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DIVISION OF MONETARY AFFAIRS

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TO: HEADS OF RESEARCH AT ALL FEDERAL RESERVE BANKS

Enclosed for distribution to respondents is a national summary of the April 2005 Senior Loan Officer Opinion Survey on Bank Lending Practices.

Enclosures

This document is available on the Federal Reserve Board's web site (http://www.federalreserve.gov/boarddocs/surveys).

Board of Governors of the Federal Reserve System

The April 2005 Senior Loan Officer Opinion Survey on Bank Lending Practices

The April 2005 Senior Loan Officer Opinion Survey on Bank Lending Practices addressed changes in the supply of, and demand for, bank loans to businesses and households over the past three months. The survey contained special questions on the net changes in C&I lending standards and terms since the 1996-97 period and on the reasons for those changes. This article reports the aggregate responses from fifty-four domestic banks and nineteen foreign banking institutions.

As has been the case since the beginning of 2004, notable fractions of banking institutions reported in the latest survey that they had eased lending standards and terms for C&I loans over the past three months. Banks that eased standards or terms once again reported having done so in large part because of increased competition from other sources of business credit. A moderate net fraction of banks also reported having eased lending standards for commercial real estate loans over the past three months. Standards on residential mortgages were about unchanged over the past three months, and a small net fraction of banks had eased standards for consumer loans. On the demand side, domestic and, to a lesser degree, foreign banks reported an increase in demand for C&I loans and for commercial real estate loans. Also, a noticeably smaller net fraction of domestic banks reported weaker demand for residential mortgages and consumer loans than had done so in the January survey.

In response to special questions on longer-term changes in lending standards and terms on C&I loans, domestic and foreign banks reported that, on net, lending standards for C&I loans were currently somewhat tighter than those prevailing in the 1996-97 period. Both groups reported, however, that many terms for C&I loans are somewhat easier, on net, than they had been in 1996 and 1997, a period thought to have been characterized by relatively accommodative lending practices. Banks whose lending standards or terms currently are tighter cited improved risk-management techniques as the primary influence on the evolution of their credit policies, whereas banks whose lending standards or terms currently are easier noted a significant increase in competition from other lenders as the primary reason.

C&I Lending

(Table 1, questions 1-9; Table 2, questions 1-9)

In the April survey, domestic banks as well as branches and agencies of foreign banks reported a further net easing of standards and terms on C&I loans. On net, nearly one-fourth of domestic banks reported easing their standards for large and middle-market firms over the past three months, about the same net percentage that has prevailed in recent surveys. About 70 percent of domestic and of foreign banks narrowed spreads of loan rates over their cost of funds for these borrowers in the three months ending with April, up substantially from 45 percent in the January survey and the largest shares reported since these questions were added to the survey in 1990. A large share of the foreign branches and agencies, on net, also reported reduced premiums on riskier loans and lower fees on credit lines. Many domestic respondents indicated that they had eased other terms for large and middle-market firms as well: Of the respondents, 40 percent had reduced the costs of credit lines, and about one-fourth had eased covenant restrictions, increased the maximum size of loans, or both. For small firms, nearly one-fourth of domestic banks had eased lending standards—up from 13 percent in January—and more than half had trimmed spreads, on net.

All the domestic institutions that had eased their lending standards and terms over the past three months cited more-aggressive competition from other banks or nonbank lenders as a somewhat important or—much more commonly—a very important reason for doing so. In addition, about half of those respondents cited a more-favorable or less-uncertain economic outlook as a reason for their move toward a less-stringent lending posture, although that figure was down from 60 percent in January. A notable share of domestic respondents that had eased standards or terms also indicated that the change reflected a higher tolerance for risk and greater liquidity in the secondary market. Branches and agencies of foreign banks that had eased lending terms also universally emphasized the importance of increased competition from other lenders, and half of the foreign respondents, on net, noted increased liquidity in secondary loan markets.

On net, 37 percent of domestic institutions—down from 45 percent in the January survey—reported an increase in demand for C&I loans from large and middle-market firms. The same net fraction of domestic respondents also indicated that demand from small firms had increased—up a bit from the previous survey. The domestic respondents experiencing stronger loan demand most frequently pointed to their borrowers' increased financing needs for investment in plant and equipment, accounts receivable, and inventory financing as sources of increased demand. The survey results for foreign banks suggest that demand was somewhat stronger, on net, and the banks that reported an increase credited mainly merger and acquisition financing for the change. About 40 percent of the domestic respondents, on net—down from nearly 50 percent in the January survey—reported that inquiries from potential business borrowers had increased over the past three months. At foreign banks, about one-fifth of branches and agencies, on net—up from 10 percent in the previous survey—reported an increase in inquiries from potential business borrowers over the past three months.

