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TO: HEADS OF RESEARCH AT ALL FEDERAL RESERVE BANKS

Enclosed for distribution to respondents is a national summary of the January 2006 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>).



## **The January 2006 Senior Loan Officer Opinion Survey on Bank Lending Practices**

The January 2006 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. In addition, the survey contained a special question on changes in selected terms on commercial real estate loans over the past year. The survey also asked banks about the extent to which the spike in bankruptcy filings in September and early October of last year affected fourth-quarter charge-offs on credit card loans. Finally, banks were queried about their expectations for changes in asset quality in 2006. This article is based on responses from fifty-six domestic banks and nineteen foreign banking institutions.

Domestic commercial banks reported a further net easing of lending standards and terms on commercial and industrial (C&I) loans and no change in lending standards on commercial real estate loans over the past three months. For the same period, a notable net percentage of domestic institutions reported stronger demand for C&I loans from large and middle-market firms, but only a small net fraction of domestic respondents experienced increased demand for commercial real estate loans. Significant net fractions of domestic banks reported that, since the last survey, demand for mortgages to purchase homes was weaker as was demand for consumer loans.

Significant fractions of respondents, on net, reported that they had eased selected terms on commercial real estate loans in 2005. Banks cited more-aggressive competition from other banks or nonbank lenders as the most important reason for having done so. Among banks that experienced an increase in credit card charge-offs in the fourth quarter of 2005 as a result of the introduction of the new bankruptcy law, about three-quarters indicated that less than 40 percent of fourth-quarter charge-offs were attributable to this increase. In addition, banks accounting for more than one-half of credit card loans on respondents' books at the end of the third quarter reported that between 60 percent and 100 percent of the increase in the fourth-quarter charge-offs that reflected the introduction of the new law was attributable to households or individuals who would have filed for bankruptcy anyway later in 2005 or during 2006.

Looking ahead, banks indicated that, on balance, they expect loan quality on loans to businesses and households to deteriorate somewhat in 2006 from current very robust levels.

**C&I Lending**

(Table 1, questions 1-6; Table 2, questions 1-6)

Domestic banks indicated that they had further eased standards and terms on C&I loans over the past three months. On net, about 10 percent of domestic institutions noted that they had eased credit standards on C&I loans to large and middle-market firms, roughly the same net fraction as in the October 2005 survey. On net, about 45 percent of domestic respondents reported that they had trimmed spreads of loan rates over their cost of funds for such firms, and about 30 percent of domestic institutions indicated that they had reduced the costs of credit lines. Domestic institutions also reported that they had eased other lending terms to large and middle-market firms over the past three months: On net, one-fourth of banks reported that they had increased the maximum maturity of loans or credit lines, and almost one-fifth of respondents indicated that they had eased loan covenants. The net percentages of banks that reported easing these loan terms were about the same as in the October 2005 survey.

For C&I loans to small firms, 7 percent of domestic respondents, on net, noted that they had eased their lending standards over the past three months. On net, one-third of banks indicated that they had narrowed spreads of loan rates over their cost of funds. About one-fifth of them, on balance, reported having reduced the cost of credit lines and a similar fraction reported having increased the maximum maturity of loans or credit lines over the same period.

As they did in the previous survey, U.S. branches and agencies of foreign banks reported that their standards on C&I loans had changed little. However, significant net fractions of these institutions indicated that they had reduced the cost of credit lines, narrowed spreads of loan rates over their cost of funds, and increased the maximum size of loans or credit lines.

Nearly all domestic institutions that indicated having eased their lending standards and terms in the January survey pointed to more-aggressive competition from other banks or nonbank lenders as an important reason for having done so. Notable net percentages of such respondents also cited an increased tolerance for risk and increased liquidity in the secondary market for these loans as reasons for having eased credit standards or terms on C&I loans.

On net, 16 percent of domestic banks reported stronger demand for C&I loans from large and middle-market firms, roughly the same net fraction as in the previous survey. By contrast, only 5 percent of domestic respondents, on net, reported an increase in demand for C&I loans from small firms. At U.S. branches and agencies of foreign banks, about one-fifth of respondents, on net, indicated that demand for C&I loans had increased over the past three months.

Among the domestic respondents that had experienced stronger demand for C&I loans, most cited borrowers' increased needs to finance accounts receivable and mergers and acquisitions. Substantial fractions of these respondents also pointed to customers' increased needs to finance investment in plant and equipment and in inventories as contributing to the strengthening of business loan demand over the past three months. All foreign institutions that experienced stronger demand for C&I loans cited increased needs to finance mergers and acquisitions; significant fractions of the foreign respondents also pointed to increased investment in inventories and in plant and equipment as important reasons for stronger C&I loan demand. Regarding future business, almost one-fifth of domestic respondents, on net, indicated that the number of inquiries from potential business borrowers had increased over the previous three months, a somewhat larger net fraction than in the October survey. At foreign institutions, the number of inquiries from potential business borrowers was little changed in January.

### **Commercial Real Estate Lending**

(Table 1, questions 7-10; Table 2, questions 7-10)

On net, domestic institutions reported that lending standards on commercial real estate loans were essentially unchanged over the past three months. However, a small fraction of foreign respondents indicated that they had tightened standards on such loans. On net, 4 percent of domestic banks saw an increase in demand for commercial real estate loans, a somewhat smaller net fraction than in the October survey. At foreign institutions, demand for this type of loan was reportedly unchanged in the January survey.

For several years, the January survey has asked banks to report their changes in various terms on commercial real estate loans over the past twelve months. This year's responses suggest a considerable easing in the terms on such loans, a pattern consistent with improving conditions in commercial real estate markets and the rapid expansion of commercial real estate loans in 2005. Almost 30 percent of domestic institutions, on net, indicated that they had reduced spreads of loan rates over the cost of funds in 2005. In addition, one-fourth of domestic respondents reported that they had raised the maximum size of the loans they were willing to extend, and about one-fifth of them indicated that they had increased loan-to-value ratios and the maximum loan maturity over the past year. At foreign institutions, 60 percent of respondents reported that they had narrowed spreads of loan rates over their cost of funds over the past twelve months. In addition, 30 percent of foreign institutions indicated that they had increased loan-to-value ratios over the same period.

