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TO: HEADS OF RESEARCH AT ALL FEDERAL RESERVE BANKS

Enclosed for distribution to respondents is a national summary of the April 2006 Senior Loan Officer Opinion Survey on Bank Lending Practices.

Enclosures

This document is available on the Federal Reserve Board's web site (http://www.federalreserve.gov/boarddocs/surveys).

The April 2006 Senior Loan Officer Opinion Survey on Bank Lending Practices

The April 2006 Senior Loan Officer Opinion Survey on Bank Lending Practices addressed changes in the supply of, and demand for, bank loans to businesses and households over the past three months. The survey also contained a set of special questions on the minimum required payment on outstanding credit card balances of individuals and households. This article is based on responses from fifty-seven domestic banks and nineteen foreign banking institutions.

In the April survey, domestic commercial banks reported a further net easing of lending standards and terms for commercial and industrial (C&I) loans, while lending standards on commercial real estate loans reportedly were unchanged. At U.S. branches and agencies of foreign banks, lending standards on both C&I and commercial real estate loans were little changed, on net, but like their domestic counterparts, foreign institutions reported a net easing of terms on C&I loans. Demand for both C&I and commercial real estate loans at domestic banks had changed little over the previous three months. By contrast, foreign institutions experienced, on balance, weaker demand for both C&I and commercial real estate loans over the same period. In the household sector, credit standards on residential mortgages and consumer loans were little changed, on net, during the survey period. A moderate net fraction of domestic respondents reported weaker demand for mortgages to purchase homes, while a larger net fraction saw weaker demand for consumer loans over the past three months.

C&I Lending

(Table 1, questions 1-6; Table 2, questions 1-6)

In the April survey, domestic banks indicated that they had further eased credit standards and terms on C&I loans over the past three months. On net, 12 percent of domestic institutions indicated that they had eased standards on business loans to large and middle-market firms, roughly the same net percentage as in the January survey. About 60 percent of domestic respondents—a notably larger net fraction than in the previous survey—reported that they had trimmed spreads of loan rates over their cost of funds for such firms. Almost 40 percent of domestic institutions—again a larger net fraction than in the January survey—indicated that they had reduced the costs of credit lines over the past three months. About one-fifth of domestic banks, on balance, noted that they had increased the maximum maturity of C&I loans or credit lines that they were willing to extend to their business borrowers.

For C&I loans to small firms, 7 percent of domestic respondents, on net, noted that they had eased lending standards in the April survey. On balance, almost 50 percent of respondents indicated that they had narrowed spreads of loan rates over their cost of funds, and about 30 percent of them reported having reduced the cost of credit lines over the same period.

As they did in the previous two surveys, U.S. branches and agencies of foreign banks reported essentially no change in their credit standards on C&I loans over the survey period. Nonetheless, significant net fractions of these institutions noted that they had narrowed spreads of loan rates over their cost of funds and reduced the cost of credit lines.

Nearly all domestic respondents that reported an easing of their lending standards or terms on C&I loans in the April survey pointed to more-aggressive competition from other banks or nonbank lenders as an important reason for having done so. Significant net percentages also cited increased liquidity in the secondary market for these loans and increased tolerance for risk as reasons for their move toward a more accommodative lending posture.

On balance, demand for C&I loans from both large and middle-market firms and small firms was reportedly little changed in the April survey at domestic institutions. By contrast, 16 percent of foreign respondents, on balance, noted that they had experienced weaker demand for C&I loans over the previous three months. Among domestic respondents that experienced stronger demand for C&I loans, all cited borrowers' increased needs to finance investment in plant or equipment, while three-quarters pointed to increased needs to finance mergers and acquisitions as reasons for the pickup in demand. Among domestic institutions that experienced weaker demand for C&I loans, 90 percent indicated that customers' internally generated funds had increased, a pattern of responses consistent with continued strong corporate profitability. Nonetheless, 60 percent of these banks also pointed to borrowers' decreased needs to finance investment in plant or equipment as a reason for weaker loan demand. Regarding future business, about 10 percent of both domestic and foreign institutions, on balance, indicated that the number of inquiries from potential business borrowers had increased over the previous three months.

Commercial Real Estate Lending
(Table 1, questions 7-8; Table 2, questions 7-8)

Domestic institutions reported essentially no change in their lending standards on commercial real estate loans, on balance, over the past three months. Similarly, a large majority of foreign respondents indicated that they had not changed standards on such loans. On net, just 5 percent of domestic banks saw an increase in demand for commercial real estate loans over the past three months, about the same net fraction as in the January survey. By contrast, about one-fourth of foreign institutions reported that demand for this type of loan was weaker over the same period.

Lending to Households
(Table 1, questions 9-23)

On net, about 10 percent of domestic institutions noted that they had eased credit standards on residential mortgage loans over the past three months. Almost one-fourth of domestic banks experienced weaker demand for mortgages to purchase homes, but this net fraction was considerably smaller than in the January survey.

