

Table 1

SENIOR LOAN OFFICER OPINION SURVEY ON BANK LENDING PRACTICES
AT SELECTED LARGE BANKS IN THE UNITED STATES¹
(Status of policy as of January 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. 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	0	0.0	0	0.0	0	0.0
Remained basically unchanged	46	82.1	24	75.0	22	91.7
Eased somewhat	10	17.9	8	25.0	2	8.3
Eased considerably	0	0.0	0	0.0	0	0.0
Total	56	100.0	32	100.0	24	100.0

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	1	1.8	1	3.1	0	0.0
Remained basically unchanged	47	85.5	26	81.3	21	91.3
Eased somewhat	7	12.7	5	15.6	2	8.7
Eased considerably	0	0.0	0	0.0	0	0.0
Total	55	100.0	32	100.0	23	100.0

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 September 30, 2003. The combined assets of the 32 large banks totaled \$3.16 trillion, compared to \$3.42 trillion for the entire panel of 56 banks, and \$6.58 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	3.13	3.16	3.08
Costs of credit lines	3.18	3.28	3.04
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.29	3.38	3.17
Premiums charged on riskier loans	3.00	3.13	2.83
Loan covenants	3.13	3.22	3.00
Collateralization requirements	2.96	2.97	2.96
Other	3.05	3.06	3.04
Number of banks responding	56	32	24

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	3.07	3.06	3.09
Costs of credit lines	3.07	3.10	3.04
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.19	3.23	3.13
Premiums charged on riskier loans	2.96	3.06	2.83
Loan covenants	2.98	3.03	2.91
Collateralization requirements	2.98	3.00	2.96
Other	3.02	3.03	3.00
Number of banks responding	54	31	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	1.00	1.00	1.00
Less favorable or more uncertain economic outlook	1.46	1.17	1.71
Worsening of industry-specific problems	1.46	1.17	1.71
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.08	1.00	1.14
Reduced tolerance for risk	1.77	1.50	2.00
Decreased liquidity in the secondary market for these loans	1.00	1.00	1.00
Increase in defaults by borrowers in public debt markets	1.08	1.17	1.00
Other	1.23	1.50	1.00
Number of banks responding	13	6	7

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	1.08	1.13	1.00
More favorable or less uncertain economic outlook	1.92	2.00	1.78
Improvement in industry-specific problems	1.32	1.38	1.22
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	2.16	2.25	2.00
Increased tolerance for risk	1.44	1.56	1.22
Increased liquidity in the secondary market for these loans	1.32	1.50	1.00
Reduction in defaults by borrowers in public debt markets	1.32	1.44	1.11
Other	1.08	1.00	1.22
Number of banks responding	25	16	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.)

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	13	23.2	6	18.8	7	29.2
About the same	36	64.3	23	71.9	13	54.2
Moderately weaker	7	12.5	3	9.4	4	16.7
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	56	100.0	32	100.0	24	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	Pct	Banks	Pct	Banks	Pct
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	15	27.3	8	25.0	7	30.4
About the same	37	67.3	23	71.9	14	60.9
Moderately weaker	3	5.5	1	3.1	2	8.7
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	55	100.0	32	100.0	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? (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	1.65	1.60	1.71
Customer accounts receivable financing needs increased	1.82	1.80	1.86
Customer investment in plant or equipment increased	2.00	2.00	2.00
Customer internally generated funds decreased	1.29	1.20	1.43
Customer merger or acquisition financing needs increased	1.47	1.70	1.14
Customer borrowing shifted to your bank from other bank or nonbank credit sources because these other sources became less attractive	1.47	1.50	1.43
Other	1.00	1.00	1.00
Number of banks responding	17	10	7

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	1.33	1.40	1.25
Customer accounts receivable financing needs decreased	1.33	1.40	1.25
Customer investment in plant or equipment decreased	1.44	1.60	1.25
Customer internally generated funds increased	1.78	2.00	1.50
Customer merger or acquisition financing needs decreased	1.67	1.60	1.75
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	1.78	2.00	1.50
Other	1.00	1.00	1.00
Number of banks responding	9	5	4

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	22	40.0	12	38.7	10	41.7
Stayed about the same	31	56.4	19	61.3	12	50.0
Decreased moderately	2	3.6	0	0.0	2	8.3
Decreased substantially	0	0.0	0	0.0	0	0.0
Total	55	100.0	31	100.0	24	100.0

