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 2008)

***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	3	13.0
Tightened somewhat	12	52.2
Remained basically unchanged	8	34.8
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	23	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?

a. Maximum size of credit lines:

	All Respondents	
	Banks	**Percent**
Tightened considerably	2	8.7
Tightened somewhat	9	39.1
Remained basically unchanged	12	52.2
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	23	100.0

b. Maximum maturity of loans or credit lines:

	All Respondents	
	Banks	**Percent**
Tightened considerably	0	0.0
Tightened somewhat	4	17.4
Remained basically unchanged	19	82.6
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	23	100.0

c. Costs of credit lines:

	All Respondents	
	Banks	**Percent**
Tightened considerably	0	0.0
Tightened somewhat	16	69.6
Remained basically unchanged	7	30.4
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	23	100.0

d. Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased):

	All Respondents	
	Banks	**Percent**
Tightened considerably	3	13.0
Tightened somewhat	16	69.6
Remained basically unchanged	4	17.4
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	23	100.0

e. Premiums charged on riskier loans:

	All Respondents	
	Banks	**Percent**
Tightened considerably	7	30.4
Tightened somewhat	11	47.8
Remained basically unchanged	5	21.7
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	23	100.0

f. Loan covenants:

	All Respondents	
	Banks	Percent
Tightened considerably	0	0.0
Tightened somewhat	17	73.9
Remained basically unchanged	6	26.1
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	23	100.0

g. Collateralization requirements:

	All Respondents	
	Banks	Percent
Tightened considerably	0	0.0
Tightened somewhat	5	21.7
Remained basically unchanged	18	78.3
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	23	100.0

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:

a. Deterioration in your bank's current or expected capital position:

	All Respondents	
	Banks	**Percent**
Not important	11	57.9
Somewhat important	4	21.1
Very important	4	21.1
Total	19	100.0

b. Less favorable or more uncertain economic outlook:

	All Respondents	
	Banks	**Percent**
Not important	0	0.0
Somewhat important	10	52.6
Very important	9	47.4
Total	19	100.0

c. Worsening of industry-specific problems (please specify industries):

	All Respondents	
	Banks	**Percent**
Not important	6	31.6
Somewhat important	5	26.3
Very important	8	42.1
Total	19	100.0

d. Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets):

	All Respondents	
	Banks	**Percent**
Not important	13	68.4
Somewhat important	6	31.6
Very important	0	0.0
Total	19	100.0

e. Reduced tolerance for risk:

	All Respondents	
	Banks	**Percent**
Not important	4	21.1
Somewhat important	12	63.2
Very important	3	15.8
Total	19	100.0

f. Decreased liquidity in the secondary market for these loans:

	All Respondents	
	Banks	**Percent**
Not important	3	15.8
Somewhat important	7	36.8
Very important	9	47.4
Total	19	100.0

g. Increase in defaults by borrowers in public debt markets:

	All Respondents	
	Banks	**Percent**
Not important	11	57.9
Somewhat important	6	31.6
Very important	2	10.5
Total	19	100.0

h. Increased concern about your bank's current or expected liquidity position:

	All Respondents	
	Banks	**Percent**
Not important	13	68.4
Somewhat important	1	5.3
Very important	5	26.3
Total	19	100.0

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

a. Improvement in your bank's current or expected capital position:

	All Respondents	
	Banks	**Percent**
Not important	0	0.0
Somewhat important	0	0.0
Very important	1	100.0
Total	1	100.0

b. More favorable or less uncertain economic outlook:

	All Respondents	
	Banks	**Percent**
Not important	0	0.0
Somewhat important	1	100.0
Very important	0	0.0
Total	1	100.0

c. Improvement in industry-specific problems (please specify industries):

	All Respondents	
	Banks	**Percent**
Not important	1	100.0
Somewhat important	0	0.0
Very important	0	0.0
Total	1	100.0

d. More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets):

	All Respondents	
	Banks	Percent
Not important	1	100.0
Somewhat important	0	0.0
Very important	0	0.0
Total	1	100.0

e. Increased tolerance for risk:

	All Respondents	
	Banks	Percent
Not important	0	0.0
Somewhat important	1	100.0
Very important	0	0.0
Total	1	100.0

f. Increased liquidity in the secondary market for these loans:

	All Respondents	
	Banks	Percent
Not important	0	0.0
Somewhat important	1	100.0
Very important	0	0.0
Total	1	100.0

g. Reduction in defaults by borrowers in public debt markets:

	All Respondents	
	Banks	Percent
Not important	1	100.0
Somewhat important	0	0.0
Very important	0	0.0
Total	1	100.0

h. Reduced concern about your bank's current or expected liquidity:

	All Respondents	
	Banks	Percent
Not important	0	0.0
Somewhat important	0	0.0
Very important	1	100.0
Total	1	100.0

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	**Percent**
Substantially stronger	0	0.0
Moderately stronger	2	8.7
About the same	10	43.5
Moderately weaker	10	43.5
Substantially weaker	1	4.3
Total	23	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?

A. If stronger loan demand (answer 1 or 2 to question 4), possible reasons:

a. Customer inventory financing needs increased:

	All Respondents	
	Banks	**Percent**
Not important	1	50.0
Somewhat important	1	50.0
Very important	0	0.0
Total	2	100.0

b. Customer accounts receivable financing needs increased:

	All Respondents	
	Banks	**Percent**
Not important	2	100.0
Somewhat important	0	0.0
Very important	0	0.0
Total	2	100.0

c. Customer investment in plant or equipment increased:

	All Respondents	
	Banks	**Percent**
Not important	2	100.0
Somewhat important	0	0.0
Very important	0	0.0
Total	2	100.0

d. Customer internally generated funds decreased:

	All Respondents	
	Banks	Percent
Not important	0	0.0
Somewhat important	1	50.0
Very important	1	50.0
Total	2	100.0

e. Customer merger or acquisition financing needs increased:

	All Respondents	
	Banks	Percent
Not important	1	50.0
Somewhat important	1	50.0
Very important	0	0.0
Total	2	100.0

f. Customer borrowing shifted to your bank from other bank or nonbank sources because these other sources became less attractive:

	All Respondents	
	Banks	Percent
Not important	1	50.0
Somewhat important	0	0.0
Very important	1	50.0
Total	2	100.0

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

a. Customer inventory financing needs decreased:

	All Respondents	
	Banks	Percent
Not important	8	80.0
Somewhat important	2	20.0
Very important	0	0.0
Total	10	100.0

b. Customer accounts receivable financing needs decreased:

	All Respondents	
	Banks	Percent
Not important	9	90.0
Somewhat important	1	10.0
Very important	0	0.0
Total	10	100.0

c. Customer investment in plant or equipment decreased:

	All Respondents	
	Banks	Percent
Not important	5	50.0
Somewhat important	5	50.0
Very important	0	0.0
Total	10	100.0

d. Customer internally generated funds increased:

	All Respondents	
	Banks	**Percent**
Not important	10	100.0
Somewhat important	0	0.0
Very important	0	0.0
Total	10	100.0

e. Customer merger or acquisition financing needs decreased:

	All Respondents	
	Banks	**Percent**
Not important	0	0.0
Somewhat important	3	30.0
Very important	7	70.0
Total	10	100.0

f. Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive:

	All Respondents	
	Banks	**Percent**
Not important	9	90.0
Somewhat important	1	10.0
Very important	0	0.0
Total	10	100.0

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	1	4.3
The number of inquiries has stayed about the same	10	43.5
The number of inquiries has decreased moderately	12	52.2
The number of inquiries has decreased substantially	0	0.0
Total	23	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	2	12.5
Tightened somewhat	7	43.8
Remained basically unchanged	7	43.8
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	16	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	1	6.3
About the same	7	43.8
Moderately weaker	3	18.8
Substantially weaker	5	31.3
Total	16	100.0

Questions 9-10 *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.*

9. Over the **past year**, how has your bank changed the following terms on commercial real estate loans?

a. Maximum loan size:

	All Respondents	
	Banks	**Percent**
Tightened considerably	2	12.5
Tightened somewhat	6	37.5
Remained basically unchanged	8	50.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	16	100.0

b. Maximum loan maturity:

	All Respondents	
	Banks	**Percent**
Tightened considerably	1	6.3
Tightened somewhat	0	0.0
Remained basically unchanged	15	93.8
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	16	100.0

c. Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased):