Longer-term changes in C&I lending conditions. Notable fractions of respondents to this survey have been reporting a net easing of standards or terms since the beginning of 2004, and other sources suggest that some C&I loan spreads have reached levels near those prevailing before lending terms began to tighten in 1998. Against this background, respondent banks were asked to compare their current standards and terms on C&I loans with those that they offered on similar loans in the 1996-97 period.

The results for lending standards point to a somewhat more-stringent lending posture. A small net fraction of domestic banks reported that their standards for loans to large and mid-sized firms were tighter than they had been in 1996 and 1997. For loans to small firms, the fraction of domestic banks that viewed their current lending standards as tighter than they had been in 1996 and 1997 was nearly equal to the fraction that indicated their standards were easier. Among respondents, the largest banks reported tighter current lending standards, on net, whereas smaller banks indicated standards were easier. At foreign banks, nearly half the branches and agencies characterized their lending standards as tighter than they were in 1996 and 1997, whereas only 16 percent characterized them as easier.

Both foreign and domestic banks reported that, on balance, pricing terms on C&I loans were currently easier than they were in 1996-97, but the net fractions reporting changes in nonprice terms were small. Half of domestic banks, on net, reported that loan spreads for large and middle-market firms were narrower than they were in the earlier period, and about one-third, on net, noted that fees on credit lines were lower. Smaller net percentages of foreign branches and agencies reported that pricing terms were easier than they were in 1996-97. Domestic banks suggested, on net, that loan covenants and collateral requirements were little changed relative to conditions in 1996-97. The net percentage of foreign banks that reported changes in loan covenants and collateral requirements was also small, although a few of those institutions indicated that they had eased these terms considerably over the period.

Not surprisingly, given the results of the most recent surveys, almost all the domestic banks and all the foreign banks that said that their C&I loan standards and terms were easier now than earlier reported that competition from other banks and nonbank lenders was a very important reason for the change. A large majority also noted that improved measurement and management of risk had increased their tolerance for risk. At the same time, however, a substantial fraction of the domestic and foreign banks that reported tighter current lending standards or terms indicated that improved measurement and management of risk had reduced their tolerance for risk. Almost half the domestic banks and two-thirds the foreign banks that reported having tighter lending conditions now than in the earlier period also noted increased concerns about corporate governance and financial reporting.

Commercial real estate lending
(Table 1, questions 10-11; Table 2, questions 10-11)

Almost one-fourth of the domestic respondents, on net, had eased lending standards on commercial real estate loans over the past three months, about the same fraction as in the January survey. All but one of the twelve foreign branches and agencies active in commercial real estate lending reported unchanged standards. On net, 20 percent of the domestic respondents reported stronger demand for these loans in the April survey, nearly the same fraction as in the January survey. One-third of the foreign banks noted that demand had increased somewhat over the past three months, up from 15 percent in January.

Lending to Households
(Table 1, questions 12-19)

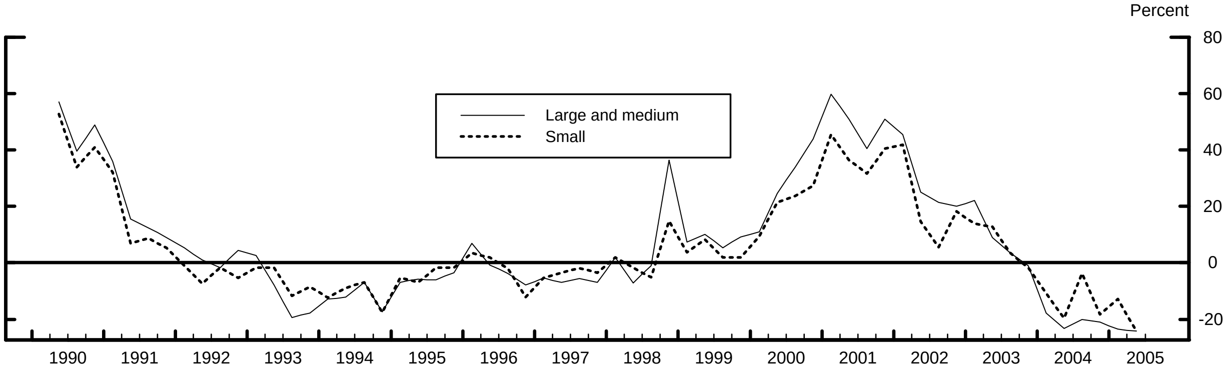
Credit standards on residential mortgages were largely unchanged, on net, in the April survey, in contrast to a small net easing of standards in January. Though demand for residential mortgage loans reportedly weakened again over the past three months, the net fraction of banks reporting lower demand fell to 18 percent, compared with about 25 percent in the past two surveys.

