

Table 1

SENIOR LOAN OFFICER OPINION SURVEY ON BANK LENDING PRACTICES  
AT SELECTED LARGE BANKS IN THE UNITED STATES<sup>1</sup>  
(Status of policy as of July 2004)

**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 existing credit 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?

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

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	2	3.6	0	0.0	2	8.7
Remained basically unchanged	40	72.7	24	75.0	16	69.6
Eased somewhat	12	21.8	8	25.0	4	17.4
Eased considerably	1	1.8	0	0.0	1	4.3
<b>Total</b>	<b>55</b>	<b>100.0</b>	<b>32</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>

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

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	2	3.6	0	0.0	2	8.7
Remained basically unchanged	49	89.1	29	90.6	20	87.0
Eased somewhat	4	7.3	3	9.4	1	4.3
Eased considerably	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>55</b>	<b>100.0</b>	<b>32</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>

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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 March 31, 2004. The combined assets of the 32 large banks totaled \$3.47 trillion, compared to \$3.71 trillion for the entire panel of 56 banks, and \$6.86 trillion for all domestically chartered, federally insured commercial banks.

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	3.27	3.38	3.13
Costs of credit lines	3.25	3.34	3.13
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.33	3.50	3.09
Premiums charged on riskier loans	3.18	3.28	3.04
Loan covenants	3.24	3.34	3.09
Collateralization requirements	3.04	3.09	2.96
Other	3.09	3.09	3.09
Number of banks responding	55	32	23

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	3.19	2.96
Costs of credit lines	3.15	3.19	3.09
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.31	3.47	3.09
Premiums charged on riskier loans	3.09	3.19	2.96
Loan covenants	3.09	3.16	3.00
Collateralization requirements	2.98	3.06	2.87
Other	2.96	3.00	2.91
Number of banks responding	55	32	23

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	1.11	1.00	1.17
Less favorable or more uncertain economic outlook	1.44	1.33	1.50
Worsening of industry-specific problems	1.78	2.33	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	1.89	1.33	2.17
Decreased liquidity in the secondary market for these loans	1.00	1.00	1.00
Increase in defaults by borrowers in public debt markets	1.11	1.00	1.17
Other	1.00	1.00	1.00
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	1.20	1.18	1.25
More favorable or less uncertain economic outlook	1.80	1.82	1.75
Improvement in industry-specific problems	1.44	1.47	1.38
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	2.52	2.59	2.38
Increased tolerance for risk	1.40	1.35	1.50
Increased liquidity in the secondary market for these loans	1.32	1.47	1.00
Reduction in defaults by borrowers in public debt markets	1.28	1.35	1.13
Other	1.12	1.12	1.13
Number of banks responding	25	17	8

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	Pct	Banks	Pct	Banks	Pct
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	24	44.4	18	58.1	6	26.1
About the same	23	42.6	11	35.5	12	52.2
Moderately weaker	7	13.0	2	6.5	5	21.7
Substantially weaker	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>54</b>	<b>100.0</b>	<b>31</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>

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

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	23	42.6	16	51.6	7	30.4
About the same	29	53.7	15	48.4	14	60.9
Moderately weaker	2	3.7	0	0.0	2	8.7
Substantially weaker	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>54</b>	<b>100.0</b>	<b>31</b>	<b>100.0</b>	<b>23</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 4A or 4B), possible reasons:

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Customer inventory financing needs increased	1.77	1.83	1.63
Customer accounts receivable financing needs increased	1.81	1.83	1.75
Customer investment in plant or equipment increased	1.73	1.67	1.88
Customer internally generated funds decreased	1.04	1.06	1.00
Customer merger or acquisition financing needs increased	1.62	1.61	1.63
Customer borrowing shifted to your bank from other bank or nonbank credit sources because these other sources became less attractive	1.58	1.61	1.50
Other	1.00	1.00	1.00
Number of banks responding	26	18	8

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	1.13	1.00	1.20
Customer accounts receivable financing needs decreased	1.00	1.00	1.00
Customer investment in plant or equipment decreased	1.63	1.00	2.00
Customer internally generated funds increased	1.88	2.00	1.80
Customer merger or acquisition financing needs decreased	1.25	1.00	1.40
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	1.88	1.67	2.00
Other	1.13	1.33	1.00
Number of banks responding	8	3	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	Pct	Banks	Pct	Banks	Pct
Increased substantially	0	0.0	0	0.0	0	0.0
Increased moderately	28	50.9	17	53.1	11	47.8
Stayed about the same	24	43.6	14	43.8	10	43.5
Decreased moderately	3	5.5	1	3.1	2	8.7
Decreased substantially	0	0.0	0	0.0	0	0.0
Total	55	100.0	32	100.0	23	100.0

According to bond prospectuses, a significant portion of bond proceeds during the past few years has been used to pay down C&I loans and other short-term debt. In recent months, however, bond issuance by nonfinancial corporations has fallen off notably. **Question 7** asks to what extent C&I loans at your bank have been affected by developments in the bond market during the past three months.