About 15 percent of domestic respondents reported an increased willingness to make consumer installment loans over the past three months. Standards and most terms on credit card and non-credit-card consumer loans were reportedly little changed, on net, in the April survey. However, for the second consecutive survey, one-quarter of respondents indicated that they had increased the minimum percent of outstanding credit card balances required to be repaid each month. Demand for consumer loans reportedly weakened further over the past three months: More than one-fourth of domestic banks, on net, saw weaker demand for such loans, about the same net fraction as in the previous survey.

To help the Federal Reserve improve its estimate of the financial obligations ratio in the household sector, the current survey contained a set of special questions regarding minimum required payments on the credit card balances of individuals and households.[1] There were twenty-nine responses to these special questions from domestic institutions.[2] About three-quarters of these respondents indicated that the minimum required payment is calculated simply as a percentage of total outstanding balances. For banks that calculate the minimum required payment in such a manner, responses regarding the size of this percentage varied notably. About 75 percent indicated that this percentage was more than 1.5 percent but less than or equal to 3.0 percent of total outstanding balances, with about 30 percent close to the high end of this range.

Institutions that do not calculate the minimum required payment on credit card balances simply as a percentage of total outstanding balances were asked to estimate the portion of such minimum required payment attributable to fees, finance charges, and repayment of principal. Three-quarters of these respondents indicated that the approximate ratio of

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[1] The financial obligations ratio is an estimate of the ratio of debt payments and other regularly occurring financial obligations—such as automobile lease payments, rental payments on tenant-occupied property, homeowners' insurance, and property tax payments—to disposable personal income. For more information about the financial obligations ratio, see www.federalreserve.gov/releases/housedebt/default.htm. The last time banks were queried about minimum required payments on outstanding balances for credit cards was in the January 1999 Senior Loan Officer Opinion Survey.

[2] According to the December 31, 2005, Call Report, these banks accounted for almost 40 percent of credit card loans on the books of domestic banks.

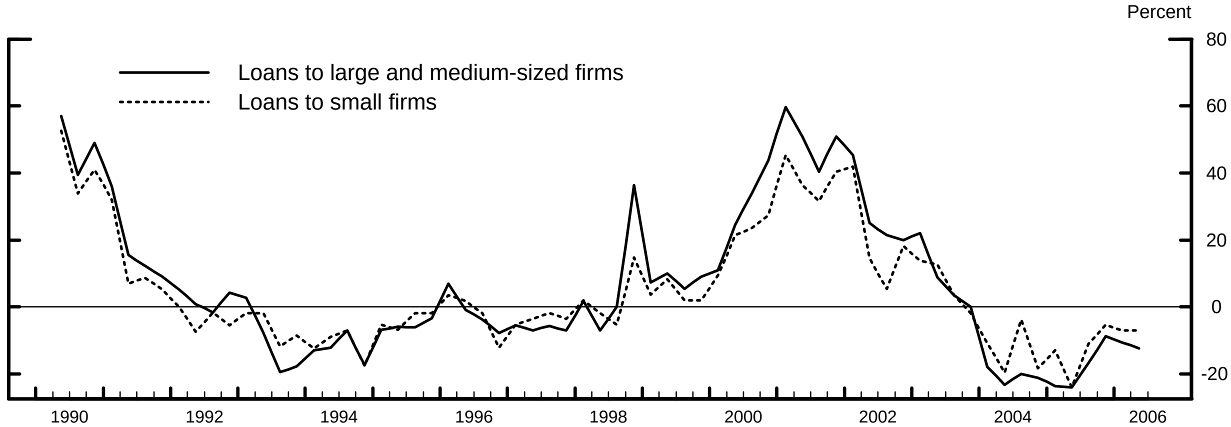
fees required to be paid to total outstanding balances was less than or equal to 0.20 percent—with the remainder reporting higher ratios. Regarding the ratio of finance charges required to be paid to total outstanding balances, all but one financial institution reported that this ratio was more than 0.50 percent but less than or equal to 1.50 percent. Finally, three-quarters of respondent banks indicated that the ratio of principal balances required to be paid to total outstanding balances at their institution was more than 0.5 percent but less than or equal to 1.5 percent, with the remainder reporting higher ratios.

Banks were also asked to report what fraction of individuals and households paid only the minimum required amount on their outstanding credit card balances in recent months. About 70 percent of respondents noted that 15 percent or less of their customers paid the minimum required amount last month. The banks indicated that a similar percentage of individuals and households paid the minimum required amount in each of the past three months. Finally, one-third of respondents, on net, indicated that they had increased their minimum required payment on credit card balances of individuals and households over the past year.