Domestic and foreign institutions that had eased terms on commercial real estate loans in 2005 cited more-aggressive competition from other banks or nonbank lenders as the most important reason for having done so. Those respondents also pointed to improvements in the condition of, or the outlook for, the commercial real estate sector in the markets in

which they operate as another important reason for having eased terms.

### **Lending to Households**

(Table 1, questions 11-20)

Credit standards on residential mortgage loans were reportedly unchanged over the past three months. On net, 44 percent of domestic banks reported weaker demand for mortgages to purchase homes, a notably larger net fraction than in the October survey.

More than 10 percent of domestic respondents—a somewhat larger fraction than in the October survey—indicated that their willingness to make consumer installment loans had increased over the past three months. Standards and most terms on credit card and non-credit-card consumer loans were reportedly little changed, on balance. However, about one-fourth of respondents indicated that they had increased the minimum percent of outstanding credit card balances required to be repaid each month.

Demand for consumer loans reportedly had weakened further over the past three months: About 30 percent of domestic banks, on net, saw weaker demand for such loans, up from about one-fifth in the October survey.

Bankruptcy filings spiked in September and early October in advance of the implementation of more stringent bankruptcy rules on October 17. Special questions queried domestic banks about the effects of that spike on charge-offs on credit card loans in the fourth quarter.<sup>1</sup> Among banks that experienced an increase in credit card charge-offs as the result of the new bankruptcy law, one-half indicated that the portion of fourth-quarter charge-offs attributable to this increase was less than 20 percent, and about one-fourth indicated that the portion was between 20 percent and 40 percent. These two groups of banks accounted for about 20 percent to 50 percent, respectively, of all credit card loans on the books of respondent banks at the end of the third quarter of 2005. Three institutions indicated that the portion of fourth-quarter credit card charge-offs attributable to the deadline-related increase in filings was between 80 percent and 100 percent. However, these institutions accounted for only 2 percent of all credit card loans on the respondents' books at the end of the third quarter.

About one-third of surveyed banks reported that between 60 percent and 100 percent of the increase in credit card charge-offs related to the new bankruptcy law was attributable to borrowers who filed ahead of the October 17 deadline but who would have filed anyway at some point in 2005 or during 2006. These banks held more than 50 percent of all credit card loans on the respondents' books at the end of the third quarter of 2005.

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<sup>1</sup> According to third-quarter Call Reports, the respondent banks accounted for 35 percent of all credit card loans on the books of domestic commercial banks as of September 30, 2005.

Institutions that accounted for more than 25 percent of credit card loans on the respondents' books reported shares of 40 percent to 60 percent, and the remainder generally reported shares of 20 percent to 40 percent.

**Special Questions on the Outlook for Loan Quality in 2006**

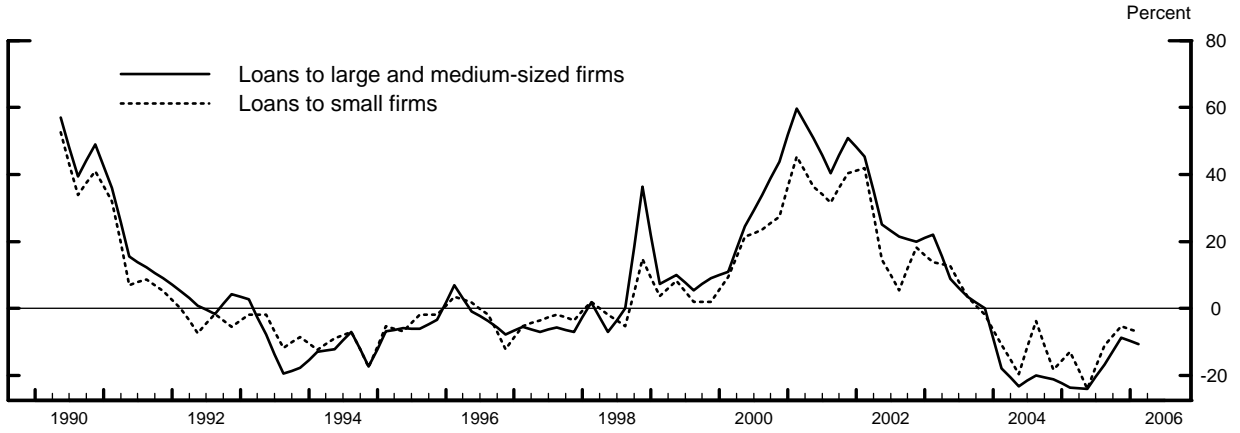
(Table 1, questions 21-22; Table 2, question 11)

A final set of special questions asked banks about their expectations for the behavior of delinquencies and charge-offs on loans to businesses and households in 2006 under the assumption that economic activity progresses in line with consensus forecasts. On balance, the responses suggest that banks expect some modest deterioration in loan quality this year from recent very high levels. Between 25 percent and 30 percent of domestic respondents, on net, indicated that they anticipate that the quality of their loans to businesses—including both C&I and commercial real estate loans—will deteriorate somewhat in 2006. Notable net fractions of domestic institutions reported that they expect the quality of both credit card and non-credit-card consumer loans to deteriorate somewhat. About 40 percent of domestic respondents indicated that they anticipate the quality of their nontraditional residential mortgages to decline. By contrast, only a few respondents reported that they expect a worsening of the quality of their traditional residential mortgages in 2006. Foreign institutions indicated that, on net, they anticipate that the quality of their C&I loans will stabilize around current levels. Only two foreign institutions expected the quality of their commercial real estate loans to deteriorate somewhat this year.