Questions 7-15 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. Questions 8-9 focus on changes in terms over the past year. Question 10 asks about changes in demand. Question 11 asks about the types of property used to secure the nonfarm nonresidential commercial real estate loans on your bank's books. Questions 12-14 deal with the securitization of commercial real estate loans. Question 15 asks about delinquency rates on commercial real estate loans. 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. 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	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	1	1.8	0	0.0	1	4.2
Remained basically unchanged	50	90.9	28	90.3	22	91.7
Eased somewhat	4	7.3	3	9.7	1	4.2
Eased considerably	0	0.0	0	0.0	0	0.0
Total	55	100.0	31	100.0	24	100.0

8. Over the **past year**, how have the following terms on commercial real estate loans changed? (Please assign each term a number between 1 and 5 using the following scale: 1=tightened considerably, 2=tightened somewhat, 3=remained basically unchanged, 4=eased somewhat, 5=eased considerably.)

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Maximum loan size	3.19	3.20	3.17
Maximum loan maturity	3.11	3.07	3.17
Spreads of loan rates over your bank's cost of funds	2.96	2.97	2.96
Loan-to-value ratios	2.94	3.07	2.79
Requirements for take-out financing	2.94	2.97	2.92
Debt-service coverage ratios	2.94	2.97	2.92
Other	3.02	3.10	2.92
Number of banks responding	54	30	24

9. If your bank has tightened or eased its terms for commercial real estate loans over the **past year** (as described in question 8), how important have been the following 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
Less favorable economic outlook	1.46	1.50	1.43
Worsening of the condition of, or the outlook for, commercial real estate in the markets where your bank operates	2.00	2.00	2.00
Less aggressive competition from other commercial banks	1.15	1.17	1.14
Less aggressive competition from nonbank lenders	1.08	1.17	1.00
Reduced tolerance for risk	1.85	1.83	1.86
Increased concern about take-out financing	1.38	1.17	1.57
Less liquid market for securities collateralized by these loans	1.23	1.17	1.29
Other	1.54	1.33	1.71
Number of banks responding	13	6	7

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

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
More favorable economic outlook	1.57	1.62	1.50
Improvement in the condition of, or the outlook for, commercial real estate in the markets where your bank operates	1.61	1.62	1.60
More aggressive competition from other commercial banks	2.00	2.08	1.90
More aggressive competition from nonbank lenders	1.57	1.54	1.60
Increased tolerance for risk	1.39	1.31	1.50
Reduced concern about take-out financing	1.17	1.23	1.10
More liquid market for securities collateralized by these loans	1.13	1.23	1.00
Other	1.09	1.15	1.00
Number of banks responding	23	13	10

10. 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	16	29.1	8	25.8	8	33.3
About the same	32	58.2	19	61.3	13	54.2
Moderately weaker	7	12.7	4	12.9	3	12.5
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	55	100.0	31	100.0	24	100.0

11. For the *nonfarm, nonresidential* commercial real estate loans held by your bank, please indicate the approximate percentage of loans secured by the following types of real estate (percentages should total 100 percent).

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Office buildings	30.7	32.2	29.1
Warehouses or other industrial structures	15.4	14.3	16.7
Retail properties	23.8	24.6	22.9
Hotels or resort properties	8.1	7.7	8.6
Nursing home or retirement properties	4.0	2.9	5.3
Mobile home parks	1.1	0.6	1.7
Other	16.6	17.4	15.6
Number of banks responding	49	26	23

12. Of the *nonfarm, nonresidential and multifamily* commercial real estate loans that your bank has originated over the **past year**, about what percentage has been securitized?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Less than 5 percent	37	80.4	19	70.4	18	94.7
Between 5 percent and 15 percent	5	10.9	5	18.5	0	0.0
Between 15 percent and 30 percent	2	4.3	2	7.4	0	0.0
Between 30 percent and 50 percent	0	0.0	0	0.0	0	0.0
More than 50 percent	2	4.3	1	3.7	1	5.3
Total	46	100.0	27	100.0	19	100.0

13. How did the average credit quality of the nonfarm nonresidential and multifamily commercial real estate loans that your bank securitized over the past year compare with that of the loans that your bank originated and held on its books during that period?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
The credit quality of the securitized loans was substantially higher	0	0.0	0	0.0	0	0.0
The credit quality of the securitized loans was moderately higher	3	12.5	3	21.4	0	0.0
The credit quality of the securitized loans was about the same	21	87.5	11	78.6	10	100.0
The credit quality of the securitized loans was moderately lower	0	0.0	0	0.0	0	0.0
The credit quality of the securitized loans was substantially lower	0	0.0	0	0.0	0	0.0
Total	24	100.0	14	100.0	10	100.0

14. The quarterly Report of Condition (Call Report) asks banks to report outstanding securitized loans only when servicing is retained or when recourse or other credit enhancements are provided by the selling bank. Please indicate the approximate percentage of your bank's commercial real estate loan securitizations over the **past year** for which your bank either retained servicing rights or which it securitized with recourse or other credit enhancements.