As has been the case since the middle of 2003, about 15 percent of the domestic respondents reported an increased willingness to make consumer installment loans. About 10 percent of banks, on net, indicated that they had eased standards on credit cards and non-credit-card consumer loans. Terms on consumer loans changed at only a few banks, and the movements were mixed. On net, banks indicated that demand for consumer loans weakened over the past three months, but the fraction doing so declined to 20 percent from 26 percent in January and nearly 30 percent last October.

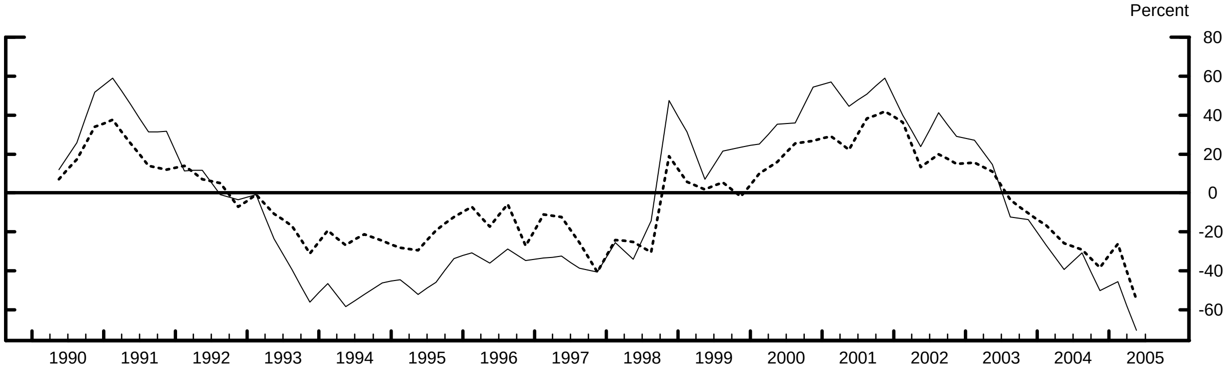
This document was prepared by William Bassett and Fabio Natalucci with the research assistance of Arshia Burney and Jason Grimm, Division of Monetary Affairs, Board of Governors of the Federal Reserve System.

Measures of Supply and Demand for C&I Loans, by Size of Firm Seeking Loan

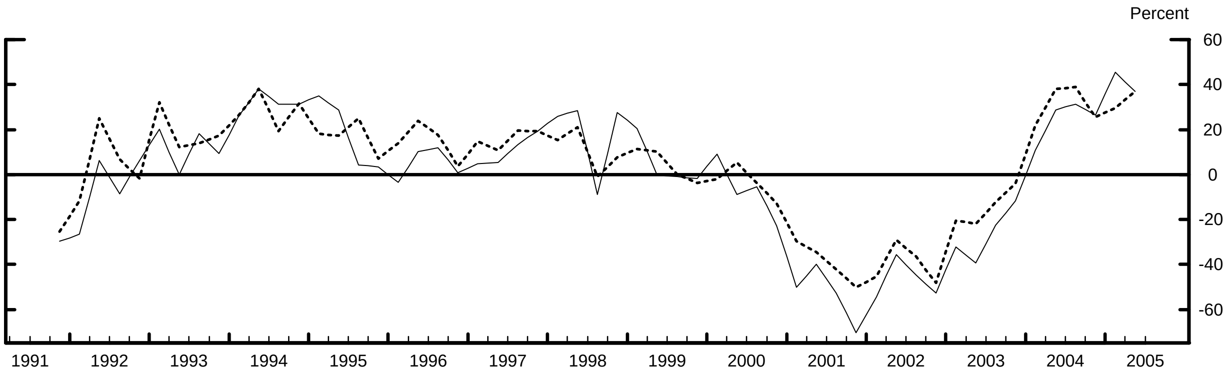
Net Percentage of Domestic Respondents Tightening Standards for C&I Loans



Net Percentage of Domestic Respondents Increasing Spreads of Loan Rates over Banks' Costs of Funds

