number of inquiries from potential business borrowers regarding the availability and terms of new credit lines or increases in existing lines changed over the past three months? (Please consider only inquiries for additional C&I lines as opposed to the refinancing of existing loans.)

	All Respondents	
	Banks	**Percent**
The number of inquiries has increased substantially	0	0.0
The number of inquiries has increased moderately	5	26.3
The number of inquiries has stayed about the same	11	57.9
The number of inquiries has decreased moderately	3	15.8
The number of inquiries has decreased substantially	0	0.0
Total	19	100.0

Questions 8-9 *ask about* ***commercial real estate loans*** *at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 8 deals with changes in your bank's standards over the last three months. Question 9 deals with changes in demand. 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.*

8. Over the past three months, how have your bank's credit standards for approving applications for commercial real estate loans changed?

	All Respondents	
	Banks	**Percent**
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	12	92.3
Eased somewhat	1	7.7
Eased considerably	0	0.0
Total	13	100.0

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

	All Respondents	
	Banks	**Percent**
Substantially stronger	0	0.0
Moderately stronger	2	15.4
About the same	11	84.6
Moderately weaker	0	0.0
Substantially weaker	0	0.0
Total	13	100.0

Questions 10-11 *focus on changes in your bank's terms on* **commercial real estate loans** *over the* **past year** *, If your bank's lending terms have not changed over the past year, please report them as unchanged even if they are either restrictive or accommodative relative to longer-term norms. If your bank's lending terms have tightened or eased over the past year, please so report them regardless of how they stand relative to longer-term norms.*

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	3.00
Maximum loan maturity	2.82
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.36
Loan-to-value ratios	2.80
Requirements for take-out financing	2.80
Debt-service coverage ratios	2.82
Other (please specify)	3.00
Number of banks responding	11

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	2.00
Worsening of the condition of, or the outlook for, commercial real estate in the markets where your bank operates	3.00
Less aggressive competition from other commercial banks	2.00
Less aggressive competition from nonbank lenders	2.00
Reduced tolerance for risk	3.00
Increased concern about take-out financing	3.00
Less liquid market for securities collateralized by these loans	3.00
Other (please specify)	0.00
Number of banks responding	1

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

	All Respondents
	Mean
More favorable economic outlook	1.14
Improvement in the condition of, or the outlook for, commercial real estate in the markets where your bank operates	1.43
More aggressive competition from other commercial banks	2.29
More aggressive competition from nonbank lenders	2.00
Increased tolerance for risk	1.43
Reduced concern about take-out financing	1.29
More liquid market for securities collateralized by these loans	1.86
Other (please specify)	0.00
Number of banks responding	7

1. As of June 30, 2004, the 20 respondents had combined assets of $427 billion, compared to $979 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.