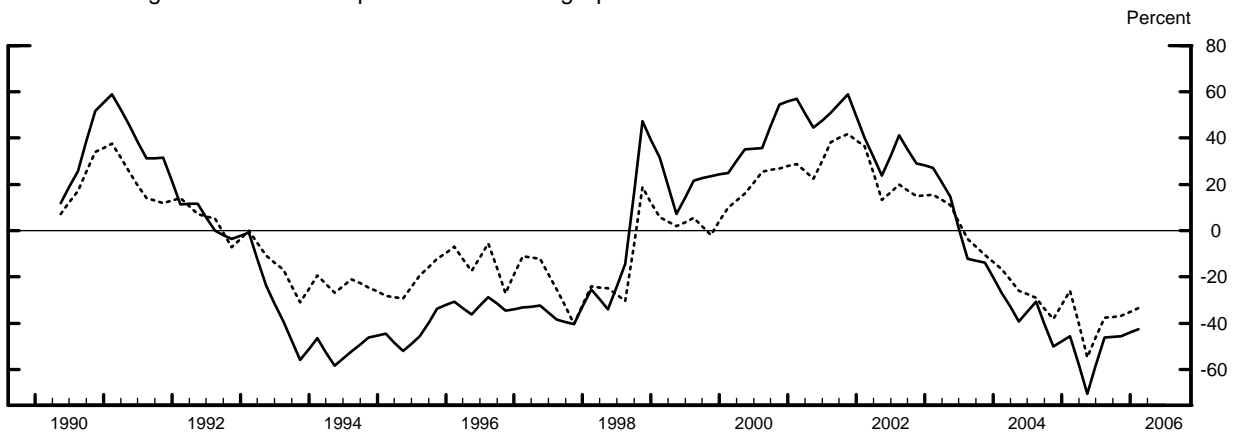
*This document was prepared by Fabio Natalucci with the research assistance of Arshia Burney and Jason Grimm, Division of Monetary Affairs, Board of Governors of the Federal Reserve System.*

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

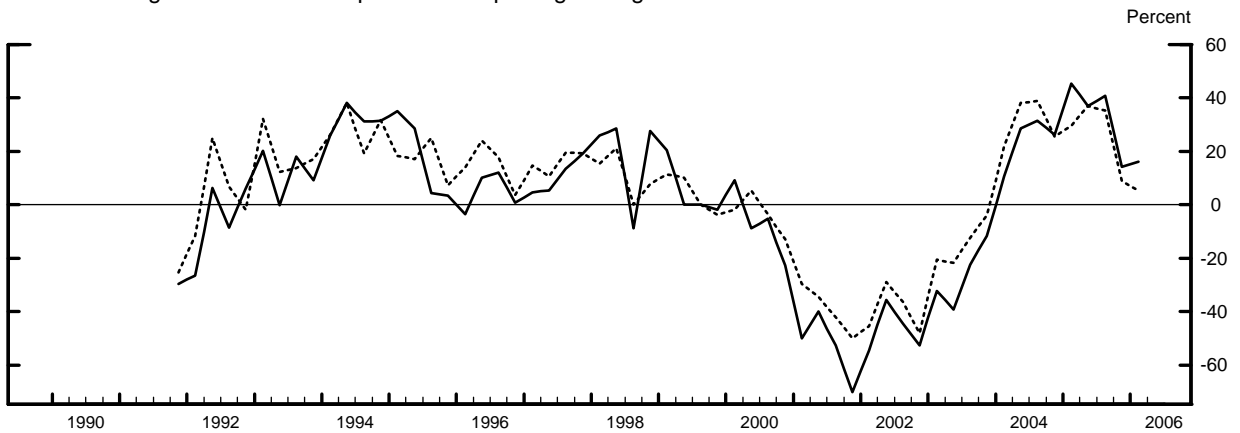
Net Percentage of Domestic Respondents Tightening Standards for C&I Loans



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



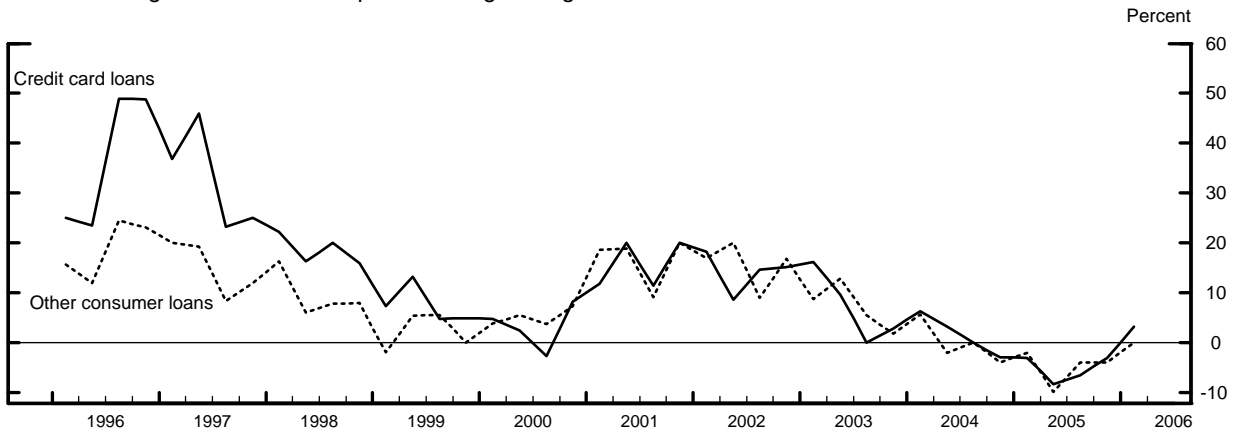
Net Percentage of Domestic Respondents Reporting Stronger Demand for C&I Loans



