

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 April 2002)

**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	4.8
Tightened somewhat	7	33.3
Remained basically unchanged	13	61.9
Eased somewhat	0	0.0
Eased considerably	0	0.0
<b>Total</b>	<b>21</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--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	2.52
Costs of credit lines	2.38
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.38
Premiums charged on riskier loans	2.43
Loan covenants	2.57
Collateralization requirements	2.67
Other	2.95
<b>Total</b>	<b>21</b>

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1. As of December 31, 2001, the 21 respondents had combined assets of \$311 billion, compared to \$926 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	1.60
Less favorable or more uncertain economic outlook	2.27
Worsening of industry-specific problems	2.00
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.13
Reduced tolerance for risk	1.80
Decreased liquidity in the secondary market for these loans	1.67
Increase in defaults by borrowers in public debt markets	1.87
Other	1.07
Number of banks responding	15

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

	All Respondents
	Mean
Improvement in your 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	2.00
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	3	14.3
About the same	12	57.1
Moderately weaker	6	28.6
Substantially weaker	0	0.0
<b>Total</b>	<b>21</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	1.33
Customer accounts receivable financing needs increased	1.00
Customer investment in plant or equipment increased	1.33
Customer internally generated funds decreased	1.67
Customer merger or acquisition financing needs increased	1.33
Customer borrowing shifted to your bank from other bank or nonbank sources because these other sources became less attractive	1.67
Other	1.33
<b>Number of banks responding</b>	<b>3</b>

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

	All Respondents
	Mean
Customer inventory financing needs decreased	1.83
Customer accounts receivable financing needs decreased	1.83
Customer investment in plant or equipment decreased	2.17
Customer internally generated funds increased	1.00
Customer merger or acquisition financing needs decreased	2.50
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	1.33
Other	1.33
<b>Number of banks responding</b>	<b>6</b>

The past twelve months have been difficult ones for the commercial paper market. A number of prominent issuers have been down-graded, several have exited the market, and quality spreads have been running at elevated levels for much of the period. As a result, a number of firms that had difficulties rolling over commercial paper tapped their back-up lines of credit with banks. **Questions 6-9** ask about **commercial paper back-up lines of credit** at your bank. Questions 6-8 ask about changes over the past twelve months in your bank's lending policies for these credit lines. Question 9 asks about the demand for commercial paper back-up lines of credit at your bank over the same period.

6. Over the past *twelve months*, how has your bank changed its standards for approving applications for commercial paper back-up lines of credit from nonfinancial firms?

A. For nonfinancial firms with an A1/P1 commercial paper rating such standards have:

	All Respondents	
	Banks	Pct
Tightened considerably	2	10.5
Tightened somewhat	9	47.4
Remained basically unchanged	8	42.1
Eased somewhat	0	0.0
Eased considerably	0	0.0
<b>Total</b>	<b>19</b>	<b>100.0</b>

B. For nonfinancial firms with an A2/P2 commercial paper rating such standards have:

	All Respondents	
	Banks	Pct
Tightened considerably	9	47.4
Tightened somewhat	8	42.1
Remained basically unchanged	2	10.5
Eased somewhat	0	0.0
Eased considerably	0	0.0
<b>Total</b>	<b>19</b>	<b>100.0</b>

7. For applications for commercial paper back-up lines of credit from non financial firms that your bank currently is willing to approve, how have each of the following terms changed over the past twelve 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. For nonfinancial firms with an A1/P1 commercial paper rating:

	All Respondents
	Mean
Maximum size of credit lines	2.21
Length of commitment	2.53
Fees associated with credit lines (tightened=higher fees, eased=lower fees)	1.89
Spread of loan rates over your cost of funds (tightened=higher spread, eased=lower spread)	2.05
Material adverse change clauses	2.53
Other (please specify)	3.00
<b>Total</b>	<b>19</b>