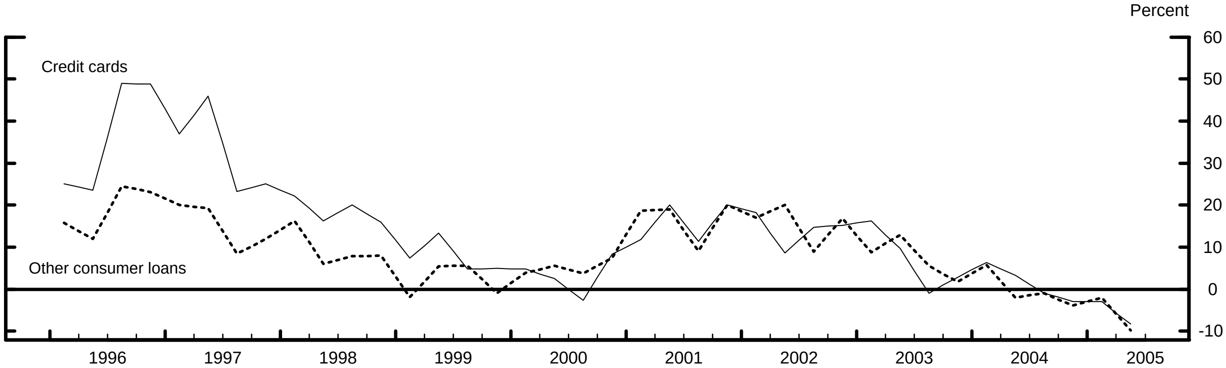


Net Percentage of Domestic Respondents Reporting Stronger Demand for C&I Loans

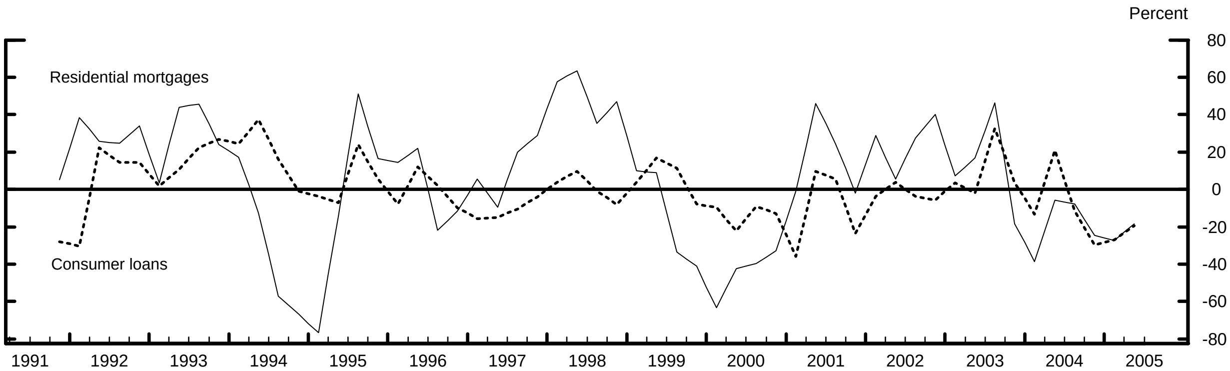


Measures of Supply and Demand for Loans to Households

Net Percentage of Domestic Respondents Tightening Standards on Consumer Loans



Net Percentage of Domestic Respondents Reporting Stronger Demand for Loans to Households



Net Percentage of Domestic Respondents Tightening Standards for Mortgages to Individuals

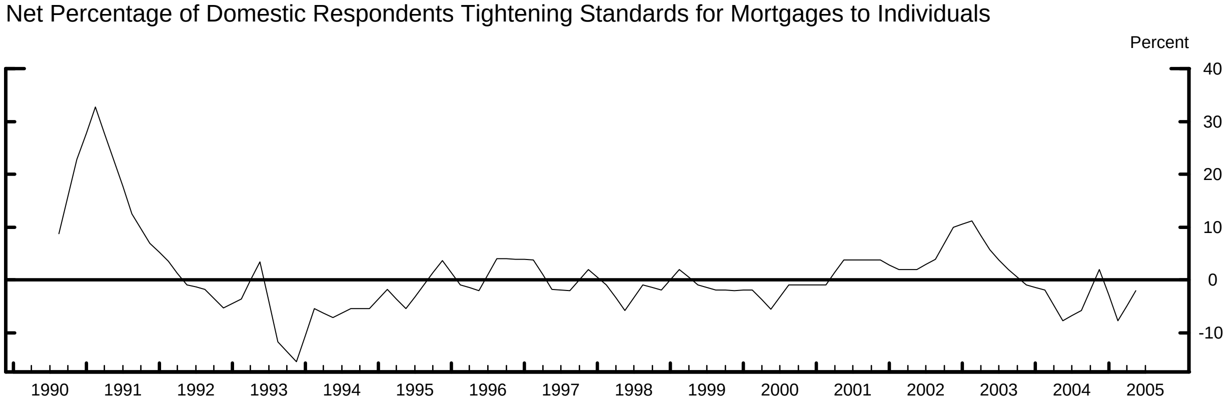


Table 1

Senior Loan Officer Opinion Survey on Bank Lending Practices at Selected Large Banks in the United States [1]

(Status of policy as of April 2005)

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--to large and middle-market firms and to small firms changed? (If your bank defines firm size differently from the categories suggested below, please use your definitions and indicate what they are.)