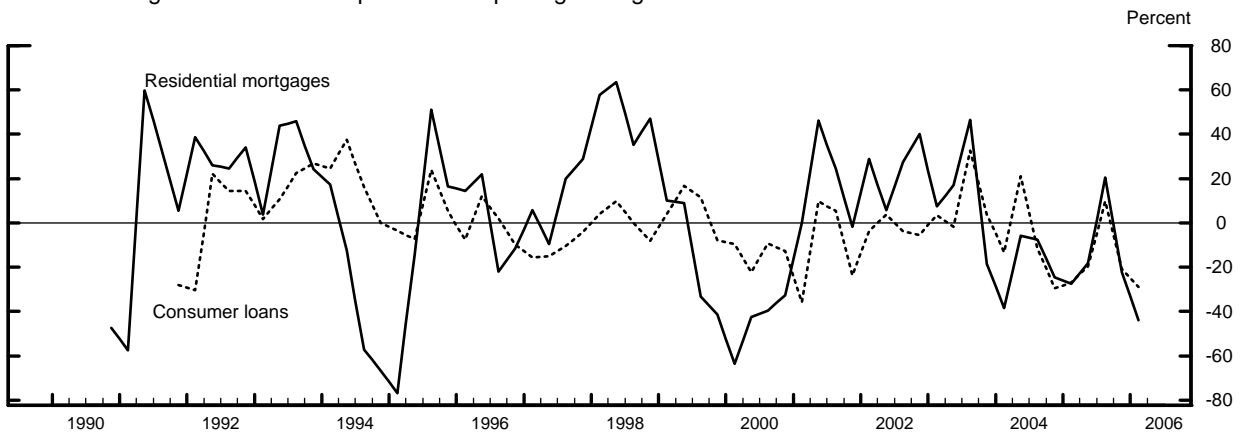


# Measures of Supply and Demand for Loans to Households

## Net Percentage of Domestic Respondents Tightening Standards for 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

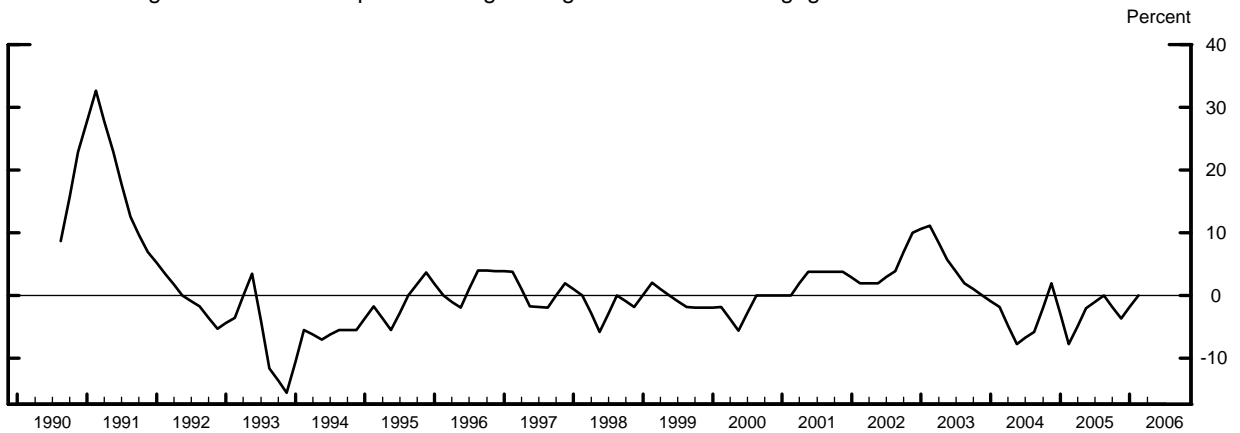


Table 1

## Senior Loan Officer Opinion Survey on Bank Lending Practices at Selected Large Banks in the United States <sup>1</sup>

(Status of policy as of January 2006)

*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	50	89.3	30	85.7	20	95.2
Eased somewhat	6	10.7	5	14.3	1	4.8
Eased considerably	0	0.0	0	0.0	0	0.0
<b>Total</b>	56	100.0	35	100.0	21	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	52	92.9	32	91.4	20	95.2
Eased somewhat	4	7.1	3	8.6	1	4.8
Eased considerably	0	0.0	0	0.0	0	0.0
<b>Total</b>	56	100.0	35	100.0	21	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	3.18	3.26	3.05
Maximum maturity of loans or credit lines	3.25	3.29	3.19
Costs of credit lines	3.29	3.47	3.00
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.44	3.55	3.29
Premiums charged on riskier loans	3.07	3.26	2.76
Loan covenants	3.18	3.32	2.95
Collateralization requirements	3.07	3.12	3.00
Other (please specify)	4.00	4.00	0.00
<b>Number of banks responding</b>	55	34	21

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	3.11	3.15	3.05
Maximum maturity of loans or credit lines	3.18	3.21	3.14
Costs of credit lines	3.20	3.35	2.95
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.35	3.48	3.14
Premiums charged on riskier loans	3.05	3.18	2.86
Loan covenants	3.17	3.32	2.90
Collateralization requirements	3.05	3.09	3.00
Other (please specify)	3.00	3.00	0.00
<b>Number of banks responding</b>	55	34	21

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:

	<b>All Respondents</b>	<b>Large Banks</b>	<b>Other Banks</b>
	<b>Mean</b>	<b>Mean</b>	<b>Mean</b>
Deterioration in your bank's current or expected capital position	1.17	1.25	1.00
Less favorable or more uncertain economic outlook	1.58	1.63	1.50
Worsening of industry-specific problems (please specify industries)	1.83	1.88	1.75
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.33	1.50	1.00
Reduced tolerance for risk	1.67	1.75	1.50
Decreased liquidity in the secondary market for these loans	1.33	1.50	1.00
Increase in defaults by borrowers in public debt markets	1.25	1.25	1.25
Other (please specify)	0.00	0.00	0.00
<b>Number of banks responding</b>	12	8	4