7. Over the past *three months*, how have C&I loans at your bank been affected by the decline in bond issuance?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantial reduction in loan paydowns	0	0.0	0	0.0	0	0.0
Moderate reduction in loan paydowns	6	10.9	5	16.1	1	4.2
Little or no effect	49	89.1	26	83.9	23	95.8
<b>Total</b>	<b>55</b>	<b>100.0</b>	<b>31</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>

**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		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	3	5.4	1	3.1	2	8.3
Remained basically unchanged	45	80.4	25	78.1	20	83.3
Eased somewhat	7	12.5	6	18.8	1	4.2
Eased considerably	1	1.8	0	0.0	1	4.2
<b>Total</b>	<b>56</b>	<b>100.0</b>	<b>32</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>

9. 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	Pct	Banks	Pct	Banks	Pct
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	19	33.9	11	34.4	8	33.3
About the same	32	57.1	20	62.5	12	50.0
Moderately weaker	5	8.9	1	3.1	4	16.7
Substantially weaker	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>56</b>	<b>100.0</b>	<b>32</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>

**Questions 10-11** ask about **residential mortgage loans** at your bank. Question 10 deals with changes in your bank's credit standards over the past three months, and question 11 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.

10. 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	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	2	3.8	1	3.2	1	4.8
Remained basically unchanged	45	86.5	26	83.9	19	90.5
Eased somewhat	5	9.6	4	12.9	1	4.8
Eased considerably	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>52</b>	<b>100.0</b>	<b>31</b>	<b>100.0</b>	<b>21</b>	<b>100.0</b>

11. 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	Pct	Banks	Pct	Banks	Pct
Substantially stronger	1	1.9	1	3.2	0	0.0
Moderately stronger	6	11.5	4	12.9	2	9.5
About the same	34	65.4	22	71.0	12	57.1
Moderately weaker	9	17.3	4	12.9	5	23.8
Substantially weaker	2	3.8	0	0.0	2	9.5
<b>Total</b>	<b>52</b>	<b>100.0</b>	<b>31</b>	<b>100.0</b>	<b>21</b>	<b>100.0</b>

**Questions 12-14** ask about **adjustable-rate home mortgage loans** at your bank. Questions 12-13 ask about the share and composition of adjustable-rate mortgages held on your bank's books. Question 14 asks about the composition of adjustable-rate mortgages originated by your bank during the past three months.

12. Please report the approximate shares of the dollar volume of each of the following types of adjustable-rate home mortgage loans held at your bank: (Please exclude home equity loans and mortgage-backed securities.)

A. Adjustable-rate mortgages that reprice at regular intervals (Please exclude hybrid mortgages, as described in question 12B.)

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
More than 50 percent of all mortgage loans	6	12.0	6	20.0	0	0.0
30 to 50 percent of all mortgage loans	5	10.0	2	6.7	3	15.0
20 to 30 percent of all mortgage loans	5	10.0	4	13.3	1	5.0
10 to 20 percent of all mortgage loans	11	22.0	5	16.7	6	30.0
5 to 10 percent of all mortgage loans	4	8.0	2	6.7	2	10.0
Less than 5 percent of all mortgage loans	19	38.0	11	36.7	8	40.0
<b>Total</b>	<b>50</b>	<b>100.0</b>	<b>30</b>	<b>100.0</b>	<b>20</b>	<b>100.0</b>

B. Hybrid adjustable-rate mortgages-- those for which the interest rate is initially fixed for a multi-year period and subsequently adjusts more frequently. (Please include those loans for which the initial rate lock has elapsed.)

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
More than 50 percent of all mortgage loans	15	30.0	12	40.0	3	15.0
30 to 50 percent of all mortgage loans	4	8.0	2	6.7	2	10.0
20 to 30 percent of all mortgage loans	6	12.0	3	10.0	3	15.0
10 to 20 percent of all mortgage loans	10	20.0	7	23.3	3	15.0
5 to 10 percent of all mortgage loans	7	14.0	1	3.3	6	30.0
Less than 5 percent of all mortgage loans	8	16.0	5	16.7	3	15.0
<b>Total</b>	<b>50</b>	<b>100.0</b>	<b>30</b>	<b>100.0</b>	<b>20</b>	<b>100.0</b>



13. Approximately what share of dollar volume of each of the following types of adjustable-rate mortgages held by your bank will be repriced in the stated intervals? (Please exclude home equity loans and mortgage-backed securities.)