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

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
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	41	75.9	23	71.9	18	81.8
Eased somewhat	13	24.1	9	28.1	4	18.2
Eased considerably	0	0.0	0	0.0	0	0.0
Total	54	100.0	32	100.0	22	100.0

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

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
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	41	75.9	24	75.0	17	77.3
Eased somewhat	13	24.1	8	25.0	5	22.7
Eased considerably	0	0.0	0	0.0	0	0.0
Total	54	100.0	32	100.0	22	100.0

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	3.24	3.25	3.23
Costs of credit lines	3.44	3.53	3.32
Spreads of loan rates over your bank’s cost of funds (wider spreads=tightened, narrower spreads=eased)	3.72	3.78	3.64
Premiums charged on riskier loans	3.22	3.41	2.95
Loan covenants	3.26	3.31	3.18
Collateralization requirements	3.13	3.16	3.09
Other (please specify)	3.75	3.50	4.00
Number of banks responding	54	32	22

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	3.08	3.10	3.05
Costs of credit lines	3.28	3.32	3.23
Spreads of loan rates over your bank’s cost of funds (wider spreads=tightened, narrower spreads=eased)	3.55	3.58	3.50
Premiums charged on riskier loans	3.15	3.26	3.00
Loan covenants	3.23	3.23	3.23
Collateralization requirements	3.08	3.06	3.09
Other (please specify)	3.50	3.00	4.00
Number of banks responding	53	31	22

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	1.60	1.33	2.00
Worsening of industry-specific problems (please specify industries)	1.60	1.67	1.50
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.20	1.00	1.50
Reduced tolerance for risk	1.50	1.00	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	1.00	1.00	1.00
Other (please specify)	2.50	2.50	0.00
Number of banks responding	7	4	3

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	1.19	1.18	1.21
More favorable or less uncertain economic outlook	1.64	1.68	1.57
Improvement in industry-specific problems (please specify industries)	1.26	1.14	1.43
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	2.81	2.78	2.86
Increased tolerance for risk	1.50	1.45	1.57
Increased liquidity in the secondary market for these loans	1.47	1.64	1.21
Reduction in defaults by borrowers in public debt markets	1.25	1.27	1.21
Other (please specify)	1.00	0.00	1.00
Number of banks responding	37	23	14

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	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Substantially stronger	1	1.9	1	3.1	0	0.0
Moderately stronger	24	44.4	17	53.1	7	31.8
About the same	24	44.4	11	34.4	13	59.1
Moderately weaker	5	9.3	3	9.4	2	9.1
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	54	100.0	32	100.0	22	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	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Substantially stronger	1	1.9	1	3.1	0	0.0
Moderately stronger	22	40.7	12	37.5	10	45.5
About the same	28	51.9	16	50.0	12	54.5
Moderately weaker	3	5.6	3	9.4	0	0.0
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	54	100.0	32	100.0	22	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	1.94	1.95	1.92
Customer accounts receivable financing needs increased	2.03	2.00	2.08
Customer investment in plant or equipment increased	2.00	2.05	1.92
Customer internally generated funds decreased	1.31	1.35	1.25
Customer merger or acquisition financing needs increased	1.81	2.05	1.42
Customer borrowing shifted to your bank from other bank or nonbank sources because these other sources became less attractive	1.37	1.44	1.25
Other (please specify)	3.00	3.00	0.00
Number of banks responding	31	19	12

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	1.60	1.33	2.00
Customer accounts receivable financing needs decreased	1.40	1.33	1.50
Customer investment in plant or equipment decreased	1.86	2.25	1.33
Customer internally generated funds increased	2.00	2.25	1.50
Customer merger or acquisition financing needs decreased	1.33	1.50	1.00
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	1.20	1.00	1.50
Other (please specify)	2.00	2.00	0.00
Number of banks responding	8	5	3

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	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
The number of inquiries has increased substantially	1	1.9	1	3.2	0	0.0
The number of inquiries has increased moderately	24	45.3	12	38.7	12	54.5
The number of inquiries has stayed about the same	25	47.2	17	54.8	8	36.4
The number of inquiries has decreased moderately	3	5.7	1	3.2	2	9.1
The number of inquiries has decreased substantially	0	0.0	0	0.0	0	0.0
Total	53	100.0	31	100.0	22	100.0

The results of this survey indicate that banks consistently tightened lending standards and loan terms, on net, between 1998 and 2003, but generally eased standards and terms throughout 2004 and into early 2005. Other sources suggest that average spreads on syndicated C&I loans are now near levels last reached before lending terms began to tighten in 1998. Questions 7-9 ask how your bank's current C&I lending standards and terms compare with the standards and terms your institution offered on similar loans in the 1996-1997 period.