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Less than 20 percent	32	91.4	18	90.0	14	93.3
Between 20 percent and 40 percent	0	0.0	0	0.0	0	0.0
Between 40 percent and 60 percent	2	5.7	1	5.0	1	6.7
Between 60 percent and 80 percent	1	2.9	1	5.0	0	0.0
More than 80 percent	0	0.0	0	0.0	0	0.0
Total	35	100.0	20	100.0	15	100.0

15. Since mid-2002, delinquency rates on commercial real estate loans held by banks and life insurance companies have been stable or falling, while those on loans backing commercial-mortgage-backed-securities (CMBS) have been rising. To what do you ascribe this difference? (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
A larger share of the loans backing CMBS are seasoned mortgages compared with loans held by banks and life insurance companies	1.40	1.43	1.38
Loans backing CMBS tend to be secured by different types of properties than mortgages held by banks and life insurance companies	1.71	1.71	1.71
CMBS tend to be secured by mortgages in different geographic regions than the mortgages held by banks and life insurance companies	1.33	1.33	1.33
The tranching structures of CMBS facilitate the inclusion of higher-risk mortgages in the pools	2.26	2.24	2.29
Securitized mortgages are less likely to be refinanced than those held on balance sheets (for example, because of different prepayment penalties)	1.95	1.95	1.95
Other	1.24	1.33	1.14
Number of banks responding	42	21	21

Questions 16-17 ask about **residential mortgage loans** at your bank. Question 15 deals with changes in your bank's credit standards over the past three months, and question 16 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.

16. 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	1	1.9	1	3.2	0	0.0
Remained basically unchanged	49	94.2	29	93.5	20	95.2
Eased somewhat	2	3.8	1	3.2	1	4.8
Eased considerably	0	0.0	0	0.0	0	0.0
Total	52	100.0	31	100.0	21	100.0

17. 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	0	0.0	0	0.0	0	0.0
Moderately stronger	1	1.9	1	3.2	0	0.0
About the same	30	57.7	19	61.3	11	52.4
Moderately weaker	12	23.1	7	22.6	5	23.8
Substantially weaker	9	17.3	4	12.9	5	23.8
Total	52	100.0	31	100.0	21	100.0

Questions 18-23 ask about **consumer lending** at your bank. Question 17 deals with changes in your bank's willingness to make consumer loans over the past three months. Questions 18-21 deal with changes in credit standards and loan terms over the same period. Question 22 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.

18. 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	0	0.0	0	0.0	0	0.0
Somewhat more willing	6	11.3	6	19.4	0	0.0
About unchanged	47	88.7	25	80.6	22	100.0
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	53	100.0	31	100.0	22	100.0

19. 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	3	9.4	1	6.3	2	12.5
Remained basically unchanged	28	87.5	15	93.8	13	81.3
Eased somewhat	1	3.1	0	0.0	1	6.3
Eased considerably	0	0.0	0	0.0	0	0.0
Total	32	100.0	16	100.0	16	100.0

20. 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	3	5.7	1	3.2	2	9.1
Remained basically unchanged	50	94.3	30	96.8	20	90.9
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	53	100.0	31	100.0	22	100.0

21. 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	3.00	3.00	3.00
Spreads of interest rates charged on outstanding balances over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.96	3.00	2.93
Minimum percent of outstanding balances required to be repaid each month	3.00	3.00	3.00
Minimum required credit score (increased score=tightened, reduced score=eased)	2.93	2.92	2.93
The extent to which loans are granted to some customers that do not meet credit scoring thresholds (increased=eased, decreased=tightened)	2.86	2.77	2.93
Other	3.00	3.00	3.00
Number of banks responding	28	13	15

22. 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	3.04	3.00	3.09
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.92	2.97	2.86
Minimum required downpayment	3.02	3.03	3.00
Minimum required credit score (increased score=tightened, reduced score=eased)	3.04	3.03	3.05
The extent to which loans are granted to some customers that do not meet credit scoring thresholds (increased=eased, decreased=tightened)	2.98	2.97	3.00
Other	3.02	3.00	3.05
Number of banks responding	52	30	22

23. 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	7	13.2	4	12.9	3	13.6
About the same	32	60.4	20	64.5	12	54.5
Moderately weaker	14	26.4	7	22.6	7	31.8
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	53	100.0	31	100.0	22	100.0