B. For nonfinancial firms with an A2/P2 commercial paper rating:

	All Respondents
	Mean
Maximum size of credit lines	1.68
Length of commitment	2.05
Fees associated with credit lines (tightened=higher fees, eased=lower fees)	1.58
Spread of loan rates over your cost of funds (tightened=higher spread, eased=lower spread)	1.63
Material adverse change clauses	2.21
Other (please specify)	3.00
<b>Total</b>	<b>19</b>

8. If your bank has changed standards or terms on commercial paper back-up lines of credit over the past *twelve months* (as described in questions 6 and 7), 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 standards or terms on back-up facilities:

	All Respondents
	Mean
Heightened concern about possible deterioration in the credit quality of issuers	2.58
Less aggressive competition from other banks	1.37
Opportunities for additional business associated with back-up lines have diminished	1.74
Higher probability of lines being drawn due to less certain conditions in commercial paper markets	2.42
Efforts to increase profitability of back-up lines on a stand-alone basis	1.74
Other	1.00
Number of banks responding	19

B. Possible reasons for easing standards or terms on back-up facilities:

	All Respondents
	Mean
Reduced concern about possible deterioration in the credit quality of issuers	2.00
More aggressive competition from other banks	1.00
Opportunities for additional business associated with back-up lines have increased	1.50
Lower probability of lines being drawn due to more certain conditions in commercial paper markets	2.00
Other	1.50
Number of banks responding	2

9. At your bank, how has demand for commercial paper back-up lines of credit changed over the past *twelve months*? (Please consider only requests for new facilities and renewal of existing facilities as opposed to drawdowns on existing lines of credit.)

A. Demand from nonfinancial firms with an A1/P1 commercial paper rating:

	All Respondents	
	Banks	Pct
Substantially stronger	1	5.3
Moderately stronger	5	26.3
About the same	9	47.4
Moderately weaker	4	21.1
Substantially weaker	0	0.0
<b>Total</b>	<b>19</b>	<b>100.0</b>

B. Demand from nonfinancial firms with an A2/P2 commercial paper rating:

	All Respondents	
	Banks	Pct
Substantially stronger	1	5.3
Moderately stronger	5	26.3
About the same	9	47.4
Moderately weaker	3	15.8
Substantially weaker	1	5.3
<b>Total</b>	<b>19</b>	<b>100.0</b>

**Questions 10-11** ask about **commercial real estate loans** at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 10 deals with changes in your bank's standards over the last three months. Question 11 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.

10. 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	16.7
Remained basically unchanged	10	83.3
Eased somewhat	0	0.0
Eased considerably	0	0.0
<b>Total</b>	<b>12</b>	<b>100.0</b>

11. 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	1	8.3
About the same	7	58.3
Moderately weaker	3	25.0
Substantially weaker	1	8.3
<b>Total</b>	<b>12</b>	<b>100.0</b>



Since the terrorist attacks on September 11, it has become more difficult for commercial property owners to obtain insurance against terrorist acts. **Questions 12-17** ask about how the lack of **insurance against terrorism** has affected commercial real estate lending at your bank. **Questions 12-13** ask about your bank's exposure to "high profile" and other commercial real estate properties. **Questions 14-15** ask about your bank's possible courses of action if an existing or a new commercial real estate borrower is unable to obtain adequate terrorism insurance coverage. **Questions 16-17** ask whether the volume of commercial real estate lending at your bank has been affected by the lack of adequate terrorism insurance coverage.

12. Approximately what percentage of the dollar volume of your bank's commercial real estate loans outstanding, either held or securitized, is financing high profile or heavy traffic commercial real estate properties (e.g., landmark buildings and commercial properties in their vicinity, stadiums and other sports/entertainment venues, large shopping malls, etc.)?