7. How do your bank's current 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 compare with the credit standards that prevailed at your institution during 1996 and 1997 for those credits?

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

	All Respondents		**Large Banks**		**Other Banks**	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Considerably tighter	1	1.9	0	0.0	1	4.5
Somewhat tighter	14	26.4	10	32.3	4	18.2
Very similar	26	49.1	16	51.6	10	45.5
Somewhat easier	12	22.6	5	16.1	7	31.8
Considerably easier	0	0.0	0	0.0	0	0.0
Total	53	100.0	31	100.0	22	100.0

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

	All Respondents		**Large Banks**		**Other Banks**	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Considerably tighter	2	3.8	1	3.2	1	4.5
Somewhat tighter	9	17.0	7	22.6	2	9.1
Very similar	30	56.6	18	58.1	12	54.5
Somewhat easier	12	22.6	5	16.1	7	31.8
Considerably easier	0	0.0	0	0.0	0	0.0
Total	53	100.0	31	100.0	22	100.0

8. 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 do the terms currently offered on those loans compare with the terms that prevailed at your institution during 1996 and 1997? (Please assign each term a number between 1 and 5 using the following scale: 1=considerably tighter, 2=somewhat tighter, 3=very similar , 4=somewhat easier, 5=considerably easier.)

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	3.30	3.19	3.45
Costs of credit lines	3.41	3.56	3.18
Spreads of loan rates over your bank's cost of funds (wider spreads=tighter, narrower spreads=easier)	3.52	3.56	3.45
Premiums charged on riskier loans	3.07	3.22	2.86
Loan covenants	3.07	3.16	2.95
Collateralization requirements	2.93	2.91	2.95
Other (please specify)	4.00	3.75	5.00
Number of banks responding	54	32	22

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	3.26	3.16	3.41
Costs of credit lines	3.28	3.34	3.18
Spreads of loan rates over your bank's cost of funds (wider spreads=tighter, narrower spreads=easier)	3.39	3.41	3.36
Premiums charged on riskier loans	3.13	3.28	2.91
Loan covenants	2.96	2.94	3.00
Collateralization requirements	2.98	2.91	3.09
Other (please specify)	4.00	3.50	5.00
Number of banks responding	54	32	22

9. If your bank's credit standards or terms for C&I loans or credit lines are currently easier or tighter than they were in 1996 and 1997 (as described in questions 7 and 8), how important are the following possible reasons for the differences? (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 tighter current credit standards or loan terms relative to the 1996-1997 period:

	All Respondents	**Large Banks**	**Other Banks**
	Mean	**Mean**	**Mean**
Your bank's current or expected capital position is now weaker	1.08	1.06	1.11
The economic outlook is now less favorable or more uncertain	1.38	1.38	1.40
Competition from other banks or nonbank lenders (including other financial intermediaries or the capital markets) has diminished	1.16	1.19	1.11
Improved measurement and management of risk has reduced your bank's tolerance for risk	2.12	2.12	2.11
Concern about corporate governance and the quality of financial reporting has increased	1.56	1.44	1.78
Other (please specify)	2.50	2.50	0.00
Number of banks responding	27	17	10

b. Possible reasons for easier current credit standards or loan terms relative to the 1996-1997 period:

	All Respondents	**Large Banks**	**Other Banks**
	Mean	**Mean**	**Mean**
Your bank's current or expected capital position is now stronger	1.53	1.60	1.44
The economic outlook is now more favorable or less uncertain	1.53	1.47	1.60
Competition from other banks or nonbank lenders (including other financial intermediaries or the capital markets) has increased	2.70	2.71	2.69
Improved measurement and management of risk has increased your bank's tolerance for risk	1.69	1.70	1.69
Increased liquidity in the secondary market for these loans has made loans of a given quality less risky	1.54	1.89	1.13
Other (please specify)	2.50	2.50	0.00
Number of banks responding	37	21	16

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. 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.*