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

	<b>All Respondents</b>	<b>Large Banks</b>	<b>Other Banks</b>
	<b>Mean</b>	<b>Mean</b>	<b>Mean</b>
Improvement in your bank's current or expected capital position	1.10	1.05	1.25
More favorable or less uncertain economic outlook	1.30	1.23	1.50
Improvement in industry-specific problems (please specify industries)	1.20	1.23	1.13
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	2.55	2.61	2.38
Increased tolerance for risk	1.45	1.52	1.25
Increased liquidity in the secondary market for these loans	1.32	1.39	1.13
Reduction in defaults by borrowers in public debt markets	1.23	1.27	1.13
Other (please specify)	1.00	1.00	0.00
<b>Number of banks responding</b>	31	23	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	Percent	Banks	Percent	Banks	Percent
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	16	28.6	9	25.7	7	33.3
About the same	33	58.9	21	60.0	12	57.1
Moderately weaker	7	12.5	5	14.3	2	9.5
Substantially weaker	0	0.0	0	0.0	0	0.0
<b>Total</b>	56	100.0	35	100.0	21	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	0	0.0	0	0.0	0	0.0
Moderately stronger	11	19.6	7	20.0	4	19.0
About the same	37	66.1	22	62.9	15	71.4
Moderately weaker	8	14.3	6	17.1	2	9.5
Substantially weaker	0	0.0	0	0.0	0	0.0
<b>Total</b>	56	100.0	35	100.0	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 4A or 4B), possible reasons:

	<b>All Respondents</b>	<b>Large Banks</b>	<b>Other Banks</b>
	<b>Mean</b>	<b>Mean</b>	<b>Mean</b>
Customer inventory financing needs increased	1.83	1.73	2.00
Customer accounts receivable financing needs increased	1.94	1.82	2.14
Customer investment in plant or equipment increased	1.83	1.91	1.71
Customer internally generated funds decreased	1.22	1.27	1.14
Customer merger or acquisition financing needs increased	1.89	2.00	1.71
Customer borrowing shifted to your bank from other bank or nonbank sources because these other sources became less attractive	1.78	1.82	1.71
Other (please specify)	3.00	0.00	3.00
<b>Number of banks responding</b>	18	11	7

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

	<b>All Respondents</b>	<b>Large Banks</b>	<b>Other Banks</b>
	<b>Mean</b>	<b>Mean</b>	<b>Mean</b>
Customer inventory financing needs decreased	1.27	1.25	1.33
Customer accounts receivable financing needs decreased	1.27	1.25	1.33
Customer investment in plant or equipment decreased	1.64	1.88	1.00
Customer internally generated funds increased	1.73	1.88	1.33
Customer merger or acquisition financing needs decreased	1.27	1.38	1.00
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	1.55	1.50	1.67
Other (please specify)	0.00	0.00	0.00
<b>Number of banks responding</b>	11	8	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	0	0.0	0	0.0	0	0.0
The number of inquiries has increased moderately	15	27.3	11	32.4	4	19.0
The number of inquiries has stayed about the same	35	63.6	20	58.8	15	71.4
The number of inquiries has decreased moderately	5	9.1	3	8.8	2	9.5
The number of inquiries has decreased substantially	0	0.0	0	0.0	0	0.0
<b>Total</b>	55	100.0	34	100.0	21	100.0

**Questions 7-8** 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. **Question 8** 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.

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	Percent	Banks	Percent	Banks	Percent
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	5	8.9	3	8.6	2	9.5
Remained basically unchanged	47	83.9	28	80.0	19	90.5
Eased somewhat	4	7.1	4	11.4	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
<b>Total</b>	56	100.0	35	100.0	21	100.0

8. 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	0	0.0	0	0.0	0	0.0
Moderately stronger	9	16.1	5	14.3	4	19.0
About the same	40	71.4	27	77.1	13	61.9
Moderately weaker	7	12.5	3	8.6	4	19.0
Substantially weaker	0	0.0	0	0.0	0	0.0
<b>Total</b>	56	100.0	35	100.0	21	100.0

**Questions 9-10** focus on changes in your bank's terms on **commercial real estate loans** over the **past year** . If your bank's lending terms have not changed over the past year, please report them as unchanged even if they are either restrictive or accommodative relative to longer-term norms. If your bank's lending terms have tightened or eased over the past year, please so report them regardless of how they stand relative to longer-term norms.

9. 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.)

	<b>All Respondents</b>	<b>Large Banks</b>	<b>Other Banks</b>
	<b>Mean</b>	<b>Mean</b>	<b>Mean</b>
Maximum loan size	3.25	3.37	3.05
Maximum loan maturity	3.20	3.23	3.14
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.30	3.29	3.33
Loan-to-value ratios	3.23	3.31	3.10
Requirements for take-out financing	3.07	3.09	3.05
Debt-service coverage ratios	3.09	3.20	2.90
Other (please specify)	3.00	3.00	3.00
<b>Number of banks responding</b>	56	35	21

10. If your bank has tightened or eased its terms for commercial real estate loans over the past year (as described in question 9), 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:

	<b>All Respondents</b>	<b>Large Banks</b>	<b>Other Banks</b>
	<b>Mean</b>	<b>Mean</b>	<b>Mean</b>
Less favorable economic outlook	1.69	2.00	1.29
Worsening of the condition of, or the outlook for, commercial real estate in the markets where your bank operates	1.94	1.90	2.00
Less aggressive competition from other commercial banks	1.27	1.38	1.14
Less aggressive competition from nonbank lenders	1.20	1.25	1.14
Reduced tolerance for risk	1.53	1.38	1.71
Increased concern about take-out financing	1.13	1.00	1.29
Less liquid market for securities collateralized by these loans	1.07	1.00	1.14
Other (please specify)	2.50	3.00	2.33
<b>Number of banks responding</b>	17	10	7

b. Possible reasons for easing commercial real estate loan terms:

	<b>All Respondents</b>	<b>Large Banks</b>	<b>Other Banks</b>
	<b>Mean</b>	<b>Mean</b>	<b>Mean</b>
More favorable economic outlook	1.36	1.38	1.29
Improvement in the condition of, or the outlook for, commercial real estate in the markets where your bank operates	1.50	1.52	1.43
More aggressive competition from other commercial banks	2.55	2.55	2.57
More aggressive competition from nonbank lenders	1.97	2.00	1.86
Increased tolerance for risk	1.24	1.27	1.14
Reduced concern about take-out financing	1.19	1.20	1.14
More liquid market for securities collateralized by these loans	1.32	1.43	1.00
Other (please specify)	0.00	0.00	0.00
<b>Number of banks responding</b>	29	22	7

**Questions 11-12** ask about **residential mortgage loans** at your bank. Question 11 deals with changes in your bank's credit standards over the past three months, and question 12 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.