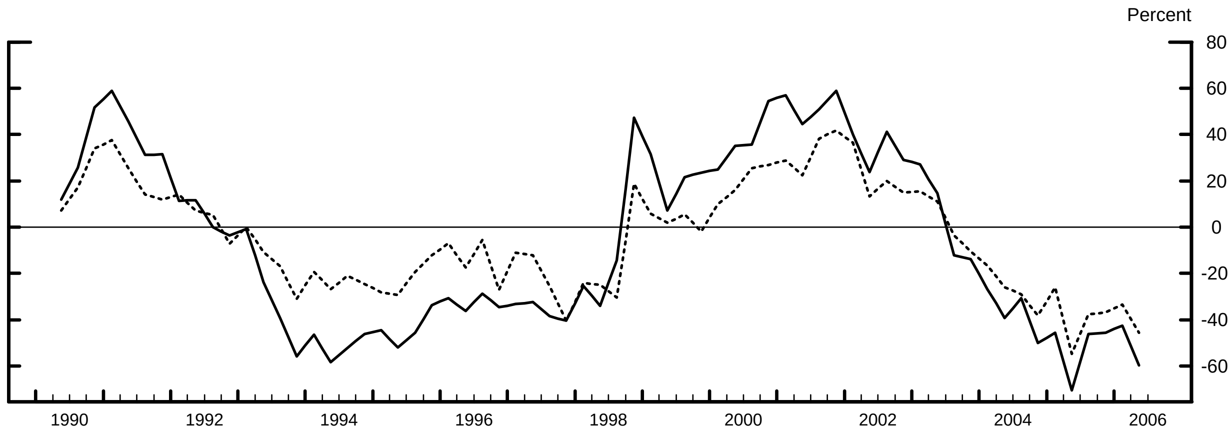
This document was prepared by Fabio Natalucci and Gretchen Weinbach with the research assistance of Arshia Burney and Jason Grimm, Division of Monetary Affairs, Board of Governors of the Federal Reserve System.

Measures of Supply and Demand for C&I Loans, by Size of Firm Seeking Loan

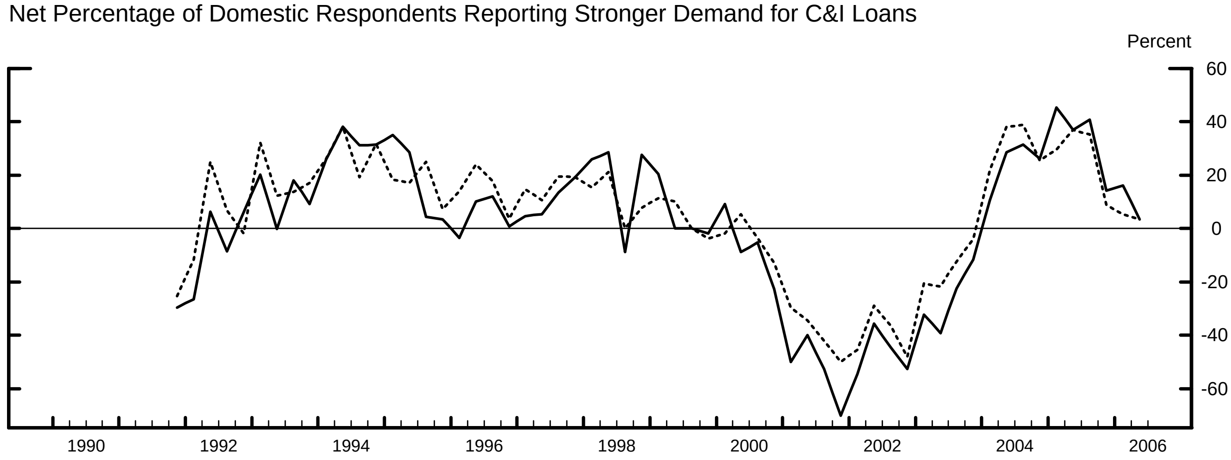
Net Percentage of Domestic Respondents Tightening Standards for C&I Loans



Net Percentage of Domestic Respondents Increasing Spreads of Loan Rates over Banks' Costs of Funds