	All Respondents	
	Banks	Pct
Less than 5 percent	7	63.6
Between 5 and 10 percent	1	9.1
Between 10 and 20 percent	2	18.2
Between 20 and 30 percent	1	9.1
More than 30 percent	0	0.0
<b>Total</b>	<b>11</b>	<b>100.0</b>

13. Approximately what percentage of the dollar volume of your bank's commercial real estate loans outstanding, either held or securitized, that finances the following two types of properties requires that borrowers carry insurance coverage for terrorist acts?

A. High profile or heavy traffic commercial real estate properties (as defined in question 12):

	All Respondents	
	Banks	Pct
Less than 10 percent	3	27.3
Between 10 and 25 percent	1	9.1
Between 25 and 50 percent	1	9.1
Between 50 and 75 percent	0	0.0
Between 75 and 90 percent	0	0.0
More than 90 percent	6	54.5
<b>Total</b>	<b>11</b>	<b>100.0</b>

B. Other commercial real estate properties:

	All Respondents	
	Banks	Pct
Less than 10 percent	3	27.3
Between 10 and 25 percent	1	9.1
Between 25 and 50 percent	1	9.1
Between 50 and 75 percent	0	0.0
Between 75 and 90 percent	3	27.3
More than 90 percent	3	27.3
<b>Total</b>	<b>11</b>	<b>100.0</b>

14. For existing commercial real estate borrowers that are unable to secure adequate terrorist insurance coverage, how likely is your bank to pursue the following courses of action? (Please assign each course of action a number between 1 and 3 using the following scale: 1=not likely, 2=somewhat likely, 3=very likely.)

A. Possible courses of actions for high profile or heavy traffic commercial real estate properties (as defined in question 12):

	All Respondents
	Mean
Modify the existing loan covenants to allow for partial or limited terrorism insurance coverage	1.50
Ask for additional collateral	1.40
Increase fees or interest rates associated with the loan	1.80
Call the loan or refuse to roll over the loan when it comes due	2.10
Other	1.00
Number of banks responding	10

B. Possible courses of actions for other commercial real estate properties:

	All Respondents
	Mean
Modify the existing loan covenants to allow for partial or limited terrorism insurance coverage	1.50
Ask for additional collateral	1.50
Increase fees or interest rates associated with the loan	1.90
Call the loan or refuse to roll over the loan when it comes due	1.70
Other	1.00
Number of banks responding	10

15. Since September 11, how has your bank's rejection rate on loan applications to finance new commercial real estate projects changed as a result of the lack of adequate terrorism insurance coverage?

A. Rejection rate for high profile or heavy traffic commercial real estate properties (as defined in question 12) has:

	All Respondents	
	Banks	Pct
Increased substantially	2	18.2
Increased moderately	1	9.1
Stayed about the same	5	45.5
Our bank has not received any applications to finance these types of projects	3	27.3
<b>Total</b>	<b>11</b>	<b>100.0</b>

B. Rejection rate for other commercial real estate properties has:

	All Respondents	
	Banks	Pct
Increased substantially	0	0.0
Increased moderately	2	18.2
Stayed about the same	8	72.7
Our bank has not received any applications to finance these types of projects	1	9.1
<b>Total</b>	<b>11</b>	<b>100.0</b>

16. Since the events of September 11, has your bank experienced any cancellations or noted other signs of a drop-off in demand for financing new high profile or heavy traffic commercial real estate projects because potential borrowers were unable to secure affordable insurance against terrorism?

	All Respondents	
	Banks	Pct
Substantially weaker demand	3	27.3
Moderately weaker demand	0	0.0
Little or no change in demand	8	72.7
<b>Total</b>	<b>11</b>	<b>100.0</b>

17. Since the events of September 11, has your bank experienced any change in demand for financing new commercial real estate projects - other than those covered in question 16 - owing to terrorism insurance issues?

	All Respondents	
	Banks	Pct
Substantially stronger	0	0.0
Moderately stronger	0	0.0
About the same	9	81.8
Moderately weaker	1	9.1
Substantially weaker	1	9.1
<b>Total</b>	<b>11</b>	<b>100.0</b>