10. 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	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Tightened considerably	1	1.9	0	0.0	1	4.5
Tightened somewhat	0	0.0	0	0.0	0	0.0
Remained basically unchanged	40	74.1	22	68.8	18	81.8
Eased somewhat	13	24.1	10	31.3	3	13.6
Eased considerably	0	0.0	0	0.0	0	0.0
Total	54	100.0	32	100.0	22	100.0

11. 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	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Substantially stronger	1	1.9	0	0.0	1	4.5
Moderately stronger	14	25.9	11	34.4	3	13.6
About the same	35	64.8	20	62.5	15	68.2
Moderately weaker	4	7.4	1	3.1	3	13.6
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	54	100.0	32	100.0	22	100.0

Questions 12-13 *ask about* ***residential mortgage loans*** *at your bank. Question 12 deals with changes in your bank's credit standards over the past three months, and question 13 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.*

12. 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	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	1	2.0	1	3.4	0	0.0
Remained basically unchanged	46	93.9	26	89.7	20	100.0
Eased somewhat	2	4.1	2	6.9	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	49	100.0	29	100.0	20	100.0

13. 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	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	7	14.3	6	20.7	1	5.0
About the same	26	53.1	13	44.8	13	65.0
Moderately weaker	13	26.5	9	31.0	4	20.0
Substantially weaker	3	6.1	1	3.4	2	10.0
Total	49	100.0	29	100.0	20	100.0

Questions 14-19 *ask about* ***consumer lending*** *at your bank. Question 14 deals with changes in your bank's willingness to make consumer loans over the past three months. Questions 15-18 deal with changes in credit standards and loan terms over the same period. Question 19 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.*

14. 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	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Much more willing	0	0.0	0	0.0	0	0.0
Somewhat more willing	8	15.7	5	16.7	3	14.3
About unchanged	43	84.3	25	83.3	18	85.7
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	51	100.0	30	100.0	21	100.0

15. 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	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
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	91.7	16	88.9	17	94.4
Eased somewhat	3	8.3	2	11.1	1	5.6
Eased considerably	0	0.0	0	0.0	0	0.0
Total	36	100.0	18	100.0	18	100.0

16. 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	Percent	Banks	Percent	Banks	Percent
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	1	2.0	0	0.0	1	4.8
Remained basically unchanged	44	86.3	26	86.7	18	85.7
Eased somewhat	6	11.8	4	13.3	2	9.5
Eased considerably	0	0.0	0	0.0	0	0.0
Total	51	100.0	30	100.0	21	100.0

17. 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	3.07	3.17	3.00
Spreads of interest rates charged on outstanding balances over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.93	2.83	3.00
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)	3.04	3.17	2.94
The extent to which loans are granted to some customers that do not meet credit scoring thresholds (increased=eased, decreased=tightened)	2.93	3.17	2.75
Other (please specify)	2.00	2.00	0.00
Number of banks responding	28	12	16

18. 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	3.06	3.07	3.05
Spreads of loan rates over your bank’s cost of funds (wider spreads=tightened, narrower spreads=eased)	3.10	3.07	3.15
Minimum required downpayment	3.06	3.03	3.10
Minimum required credit score (increased score=tightened, reduced score=eased)	2.98	3.00	2.95
The extent to which loans are granted to some customers that do not meet credit scoring thresholds (increased=eased, decreased=tightened)	2.96	3.07	2.80
Other (please specify)	2.50	3.00	2.00
Number of banks responding	49	29	20

19. 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	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	8	15.7	5	16.7	3	14.3
About the same	25	49.0	12	40.0	13	61.9
Moderately weaker	18	35.3	13	43.3	5	23.8
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	51	100.0	30	100.0	21	100.0

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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 December 31, 2004. The combined assets of the 32 large banks totaled $3.84 trillion, compared to $4.05 trillion for the entire panel of 54 banks, and $7.34 trillion for all domestically chartered, federally insured commercial banks.

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 April 2005)

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	0	0.0
Tightened somewhat	1	5.3
Remained basically unchanged	16	84.2
Eased somewhat	2	10.5
Eased considerably	0	0.0
Total	19	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	3.21
Costs of credit lines	3.47
Spreads of loan rates over your bank’s cost of funds (wider spreads=tightened, narrower spreads=eased)	3.74
Premiums charged on riskier loans	3.58
Loan covenants	3.37
Collateralization requirements	3.11
Other (please specify)	3.00
Number of banks responding	19

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	1.50
Less favorable or more uncertain economic outlook	2.50
Worsening of industry-specific problems (please specify industries)	2.00
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.00
Reduced tolerance for risk	1.50
Decreased liquidity in the secondary market for these loans	1.00
Increase in defaults by borrowers in public debt markets	1.00
Other (please specify)	0.00
Number of banks responding	2