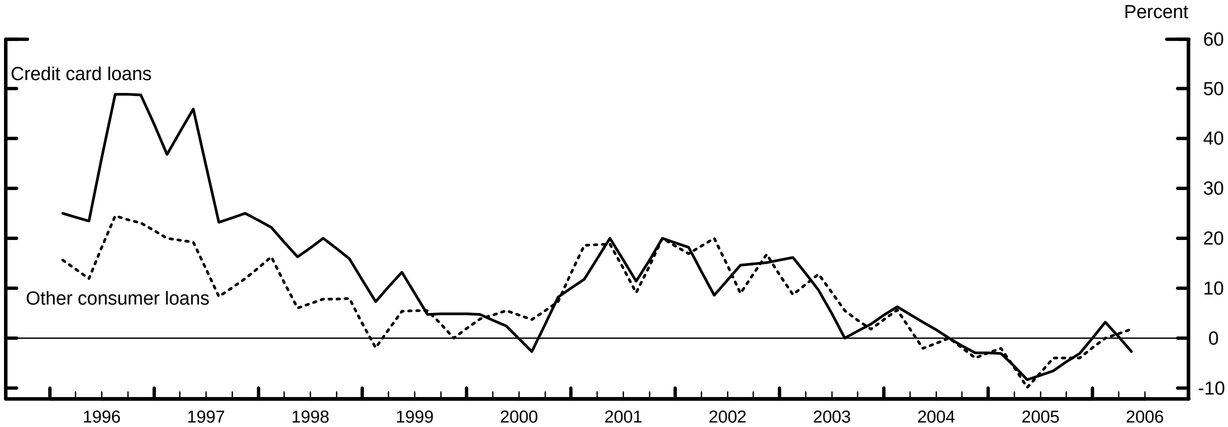


Net Percentage of Domestic Respondents Reporting Stronger Demand for C&I Loans

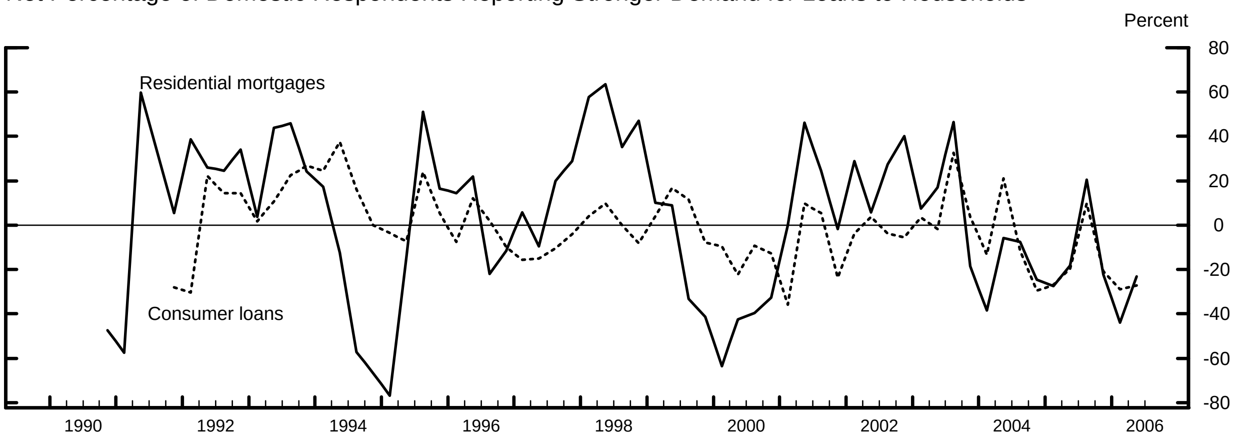


Measures of Supply and Demand for Loans to Households

Net Percentage of Domestic Respondents Tightening Standards for Consumer Loans



Net Percentage of Domestic Respondents Reporting Stronger Demand for Loans to Households



Net Percentage of Domestic Respondents Tightening Standards for Mortgages to Individuals

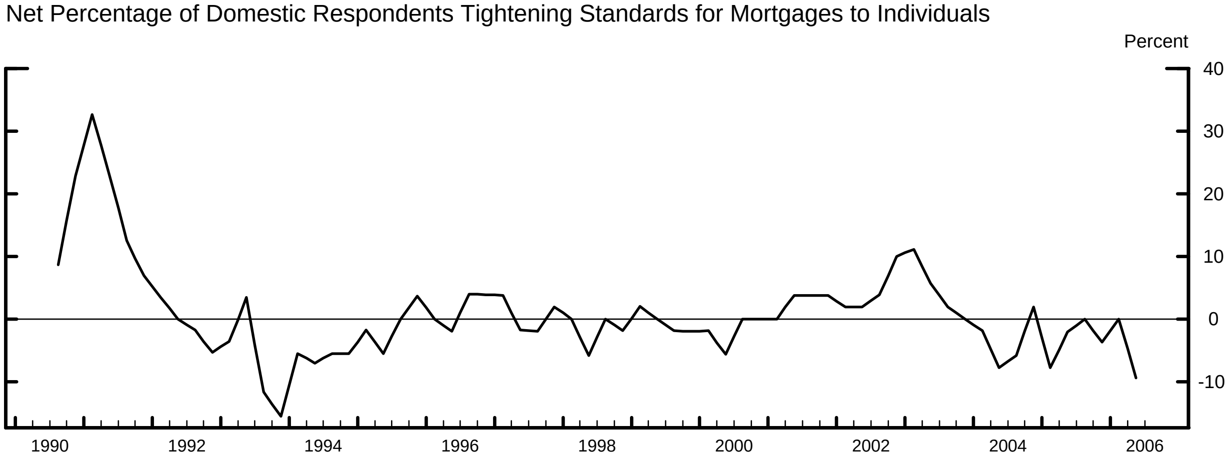


Table 1

Senior Loan Officer Opinion Survey on Bank Lending Practices at Selected Large Banks in the United States [1]

(Status of policy as of April 2006)

***Questions 1-6** 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. Question 6 asks about changes in prospective demand for C&I loans at your bank, as indicated by the volume of recent inquiries about the availability of new credit lines or increases in existing lines. 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--to large and middle-market firms and to small firms changed? (If your bank defines firm size differently from the categories suggested below, please use your definitions and indicate what they are.)

a. Standards for large and middle-market firms (annual sales of $50 million or more):

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	2	3.5	0	0.0	2	9.1
Remained basically unchanged	46	80.7	28	80.0	18	81.8
Eased somewhat	9	15.8	7	20.0	2	9.1
Eased considerably	0	0.0	0	0.0	0	0.0
Total	57	100.0	35	100.0	22	100.0

b. Standards for small firms (annual sales of less than $50 million):

