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 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 increases in 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--changed?

	All Respondents	
	Banks	Pct
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	19	90.5
Eased somewhat	2	9.5
Eased considerably	0	0.0
Total	21	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	3.14
Costs of credit lines	3.19
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.19
Premiums charged on riskier loans	3.19
Loan covenants	3.19
Collateralization requirements	3.00
Other	3.00
Total	21

1. As of September 30, 2003, the 21 respondents had combined assets of $381 billion, compared to $956 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	0
Less favorable or more uncertain economic outlook	0
Worsening of industry-specific problems	0
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	0
Reduced tolerance for risk	0
Decreased liquidity in the secondary market for these loans	0
Increase in defaults by borrowers in public debt markets	0
Other	0
Number of banks responding	0

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

	All Respondents
	Mean
Improvement in your bank's current or expected capital position	1.43
More favorable or less uncertain economic outlook	1.43
Improvement in industry-specific problems	1.00
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.86
Increased tolerance for risk	1.43
Increased liquidity in the secondary market for these loans	1.43
Reduction in defaults by borrowers in public debt markets	1.14
Other	1.00
Number of banks responding	7

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	2	9.5
About the same	13	61.9
Moderately weaker	6	28.6
Substantially weaker	0	0.0
Total	21	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 4), possible reasons:

	All Respondents
	Mean
Customer inventory financing needs increased	1.00
Customer accounts receivable financing needs increased	1.00
Customer investment in plant or equipment increased	1.00
Customer internally generated funds decreased	1.00
Customer merger or acquisition financing needs increased	2.50
Customer borrowing shifted to your bank from other bank or nonbank sources because these other sources became less attractive	1.00
Other	1.00
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	1.17
Customer accounts receivable financing needs decreased	1.17
Customer investment in plant or equipment decreased	1.33
Customer internally generated funds increased	1.67
Customer merger or acquisition financing needs decreased	1.33
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	2.00
Other	1.00
Number of banks responding	6

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	Pct
Increased substantially	0	0.0
Increased moderately	3	15.0
Stayed about the same	13	65.0
Decreased moderately	4	20.0
Decreased substantially	0	0.0
Total	20	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 deals with 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. 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	Pct
Tightened considerably	0	0.0
Tightened somewhat	1	10.0
Remained basically unchanged	9	90.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	10	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
	Mean
Maximum loan size	2.89
Maximum loan maturity	3.00
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.89
Loan-to-value ratios	3.11
Requirements for take-out financing	3.11
Debt-service coverage ratios	2.89
Other	3.00
Total	9

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 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 commercial real estate loan terms:

	All Respondents
	Mean
Less favorable economic outlook	1.50
Worsening of the condition of, or the outlook for, commercial real estate in the markets where your bank operates	1.00
Less aggressive competition from other commercial banks	1.00
Less aggressive competition from nonbank lenders	1.00
Reduced tolerance for risk	1.50
Increased concern about take-out financing	1.00
Less liquid market for securities collateralized by these loans	1.00
Other	2.00
Number of banks responding	2

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

	All Respondents
	Mean
More favorable economic outlook	2.00
Improvement in the condition of, or the outlook for, commercial real estate in the markets where your bank operates	2.00
More aggressive competition from other commercial banks	2.00
More aggressive competition from nonbank lenders	2.00
Increased tolerance for risk	1.33
Reduced concern about take-out financing	1.33
More liquid market for securities collateralized by these loans	3.00
Other	1.00
Number of banks responding	3

10. 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	4	44.4
About the same	3	33.3
Moderately weaker	2	22.2
Substantially weaker	0	0.0
Total	9	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
	Mean
Office buildings	42.7
Warehouses or other industrial structures	8.4
Retail properties	20.9
Hotel or resort properties	19.6
Nursing home or retirement properties	1.1
Mobile home parks	1.1
Other	6.2
Number of banks responding	9

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	
	Banks	Pct
Less than 5 percent	3	42.9
Between 5 percent and 15 percent	0	0.0
Between 15 percent and 30 percent	0	0.0
Between 30 percent and 50 percent	0	0.0
More than 50 percent	4	57.1
Total	7	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	
	Banks	Pct
The credit quality of the securitized loans was substantially higher	1	20.0
The credit quality of the securitized loans was moderately higher	0	0.0
The credit quality of the securitized loans was about the same	4	80.0
The credit quality of the securitized loans was moderately lower	0	0.0
The credit quality of the securitized loans was substantially lower	0	0.0
Total	5	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	
	Banks	Pct
Less than 20 percent	6	100.0
Between 20 percent and 40 percent	0	0.0
Between 40 percent and 60 percent	0	0.0
Between 60 percent and 80 percent	0	0.0
More than 80 percent	0	0.0
Total	6	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
	Mean
A larger share of the loans backing CMBS are seasoned mortgages compared with loans held by banks and life insurance companies	1.57
Loans backing CMBS tend to be secured by different types of properties than mortgages held by banks and life insurance companies	1.29
CMBS tend to be secured by mortgages in different geographic regions than the mortgages held by banks and life insurance companies	1.00
The tranching structures of CMBS facilitate the inclusion of higher-risk mortgages in the pools	2.14
Securitized mortgages are less likely to be refinanced than those held on balance sheets (for example, because of different prepayment penalties)	1.57
Other	1.43
Number of banks responding	7