11. 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	4	8.0	3	9.4	1	5.6
Remained basically unchanged	42	84.0	25	78.1	17	94.4
Eased somewhat	4	8.0	4	12.5	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
<b>Total</b>	50	100.0	32	100.0	18	100.0

12. 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	1	2.0	1	3.1	0	0.0
About the same	26	52.0	16	50.0	10	55.6
Moderately weaker	21	42.0	13	40.6	8	44.4
Substantially weaker	2	4.0	2	6.3	0	0.0
<b>Total</b>	50	100.0	32	100.0	18	100.0

**Questions 13-18** ask about **consumer lending** at your bank. Question 13 deals with changes in your bank's willingness to make consumer loans over the past three months. Questions 14-17 deal with changes in credit standards and loan terms over the same period. Question 18 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.

13. 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	6	11.5	3	9.4	3	15.0
About unchanged	46	88.5	29	90.6	17	85.0
Somewhat less willing	0	0.0	0	0.0	0	0.0
Much less willing	0	0.0	0	0.0	0	0.0
<b>Total</b>	52	100.0	32	100.0	20	100.0

14. 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	2	6.3	1	5.9	1	6.7
Remained basically unchanged	29	90.6	16	94.1	13	86.7
Eased somewhat	1	3.1	0	0.0	1	6.7
Eased considerably	0	0.0	0	0.0	0	0.0
<b>Total</b>	32	100.0	17	100.0	15	100.0

15. 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	3	5.8	2	6.3	1	5.0
Remained basically unchanged	46	88.5	27	84.4	19	95.0
Eased somewhat	3	5.8	3	9.4	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
<b>Total</b>	52	100.0	32	100.0	20	100.0

16. 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	3.13	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	2.80	3.07
Minimum percent of outstanding balances required to be repaid each month	2.73	2.53	2.93
Minimum required credit score (increased score=tightened, reduced score=eased)	3.00	2.93	3.07
The extent to which loans are granted to some customers that do not meet credit scoring thresholds (increased=eased, decreased=tightened)	2.90	2.87	2.93
Other (please specify)	3.00	3.00	3.00
<b>Number of banks responding</b>	30	15	15

17. 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.)

	<b>All Respondents</b>	<b>Large Banks</b>	<b>Other Banks</b>
	<b>Mean</b>	<b>Mean</b>	<b>Mean</b>
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)	3.02	2.97	3.11
Minimum required downpayment	3.02	3.03	3.00
Minimum required credit score (increased score=tightened, reduced score=eased)	3.04	3.09	2.95
The extent to which loans are granted to some customers that do not meet credit scoring thresholds (increased=eased, decreased=tightened)	2.94	2.94	2.94
Other (please specify)	3.00	3.00	3.00
<b>Number of banks responding</b>	51	32	19

18. Apart from normal seasonal variation, how has demand for consumer loans of all types changed over the past three months?

	<b>All Respondents</b>		<b>Large Banks</b>		<b>Other Banks</b>	
	<b>Banks</b>	<b>Percent</b>	<b>Banks</b>	<b>Percent</b>	<b>Banks</b>	<b>Percent</b>
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	4	7.7	3	9.4	1	5.0
About the same	29	55.8	18	56.3	11	55.0
Moderately weaker	18	34.6	10	31.3	8	40.0
Substantially weaker	1	1.9	1	3.1	0	0.0
<b>Total</b>	52	100.0	32	100.0	20	100.0



*The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 took effect on October 17, 2005. The new law led to a significant spike in bankruptcy filings in September and mid-October of last year. Questions 19-20 ask for your assessment of the effect of this spike on chargeoffs on credit card loans in the fourth quarter of 2005.*

19. If your bank experienced an increase in chargeoffs on credit card loans in the fourth quarter of 2005 as the result of the new bankruptcy law, approximately what portion of credit card chargeoffs at your bank in the fourth quarter was accounted for by this increase?

	All Respondents		Large Banks		Other Banks	
	Banks	Percent	Banks	Percent	Banks	Percent
Less than 20 percent	13	50.0	6	42.9	7	58.3
Between 20 percent and 40 percent	7	26.9	3	21.4	4	33.3
Between 40 percent and 60 percent	3	11.5	2	14.3	1	8.3
Between 60 percent and 80 percent	0	0.0	0	0.0	0	0.0
Between 80 percent and 100 percent	3	11.5	3	21.4	0	0.0
<b>Total</b>	26	100.0	14	100.0	12	100.0

20. Approximately what portion of the fourth-quarter increase in credit card chargeoffs at your bank (as defined in question 19) was accounted for by households or individuals that filed ahead of the October 17, 2005, deadline but who would have likely filed anyway at some point later in 2005 or during 2006?

	All Respondents		Large Banks		Other Banks	
	Banks	Percent	Banks	Percent	Banks	Percent
Less than 20 percent	9	36.0	4	28.6	5	45.5
Between 20 percent and 40 percent	5	20.0	2	14.3	3	27.3
Between 40 percent and 60 percent	2	8.0	1	7.1	1	9.1
Between 60 percent and 80 percent	3	12.0	3	21.4	0	0.0
Between 80 percent and 100 percent	6	24.0	4	28.6	2	18.2
<b>Total</b>	25	100.0	14	100.0	11	100.0

Over the past several years, delinquencies and chargeoffs on loans to both businesses and households have declined in the aggregate. **Questions 21-22** ask about your bank's expectations for the behavior of these measures of loan quality in 2006.