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	4	7.0	0	0.0	4	18.2
Remained basically unchanged	45	78.9	31	88.6	14	63.6
Eased somewhat	8	14.0	4	11.4	4	18.2
Eased considerably	0	0.0	0	0.0	0	0.0
Total	57	100.0	35	100.0	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 large and middle-market firms and from small 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.)

a. Terms for large and middle-market firms (annual sales of $50 million or more):

	All Respondents	Large Banks	Other Banks
	Mean	**Mean**	**Mean**
Maximum size of credit lines	3.16	3.26	3.00
Maximum maturity of loans or credit lines	3.21	3.29	3.09
Costs of credit lines	3.42	3.60	3.14
Spreads of loan rates over your bank’s cost of funds (wider spreads=tightened, narrower spreads=eased)	3.65	3.80	3.41
Premiums charged on riskier loans	3.18	3.31	2.95
Loan covenants	3.18	3.37	2.86
Collateralization requirements	3.14	3.23	3.00
Other (please specify)	3.00	3.00	3.00
Number of banks responding	57	35	22

b. Terms for small firms (annual sales of less than $50 million):

	All Respondents	Large Banks	Other Banks
	Mean	**Mean**	**Mean**
Maximum size of credit lines	3.09	3.14	3.00
Maximum maturity of loans or credit lines	3.11	3.11	3.09
Costs of credit lines	3.30	3.46	3.05
Spreads of loan rates over your bank’s cost of funds (wider spreads=tightened, narrower spreads=eased)	3.49	3.57	3.36
Premiums charged on riskier loans	3.09	3.20	2.91
Loan covenants	3.04	3.14	2.86
Collateralization requirements	3.04	3.09	2.95
Other (please specify)	3.00	3.00	3.00
Number of banks responding	57	35	22

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	**Large Banks**	**Other Banks**
	Mean	**Mean**	**Mean**
Deterioration in your bank's current or expected capital position	1.00	1.00	1.00
Less favorable or more uncertain economic outlook	1.75	1.50	1.83
Worsening of industry-specific problems (please specify industries)	1.67	2.00	1.50
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.00	1.00	1.00
Reduced tolerance for risk	1.63	1.50	1.67
Decreased liquidity in the secondary market for these loans	1.13	1.00	1.17
Increase in defaults by borrowers in public debt markets	1.13	1.00	1.17
Other (please specify)	0.00	0.00	0.00
Number of banks responding	9	3	6

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

	All Respondents	Large Banks	Other Banks
	Mean	**Mean**	**Mean**
Improvement in your bank's current or expected capital position	1.00	1.00	1.00
More favorable or less uncertain economic outlook	1.19	1.12	1.33
Improvement in industry-specific problems (please specify industries)	1.08	1.08	1.08
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	2.67	2.77	2.46
Increased tolerance for risk	1.41	1.48	1.25
Increased liquidity in the secondary market for these loans	1.47	1.54	1.33
Reduction in defaults by borrowers in public debt markets	1.14	1.16	1.08
Other (please specify)	0.00	0.00	0.00
Number of banks responding	39	26	13

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.)

a. Demand for C&I loans from large and middle-market firms (annual sales of $50 million or more):

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	11	19.3	7	20.0	4	18.2
About the same	37	64.9	24	68.6	13	59.1
Moderately weaker	9	15.8	4	11.4	5	22.7
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	57	100.0	35	100.0	22	100.0

b. Demand for C&I loans from small firms (annual sales of less than $50 million):

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	9	15.8	3	8.6	6	27.3
About the same	41	71.9	28	80.0	13	59.1
Moderately weaker	7	12.3	4	11.4	3	13.6
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	57	100.0	35	100.0	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 4A or 4B), possible reasons:

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Customer inventory financing needs increased	1.88	1.80	2.00
Customer accounts receivable financing needs increased	1.88	1.80	2.00
Customer investment in plant or equipment increased	2.06	2.10	2.00
Customer internally generated funds decreased	1.19	1.20	1.17
Customer merger or acquisition financing needs increased	2.00	2.18	1.67
Customer borrowing shifted to your bank from other bank or nonbank sources because these other sources became less attractive	1.50	1.50	1.50
Other (please specify)	2.00	2.00	0.00
Number of banks responding	17	11	6

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

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Customer inventory financing needs decreased	1.40	1.00	1.80
Customer accounts receivable financing needs decreased	1.20	1.00	1.40
Customer investment in plant or equipment decreased	1.70	1.40	2.00
Customer internally generated funds increased	2.00	1.80	2.20
Customer merger or acquisition financing needs decreased	1.50	1.80	1.20
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	1.60	1.40	1.80
Other (please specify)	3.00	0.00	3.00
Number of banks responding	10	5	5

6. 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		**Large Banks**		**Other Banks**	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
The number of inquiries has increased substantially	0	0.0	0	0.0	0	0.0
The number of inquiries has increased moderately	14	24.6	8	22.9	6	27.3
The number of inquiries has stayed about the same	35	61.4	25	71.4	10	45.5
The number of inquiries has decreased moderately	8	14.0	2	5.7	6	27.3
The number of inquiries has decreased substantially	0	0.0	0	0.0	0	0.0
Total	57	100.0	35	100.0	22	100.0