	All Respondents	
	Banks	**Percent**
Tightened considerably	6	37.5
Tightened somewhat	6	37.5
Remained basically unchanged	4	25.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	16	100.0

d. Loan-to-value ratios:

	All Respondents	
	Banks	**Percent**
Tightened considerably	4	25.0
Tightened somewhat	3	18.8
Remained basically unchanged	9	56.3
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	16	100.0

e. Requirements for take-out financing:

	All Respondents	
	Banks	Percent
Tightened considerably	2	12.5
Tightened somewhat	3	18.8
Remained basically unchanged	11	68.8
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	16	100.0

f. Debt-service coverage ratios:

	All Respondents	
	Banks	Percent
Tightened considerably	3	18.8
Tightened somewhat	4	25.0
Remained basically unchanged	9	56.3
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	16	100.0

10. If your bank has tightened or eased its terms on commercial real estate loans over the **past year** (as described in question 9), how important have been the following possible reasons for the change?

A. Possible reasons for tightening commercial real estate loan terms:

a. Less favorable economic outlook:

	All Respondents	
	Banks	**Percent**
Not important	3	23.1
Somewhat important	4	30.8
Very important	6	46.2
Total	13	100.0

b. Worsening of the condition of, or the outlook for, commercial real estate in the markets where your bank operates:

	All Respondents	
	Banks	**Percent**
Not important	5	38.5
Somewhat important	4	30.8
Very important	4	30.8
Total	13	100.0

c. Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets):

	All Respondents	
	Banks	**Percent**
Not important	7	53.8
Somewhat important	5	38.5
Very important	1	7.7
Total	13	100.0

d. Reduced tolerance for risk:

	All Respondents	
	Banks	Percent
Not important	7	53.8
Somewhat important	4	30.8
Very important	2	15.4
Total	13	100.0

e. Less liquid market for securities collateralized by these loans:

	All Respondents	
	Banks	Percent
Not important	4	30.8
Somewhat important	2	15.4
Very important	7	53.8
Total	13	100.0

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

a. More favorable economic outlook:

	All Respondents	
	Banks	**Percent**
Not important	0	0.0
Somewhat important	0	0.0
Very important	0	0.0
Total	0	0.0

b. Improvement in the condition of, or the outlook for, commercial real estate in the markets where your bank operates:

	All Respondents	
	Banks	**Percent**
Not important	0	0.0
Somewhat important	0	0.0
Very important	0	0.0
Total	0	0.0

c. More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets):

	All Respondents	
	Banks	**Percent**
Not important	0	0.0
Somewhat important	0	0.0
Very important	0	0.0
Total	0	0.0

d. Increased tolerance for risk:

	All Respondents	
	Banks	**Percent**
Not important	0	0.0
Somewhat important	0	0.0
Very important	0	0.0
Total	0	0.0

e. More liquid market for securities collateralized by these loans:

	All Respondents	
	Banks	**Percent**
Not important	0	0.0
Somewhat important	0	0.0
Very important	0	0.0
Total	0	0.0

In recent quarters, loan delinquencies and chargeoffs have moved somewhat higher. ***Question 11*** *ask about your bank's expectations for the behavior of these measures of loan quality in 2008.*

11. Assuming that economic activity progresses in line with consensus forecasts, what is your outlook for delinquencies and chargeoffs on your bank's loans to businesses in 2008?

a. Outlook for loan quality on C&I loans:

	All Respondents	
	Banks	**Percent**
Loan quality is likely to improve substantially	0	0.0
Loan quality is likely to improve somewhat	0	0.0
Loan quality is likely to stabilize around current levels	4	17.4
Loan quality is likely to deteriorate somewhat	17	73.9
Loan quality is likely to deteriorate substantially	2	8.7
Total	23	100.0

b. Outlook for loan quality on commercial real estate loans:

	All Respondents	
	Banks	**Percent**
Loan quality is likely to improve substantially	0	0.0
Loan quality is likely to improve somewhat	0	0.0
Loan quality is likely to stabilize around current levels	4	26.7
Loan quality is likely to deteriorate somewhat	8	53.3
Loan quality is likely to deteriorate substantially	3	20.0
Total	15	100.0

For this question, 4 respondents answered “My bank does not originate this type of loan.”

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1. As of Sept. 30, 2007, the 23 respondents had combined assets of $1.01 trillion, compared to $1.86 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.