21. Assuming that economic activity progresses in line with consensus forecasts, what is your bank's outlook for delinquencies and chargeoffs on loans to businesses in 2006?

a. Outlook for loan quality on C&I loans:

	All Respondents		Large Banks		Other Banks	
	Banks	Percent	Banks	Percent	Banks	Percent
Loan quality is likely to improve substantially	0	0.0	0	0.0	0	0.0
Loan quality is likely to improve somewhat	4	7.8	1	3.3	3	14.3
Loan quality is likely to stabilize around current levels	30	58.8	19	63.3	11	52.4
Loan quality is likely to deteriorate somewhat	17	33.3	10	33.3	7	33.3
Loan quality is likely to deteriorate substantially	0	0.0	0	0.0	0	0.0
<b>Total</b>	51	100.0	30	100.0	21	100.0

b. Outlook for loan quality on commercial real estate loans:

	All Respondents		Large Banks		Other Banks	
	Banks	Percent	Banks	Percent	Banks	Percent
Loan quality is likely to improve substantially	0	0.0	0	0.0	0	0.0
Loan quality is likely to improve somewhat	4	7.8	1	3.3	3	14.3
Loan quality is likely to stabilize around current levels	28	54.9	16	53.3	12	57.1
Loan quality is likely to deteriorate somewhat	19	37.3	13	43.3	6	28.6
Loan quality is likely to deteriorate substantially	0	0.0	0	0.0	0	0.0
<b>Total</b>	51	100.0	30	100.0	21	100.0

22. Assuming that economic activity progresses in line with consensus forecasts, what is your bank's outlook for delinquencies and chargeoffs on loans to households in 2006?

a. Outlook for loan quality on credit card loans:

	All Respondents		Large Banks		Other Banks	
	Banks	Percent	Banks	Percent	Banks	Percent
Loan quality is likely to improve substantially	0	0.0	0	0.0	0	0.0
Loan quality is likely to improve somewhat	4	11.8	3	15.8	1	6.7
Loan quality is likely to stabilize around current levels	19	55.9	10	52.6	9	60.0
Loan quality is likely to deteriorate somewhat	10	29.4	6	31.6	4	26.7
Loan quality is likely to deteriorate substantially	1	2.9	0	0.0	1	6.7
<b>Total</b>	34	100.0	19	100.0	15	100.0

b. Outlook for loan quality on consumer loans other than credit cards:

	All Respondents		Large Banks		Other Banks	
	Banks	Percent	Banks	Percent	Banks	Percent
Loan quality is likely to improve substantially	0	0.0	0	0.0	0	0.0
Loan quality is likely to improve somewhat	2	3.8	0	0.0	2	10.0
Loan quality is likely to stabilize around current levels	39	75.0	24	75.0	15	75.0
Loan quality is likely to deteriorate somewhat	11	21.2	8	25.0	3	15.0
Loan quality is likely to deteriorate substantially	0	0.0	0	0.0	0	0.0
<b>Total</b>	52	100.0	32	100.0	20	100.0

c. Outlook for loan quality on traditional residential mortgage loans:\*

	All Respondents		Large Banks		Other Banks	
	Banks	Percent	Banks	Percent	Banks	Percent
Loan quality is likely to improve substantially	0	0.0	0	0.0	0	0.0
Loan quality is likely to improve somewhat	0	0.0	0	0.0	0	0.0
Loan quality is likely to stabilize around current levels	44	88.0	26	83.9	18	94.7
Loan quality is likely to deteriorate somewhat	6	12.0	5	16.1	1	5.3
Loan quality is likely to deteriorate substantially	0	0.0	0	0.0	0	0.0
<b>Total</b>	50	100.0	31	100.0	19	100.0

d. Outlook for loan quality on non-traditional residential mortgage loans:†

	All Respondents		Large Banks		Other Banks	
	Banks	Percent	Banks	Percent	Banks	Percent
Loan quality is likely to improve substantially	0	0.0	0	0.0	0	0.0
Loan quality is likely to improve somewhat	0	0.0	0	0.0	0	0.0
Loan quality is likely to stabilize around current levels	29	59.2	16	51.6	13	72.2
Loan quality is likely to deteriorate somewhat	19	38.8	15	48.4	4	22.2
Loan quality is likely to deteriorate substantially	1	2.0	0	0.0	1	5.6
<b>Total</b>	49	100.0	31	100.0	18	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, 2005. The combined assets of the 35 large banks totaled \$4.54 trillion, compared to \$4.75 trillion for the entire panel of 56 banks, and \$7.75 trillion for all domestically chartered, federally insured commercial banks.

\* Traditional mortgage products include fixed-rate mortgages, standard adjustable-rate mortgages, and common hybrid adjustable-rate mortgages—that is, mortgages for which the interest rate is initially fixed for a multi-year period and subsequently adjusts more frequently.

† Non-traditional mortgage products include, but are not limited to, adjustable-rate mortgages with multiple payment options, interest-only mortgages, and the so-called "Alt-A" products such as mortgages with limited income verification and mortgages secured by non-owner-occupied properties.

Table 2

## Senior Loan Officer Opinion Survey on Bank Lending Practices at Selected Branches and Agencies of Foreign Banks in the United States <sup>1</sup>

(Status of policy as of January 2006)

*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	0	0.0
Remained basically unchanged	18	94.7
Eased somewhat	1	5.3
Eased considerably	0	0.0
<b>Total</b>	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.)