Questions 7-8 *ask about* ***commercial real estate loans*** *at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 7 deals with changes in your bank's standards over the last three months. Question 8 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.*

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

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	5	8.8	3	8.6	2	9.1
Remained basically unchanged	48	84.2	32	91.4	16	72.7
Eased somewhat	4	7.0	0	0.0	4	18.2
Eased considerably	0	0.0	0	0.0	0	0.0
Total	57	100.0	35	100.0	22	100.0

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

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	12	21.1	7	20.0	5	22.7
About the same	36	63.2	25	71.4	11	50.0
Moderately weaker	9	15.8	3	8.6	6	27.3
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	57	100.0	35	100.0	22	100.0

Questions 9-10 *ask about* ***residential mortgage loans*** *at your bank. Question 9 deals with changes in your bank's credit standards over the past three months, and question 10 deals with changes in demand over the same period. If your bank's credit standards have not changed over the relevant period, please report them as unchanged even if the standards are either restrictive or accommodative relative to longer-term norms. If your bank's credit standards 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 from individuals for mortgage loans to purchase homes changed?

	All Respondents		**Large Banks**		**Other Banks**	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	1	1.9	1	3.0	0	0.0
Remained basically unchanged	46	86.8	27	81.8	19	95.0
Eased somewhat	6	11.3	5	15.2	1	5.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	53	100.0	33	100.0	20	100.0

10. Apart from normal seasonal variation, how has demand for mortgages to purchase homes changed over the past three months? (Please consider only new originations as opposed to the refinancing of existing mortgages.)

	All Respondents		**Large Banks**		**Other Banks**	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	9	17.3	4	12.5	5	25.0
About the same	22	42.3	13	40.6	9	45.0
Moderately weaker	20	38.5	14	43.8	6	30.0
Substantially weaker	1	1.9	1	3.1	0	0.0
Total	52	100.0	32	100.0	20	100.0

Questions 11-16 *ask about* ***consumer lending*** *at your bank. Question 11 deals with changes in your bank's willingness to make consumer loans over the past three months. Questions 12-15 deal with changes in credit standards and loan terms over the same period. Question 16 deals with changes in demand for consumer 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.*

11. Please indicate your bank's willingness to make consumer installment loans now as opposed to three months ago.

	All Respondents		**Large Banks**		**Other Banks**	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Much more willing	0	0.0	0	0.0	0	0.0
Somewhat more willing	8	14.5	4	11.8	4	19.0
About unchanged	47	85.5	30	88.2	17	81.0
Somewhat less willing	0	0.0	0	0.0	0	0.0
Much less willing	0	0.0	0	0.0	0	0.0
Total	55	100.0	34	100.0	21	100.0

12. Over the past three months, how have your bank's credit standards for approving applications for credit cards from individuals or households changed?

	All Respondents		**Large Banks**		**Other Banks**	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	2	5.1	1	4.5	1	5.9
Remained basically unchanged	34	87.2	19	86.4	15	88.2
Eased somewhat	3	7.7	2	9.1	1	5.9
Eased considerably	0	0.0	0	0.0	0	0.0
Total	39	100.0	22	100.0	17	100.0

13. Over the past three months, how have your bank's credit standards for approving applications for consumer loans other than credit card loans changed?

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	6	10.9	5	14.7	1	4.8
Remained basically unchanged	44	80.0	25	73.5	19	90.5
Eased somewhat	5	9.1	4	11.8	1	4.8
Eased considerably	0	0.0	0	0.0	0	0.0
Total	55	100.0	34	100.0	21	100.0

14. Over the past three months, how has your bank changed the following terms and conditions on new or existing credit card accounts for individuals or households? (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	Large Banks	Other Banks
	Mean	**Mean**	**Mean**
Credit limits	3.13	3.24	3.00
Spreads of interest rates charged on outstanding balances over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.94	2.88	3.00
Minimum percent of outstanding balances required to be repaid each month	2.68	2.53	2.86
Minimum required credit score (increased score=tightened, reduced score=eased)	3.03	3.00	3.07
The extent to which loans are granted to some customers that do not meet credit scoring thresholds (increased=eased, decreased=tightened)	3.00	3.00	3.00
Other (please specify)	0.00	0.00	0.00
Number of banks responding	31	17	14

15. Over the past three months, how has your bank changed the following terms and conditions on consumer loans other than credit card loans? (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	**Large Banks**	**Other Banks**
	Mean	**Mean**	**Mean**
Maximum maturity	3.13	3.15	3.10
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.05	3.06	3.05
Minimum required downpayment	3.05	3.00	3.14
Minimum required credit score (increased score=tightened, reduced score=eased)	3.02	3.00	3.05
The extent to which loans are granted to some customers that do not meet credit scoring thresholds (increased=eased, decreased=tightened)	2.96	2.97	2.95
Other (please specify)	2.50	2.00	3.00
Number of banks responding	55	34	21

16. Apart from normal seasonal variation, how has demand for consumer loans of all types changed over the past three months?