A. Adjustable-rate mortgages (as defined in question 12A; the shares should sum to 100 percent)

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
One month or less from now	10.7	13.1	6.8
Two to six months ahead from now	33.2	35.5	29.6
Seven to twelve months from now	43.1	41.3	45.9
More than twelve months from now	13.0	10.1	17.6
Number of banks responding	36	22	14

B. Hybrid adjustable-rate mortgages (as defined in question 12B; the shares should sum to 100 percent)

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
One year or less from now (including those mortgages for which the initial rate lock has elapsed)	12.2	11.6	13.1
More than one year but not more than three years from now	30.5	27.9	34.1
More than three years but not more than five years from now	39.6	40.4	38.4
More than five years from now	17.7	20.1	14.4
Number of banks responding	41	24	17

14. The share of adjustable-rate mortgages in total home mortgage originations has risen significantly this year. Approximately what share of the dollar volume of adjustable-rate home mortgage loans that your bank has **originated** during the past **three months** has been hybrid adjustable-rate mortgages (as defined in question 12B)? (Please exclude home equity loans and mortgage-backed securities.)

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
More than 75 percent of all adjustable-rate home mortgage loans	26	55.3	18	62.1	8	44.4
50 to 75 percent of all adjustable-rate home mortgage loans	3	6.4	1	3.4	2	11.1
30 to 50 percent of all adjustable-rate home mortgage loans	5	10.6	3	10.3	2	11.1
20 to 30 percent of all adjustable-rate home mortgage loans	3	6.4	1	3.4	2	11.1
10 to 20 percent of all adjustable-rate home mortgage loans	4	8.5	2	6.9	2	11.1
Less than 10 percent of all adjustable-rate home mortgage loans	6	12.8	4	13.8	2	11.1
Total	47	100.0	29	100.0	18	100.0

**Questions 15-20** ask about **consumer lending** at your bank. Question 15 deals with changes in your bank's willingness to make consumer loans over the past three months. Questions 16-19 deal with changes in credit standards and loan terms over the same period. Question 20 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.

15. 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	Pct	Banks	Pct	Banks	Pct
Much more willing	1	1.8	0	0.0	1	4.3
Somewhat more willing	6	10.9	3	9.4	3	13.0
About unchanged	46	83.6	28	87.5	18	78.3
Somewhat less willing	2	3.6	1	3.1	1	4.3
Much less willing	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>55</b>	<b>100.0</b>	<b>32</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>

16. 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	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	0	0.0	0	0.0	0	0.0
Remained basically unchanged	33	100.0	18	100.0	15	100.0
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>33</b>	<b>100.0</b>	<b>18</b>	<b>100.0</b>	<b>15</b>	<b>100.0</b>

17. 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	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	2	3.7	0	0.0	2	9.1
Remained basically unchanged	50	92.6	30	93.8	20	90.9
Eased somewhat	2	3.7	2	6.3	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>54</b>	<b>100.0</b>	<b>32</b>	<b>100.0</b>	<b>22</b>	<b>100.0</b>

18. 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	3.06	3.07	3.06
Spreads of interest rates charged on outstanding balances over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.90	2.93	2.88
Minimum percent of outstanding balances required to be repaid each month	3.03	3.07	3.00
Minimum required credit score (increased score=tightened, reduced score=eased)	2.97	3.07	2.88
The extent to which loans are granted to some customers that do not meet credit scoring thresholds (increased=eased, decreased=tightened)	3.00	3.07	2.94
Other	3.00	3.00	3.00
Number of banks responding	31	15	16

19. 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	3.02	3.03	3.00
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.07	3.19	2.91
Minimum required downpayment	3.00	3.00	3.00
Minimum required credit score (increased score=tightened, reduced score=eased)	3.02	3.06	2.95
The extent to which loans are granted to some customers that do not meet credit scoring thresholds (increased=eased, decreased=tightened)	3.02	3.06	2.95
Other	2.96	3.00	2.91
Number of banks responding	54	32	22

20. 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	Pct	Banks	Pct	Banks	Pct
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	8	15.4	5	16.7	3	13.6
About the same	30	57.7	17	56.7	13	59.1
Moderately weaker	14	26.9	8	26.7	6	27.3
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	52	100.0	30	100.0	22	100.0