	<b>All Respondents</b>
	<b>Mean</b>
Maximum size of credit lines	3.16
Maximum maturity of loans or credit lines	3.00
Costs of credit lines	3.37
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.26
Premiums charged on riskier loans	3.00
Loan covenants	3.05
Collateralization requirements	3.00
Other (please specify)	3.00
<b>Number of banks responding</b>	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:

	<b>All Respondents</b>
	<b>Mean</b>
Deterioration in your bank's current or expected capital position	1.00
Less favorable or more uncertain economic outlook	1.50
Worsening of industry-specific problems (please specify industries)	2.50
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.00
Reduced tolerance for risk	1.00
Decreased liquidity in the secondary market for these loans	1.50
Increase in defaults by borrowers in public debt markets	1.00
Other (please specify)	0.00
<b>Number of banks responding</b>	<b>2</b>

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

	<b>All Respondents</b>
	<b>Mean</b>
Improvement in your bank's current or expected capital position	1.29
More favorable or less uncertain economic outlook	1.29
Improvement in industry-specific problems (please specify industries)	1.00
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	2.43
Increased tolerance for risk	1.43
Increased liquidity in the secondary market for these loans	1.71
Reduction in defaults by borrowers in public debt markets	1.14
Other (please specify)	1.00
<b>Number of banks responding</b>	<b>7</b>

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.)

	<b>All Respondents</b>	
	<b>Banks</b>	<b>Percent</b>
Substantially stronger	0	0.0
Moderately stronger	5	26.3
About the same	13	68.4
Moderately weaker	1	5.3
Substantially weaker	0	0.0
<b>Total</b>	<b>19</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 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:

	<b>All Respondents</b>
	<b>Mean</b>
Customer inventory financing needs increased	1.75
Customer accounts receivable financing needs increased	1.50
Customer investment in plant or equipment increased	1.75
Customer internally generated funds decreased	1.00
Customer merger or acquisition financing needs increased	2.60
Customer borrowing shifted to your bank from other bank or nonbank sources because these other sources became less attractive	1.75
Other (please specify)	3.00
<b>Number of banks responding</b>	<b>5</b>

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

	<b>All Respondents</b>
	<b>Mean</b>
Customer inventory financing needs decreased	1.00
Customer accounts receivable financing needs decreased	1.00
Customer investment in plant or equipment decreased	1.00
Customer internally generated funds increased	1.00
Customer merger or acquisition financing needs decreased	1.00
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	2.00
Other (please specify)	0.00
<b>Number of banks responding</b>	<b>1</b>

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	3	15.8
The number of inquiries has stayed about the same	14	73.7
The number of inquiries has decreased moderately	2	10.5
The number of inquiries has decreased substantially	0	0.0
<b>Total</b>	19	100.0

*Questions 7-8 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. Question 8 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.*

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	Percent
Tightened considerably	0	0.0
Tightened somewhat	2	16.7
Remained basically unchanged	10	83.3
Eased somewhat	0	0.0
Eased considerably	0	0.0
<b>Total</b>	12	100.0

8. 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	1	8.3
About the same	10	83.3
Moderately weaker	1	8.3
Substantially weaker	0	0.0
<b>Total</b>	12	100.0

**Questions 9-10** focus on changes in your bank's terms on **commercial real estate loans** over the **past year** . If your bank's lending terms have not changed over the past year, please report them as unchanged even if they are either restrictive or accommodative relative to longer-term norms. If your bank's lending terms have tightened or eased over the past year, please so report them regardless of how they stand relative to longer-term norms.

9. 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.)

	<b>All Respondents</b>
	<b>Mean</b>
Maximum loan size	3.00
Maximum loan maturity	3.10
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.70
Loan-to-value ratios	3.30
Requirements for take-out financing	3.10
Debt-service coverage ratios	3.10
Other (please specify)	0.00
<b>Number of banks responding</b>	<b>11</b>

10. If your bank has tightened or eased its terms for commercial real estate loans over the past year (as described in question 9), 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:

	<b>All Respondents</b>
	<b>Mean</b>
Less favorable economic outlook	0.00
Worsening of the condition of, or the outlook for, commercial real estate in the markets where your bank operates	0.00
Less aggressive competition from other commercial banks	0.00
Less aggressive competition from nonbank lenders	0.00
Reduced tolerance for risk	0.00
Increased concern about take-out financing	0.00
Less liquid market for securities collateralized by these loans	2.00
Other (please specify)	0.00
<b>Number of banks responding</b>	<b>1</b>

b. Possible reasons for easing commercial real estate loan terms:

	<b>All Respondents</b>
	<b>Mean</b>
More favorable economic outlook	1.60
Improvement in the condition of, or the outlook for, commercial real estate in the markets where your bank operates	1.60
More aggressive competition from other commercial banks	2.80
More aggressive competition from nonbank lenders	2.60
Increased tolerance for risk	1.20
Reduced concern about take-out financing	1.20
More liquid market for securities collateralized by these loans	2.00
Other (please specify)	0.00
<b>Number of banks responding</b>	<b>5</b>

Over the past several years, delinquencies and chargeoffs on business loans have declined in the aggregate. **Question 11** asks about your bank's expectations for the behavior of these measures of loan quality in 2006.

11. Assuming that economic activity progresses in line with consensus forecasts, what is your bank's outlook for delinquencies and chargeoffs on loans to businesses in 2006?

a. Outlook for loan quality on C&I loans:

	All Respondents	
	Banks	Percent
Loan quality is likely to improve substantially	1	5.3
Loan quality is likely to improve somewhat	2	10.5
Loan quality is likely to stabilize around current levels	13	68.4
Loan quality is likely to deteriorate somewhat	3	15.8
Loan quality is likely to deteriorate substantially	0	0.0
<b>Total</b>	19	100.0

b. Outlook for loan quality on commercial real estate loans:

	All Respondents	
	Banks	Percent
Loan quality is likely to improve substantially	0	0.0
Loan quality is likely to improve somewhat	0	0.0
Loan quality is likely to stabilize around current levels	10	83.3
Loan quality is likely to deteriorate somewhat	2	16.7
Loan quality is likely to deteriorate substantially	0	0.0
<b>Total</b>	12	100.0

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1. As of September 30, 2005, the 19 respondents had combined assets of \$555 billion, compared to \$1.24 trillion 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.