	All Respondents		**Large Banks**		**Other Banks**	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Substantially stronger	1	1.8	1	2.9	0	0.0
Moderately stronger	6	10.9	5	14.7	1	4.8
About the same	26	47.3	12	35.3	14	66.7
Moderately weaker	18	32.7	13	38.2	5	23.8
Substantially weaker	4	7.3	3	8.8	1	4.8
Total	55	100.0	34	100.0	21	100.0

*In 1999, the Federal Reserve surveyed commercial banks about the minimum required payment on outstanding credit card balances. The purpose of **questions 17-23** is to update the information on this topic. Your responses will help the Federal Reserve estimate households' financial obligations ratio.*

*If your bank calculates the minimum required payment on credit card balances of individuals or households simply as a percentage of total outstanding balances, please answer **question 17** and then proceed to **question 21**.*

*If your bank does not calculate the minimum required payment on credit card balances of individuals or households simply as a percentage of total outstanding balances, please answer questions 18-20 and then proceed to **question 21**.*

17. If your bank calculates the minimum required payment on credit card balances of individuals or households simply as a percentage of total outstanding balances, approximately what is that percentage?

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Less than or equal to 1.5 percent	1	4.8	0	0.0	1	8.3
More than 1.5 percent but less than or equal to 2.0 percent	5	23.8	2	22.2	3	25.0
More than 2.0 percent but less than or equal to 2.5 percent	5	23.8	1	11.1	4	33.3
More than 2.5 percent but less than or equal to 3.0 percent	6	28.6	4	44.4	2	16.7
More than 3.0 percent but less than or equal to 3.5 percent	2	9.5	1	11.1	1	8.3
More than 3.5 percent but less than or equal to 4.0 percent	1	4.8	1	11.1	0	0.0
More than 4.0 percent	1	4.8	0	0.0	1	8.3
Total	21	100.0	9	100.0	12	100.0

*The purpose of **questions 18-20** is to estimate the portion of minimum required payments on credit cards that is attributable to each of three components: fees, finance charges, and principal balances. The sum of these three components should approximate your total required minimum payment as a percentage of total outstanding balances. (Please note that questions 18-20 should only be answered if your bank does not calculate the minimum required payment on credit card balances of individuals or households simply as a percentage of outstanding balances.)*

18. For credit card balances of individuals or households: On average over the past three months, what was the approximate ratio of fees that your bank required to be paid to total outstanding balances? (Please exclude finance charges; include only items such as late fees, over-the-limit fees, cash-advance fees, etc.)

	All Respondents		**Large Banks**		**Other Banks**	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Less than or equal to 0.10 percent	3	37.5	2	28.6	1	100.0
More than 0.10 percent but less than or equal to 0.20 percent	3	37.5	3	42.9	0	0.0
More than 0.20 percent but less than or equal to 0.30 percent	0	0.0	0	0.0	0	0.0
More than 0.30 percent but less than or equal to 0.40 percent	0	0.0	0	0.0	0	0.0
More than 0.40 percent but less than or equal to 0.50 percent	1	12.5	1	14.3	0	0.0
More than 0.50 percent	1	12.5	1	14.3	0	0.0
Total	8	100.0	7	100.0	1	100.0

19. For credit card balances of individuals or households: On average over the past three months, what was the approximate ratio of finance charges that your bank required to be paid to total outstanding balances?

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Less than or equal to 0.5 percent	0	0.0	0	0.0	0	0.0
More than 0.50 percent but less than or equal to 1.00 percent	3	37.5	3	42.9	0	0.0
More than 1.00 percent but less than or equal to 1.25 percent	2	25.0	1	14.3	1	100.0
More than 1.25 percent but less than or equal to 1.50 percent	2	25.0	2	28.6	0	0.0
More than 1.50 percent but less than or equal to 2.00 percent	0	0.0	0	0.0	0	0.0
More than 2.00 percent	1	12.5	1	14.3	0	0.0
Total	8	100.0	7	100.0	1	100.0

20. For credit card balances of individuals or households: On average over the past three months, what was the approximate ratio of principal balances that your bank required to be paid to total outstanding balances? (If your bank includes a flat dollar amount of principal balances in the minimum required payment, please convert that dollar amount to the approximate percentage defined above)

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Less than or equal to 0.5 percent	0	0.0	0	0.0	0	0.0
More than 0.5 percent but less than or equal to 1.0 percent	4	50.0	4	57.1	0	0.0
More than 1.0 percent but less than or equal to 1.5 percent	2	25.0	1	14.3	1	100.0
More than 1.5 percent but less than or equal to 2.0 percent	1	12.5	1	14.3	0	0.0
More than 2.0 percent but less than or equal to 2.5 percent	1	12.5	1	14.3	0	0.0
More than 2.5 percent	0	0.0	0	0.0	0	0.0
Total	8	100.0	7	100.0	1	100.0

Regardless of how your bank calculates the minimum required payment on credit card balances of individuals and households, please answer ***questions 21-23*** *.*

21. On average, what portion of individuals and households paid the minimum amount that your bank requires on outstanding credit card balances last month?