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

	All Respondents
	Mean
Improvement in your bank's current or expected capital position	1.17
More favorable or less uncertain economic outlook	1.42
Improvement in industry-specific problems (please specify industries)	1.25
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	2.83
Increased tolerance for risk	1.25
Increased liquidity in the secondary market for these loans	1.67
Reduction in defaults by borrowers in public debt markets	1.25
Other (please specify)	1.00
Number of banks responding	12

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	3	15.8
About the same	14	73.7
Moderately weaker	2	10.5
Substantially weaker	0	0.0
Total	19	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	1.33
Customer accounts receivable financing needs increased	1.00
Customer investment in plant or equipment increased	1.67
Customer internally generated funds decreased	1.67
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	2.00
Other (please specify)	0.00
Number of banks responding	4

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

	All Respondents
	Mean
Customer inventory financing needs decreased	2.00
Customer accounts receivable financing needs decreased	2.00
Customer investment in plant or equipment decreased	0.00
Customer internally generated funds increased	2.00
Customer merger or acquisition financing needs decreased	0.00
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	3.00
Other (please specify)	0.00
Number of banks responding	1

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	6	31.6
The number of inquiries has stayed about the same	11	57.9
The number of inquiries has decreased moderately	2	10.5
The number of inquiries has decreased substantially	0	0.0
Total	19	100.0

The results of this survey indicate that banks consistently tightened lending standards and loan terms, on net, between 1998 and 2003, but generally eased standards and terms throughout 2004 and into early 2005. Other sources suggest that average spreads on syndicated C&I loans are now near levels last reached before lending terms began to tighten in 1998. Questions 7-9 ask how your bank's current C&I lending standards and terms compare with standards and terms offered on similar loans in the 1996-1997 period.

7. How do your bank's current credit standards for approving applications for C&I loans or credit lines--other than those to be used to finance mergers and acquisitions--compare with the credit standards that prevailed during 1996 and 1997 for those credits?

	All Respondents	
	Banks	**Percent**
Considerably tighter	2	10.5
Somewhat tighter	7	36.8
Very similar	7	36.8
Somewhat easier	2	10.5
Considerably easier	1	5.3
Total	19	100.0

8. 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 do the terms currently offered on those loans compare with the terms that prevailed at your institution during 1996 and 1997? (Please assign each term a number between 1 and 5 using the following scale: 1=considerably tighter, 2=somewhat tighter, 3=very similar, 4=somewhat easier, 5=considerably easier.)

	All Respondents
	Mean
Maximum size of credit lines	2.84
Costs of credit lines	3.26
Spreads of loan rates over your bank’s cost of funds (wider spreads=tightened, narrower spreads=eased)	3.21
Premiums charged on riskier loans	3.05
Loan covenants	3.21
Collateralization requirements	3.05
Other (please specify)	3.50
Number of banks responding	19

9. If your bank's credit standards or terms for C&I loans or credit lines are currently easier or tighter than they were in 1996 and 1997 (as described in questions 7 and 8), how important are the following possible reasons for the differences? (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 tighter current credit standards or loan terms relative to the 1996-1997 period:

	All Respondents
	Mean
Your bank's current or expected capital position is now weaker	1.25
The economic outlook is now less favorable or more uncertain	1.13
Competition from other banks or nonbank lenders (including other financial intermediaries or the capital markets) has diminished	1.13
Improved measurement and management of risk has reduced your bank's tolerance for risk	2.44
Concern about corporate governance and the quality of financial reporting has increased	2.00
Other (please specify)	2.00
Number of banks responding	9

b. Possible reasons for easier current credit standards or loan terms relative to the 1996-1997 period:

	All Respondents
	Mean
Your bank's current or expected capital position is stronger	1.64
The economic outlook is more favorable or less uncertain	1.45
Competition from other banks or nonbank lenders (including other financial intermediaries or the capital markets) has increased	2.64
Improved measurement and management of risk has increased your bank's tolerance for risk	1.73
Increased liquidity in the secondary market for these loans made loans of a given quality less risky	2.00
Other (please specify)	2.00
Number of banks responding	11

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. 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.*

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	**Percent**
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	11	91.7
Eased somewhat	1	8.3
Eased considerably	0	0.0
Total	12	100.0

11. 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	4	33.3
About the same	8	66.7
Moderately weaker	0	0.0
Substantially weaker	0	0.0
Total	12	100.0

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1. As of December 31, 2004, the 19 respondents had combined assets of $427 billion, compared to $993 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.