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Less than or equal to 5 percent	4	14.8	3	21.4	1	7.7
More than 5 percent but less than or equal to 10 percent	11	40.7	7	50.0	4	30.8
More than 10 percent but less than or equal to 15 percent	4	14.8	2	14.3	2	15.4
More than 15 percent but less than or equal to 20 percent	1	3.7	1	7.1	0	0.0
More than 20 percent but less than or equal to 25 percent	3	11.1	0	0.0	3	23.1
More than 25 percent but less than or equal to 30 percent	0	0.0	0	0.0	0	0.0
More than 30 percent	4	14.8	1	7.1	3	23.1
Total	27	100.0	14	100.0	13	100.0

22. On average, what portion of individuals and households paid the minimum amount that your bank requires on outstanding credit card balances in each of the last three months?

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Less than or equal to 5 percent	7	25.9	6	42.9	1	7.7
More than 5 percent but less than or equal to 10 percent	10	37.0	6	42.9	4	30.8
More than 10 percent but less than or equal to 15 percent	2	7.4	0	0.0	2	15.4
More than 15 percent but less than or equal to 20 percent	2	7.4	1	7.1	1	7.7
More than 20 percent but less than or equal to 25 percent	1	3.7	0	0.0	1	7.7
More than 25 percent but less than or equal to 30 percent	1	3.7	0	0.0	1	7.7
More than 30 percent	4	14.8	1	7.1	3	23.1
Total	27	100.0	14	100.0	13	100.0

23. How has your bank's minimum required payment on credit card balances of individuals or households changed over the past year?

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Declined substantially	0	0.0	0	0.0	0	0.0
Declined somewhat	1	3.7	1	7.1	0	0.0
Remained unchanged	16	59.3	5	35.7	11	84.6
Increased somewhat	7	25.9	5	35.7	2	15.4
Increased substantially	3	11.1	3	21.4	0	0.0
Total	27	100.0	14	100.0	13	100.0

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1. The sample is selected from among the largest banks in each Federal Reserve District. In the table, large banks are defined as those with total domestic assets of $20 billion or more as of December 31, 2005. The combined assets of the 35 large banks totaled $4.63 trillion, compared to $4.85 trillion for the entire panel of 57 banks, and $7.89 trillion for all domestically chartered, federally insured commercial banks.

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 April 2006)

Questions 1-6 *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. Question 6 asks about changes in prospective demand for C&I loans at your bank, as indicated by the volume of recent inquiries about the availability of new credit lines or increases in existing lines. 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	1	5.3
Remained basically unchanged	16	84.2
Eased somewhat	2	10.5
Eased considerably	0	0.0
Total	19	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	3.05
Maximum maturity of loans or credit lines	3.05
Costs of credit lines	3.32
Spreads of loan rates over your bank’s cost of funds (wider spreads=tightened, narrower spreads=eased)	3.32
Premiums charged on riskier loans	3.05
Loan covenants	3.11
Collateralization requirements	3.06
Other (please specify)	2.33
Number of banks responding	19

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	2.25
Less favorable or more uncertain economic outlook	1.50
Worsening of industry-specific problems (please specify industries)	2.50
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.00
Reduced tolerance for risk	1.00
Decreased liquidity in the secondary market for these loans	1.33
Increase in defaults by borrowers in public debt markets	1.00
Other (please specify)	0.00
Number of banks responding	4

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

	All Respondents
	Mean
Improvement in your bank's current or expected capital position	1.25
More favorable or less uncertain economic outlook	1.50
Improvement in industry-specific problems (please specify industries)	1.00
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	2.56
Increased tolerance for risk	1.38
Increased liquidity in the secondary market for these loans	1.78
Reduction in defaults by borrowers in public debt markets	1.44
Other (please specify)	0.00
Number of banks responding	9

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	**Percent**
Substantially stronger	0	0.0
Moderately stronger	1	5.3
About the same	14	73.7
Moderately weaker	4	21.1
Substantially weaker	0	0.0
Total	19	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 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	2.00
Customer internally generated funds decreased	1.00
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	1.00
Other (please specify)	0.00
Number of banks responding	2

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

	All Respondents
	Mean
Customer inventory financing needs decreased	2.50
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	1.00
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	2.00
Other (please specify)	2.00
Number of banks responding	5

6. 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	4	21.1
The number of inquiries has stayed about the same	13	68.4
The number of inquiries has decreased moderately	2	10.5
The number of inquiries has decreased substantially	0	0.0
Total	19	100.0

Questions 7-8 *ask about* ***commercial real estate loans*** *at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 7 deals with changes in your bank's standards over the last three months. Question 8 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.*

7. 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	2	18.2
Remained basically unchanged	9	81.8
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	11	100.0

8. 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	0	0.0
About the same	8	72.7
Moderately weaker	3	27.3
Substantially weaker	0	0.0
Total	11	100.0

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1. As of December 31, 2005, the 19 respondents had combined assets of $538 billion, compared to $1.26 trillion 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.