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 2016)

***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	6	27.3
Remained basically unchanged	16	72.7
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	22	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?

a. Maximum size of credit lines

	All Respondents	
	Banks	**Percent**
Tightened considerably	0	0.0
Tightened somewhat	4	18.2
Remained basically unchanged	17	77.3
Eased somewhat	1	4.5
Eased considerably	0	0.0
Total	22	100.0

b. Maximum maturity of loans or credit lines

	All Respondents	
	Banks	**Percent**
Tightened considerably	0	0.0
Tightened somewhat	2	9.1
Remained basically unchanged	20	90.9
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	22	100.0

c. Costs of credit lines

	All Respondents	
	Banks	Percent
Tightened considerably	0	0.0
Tightened somewhat	3	13.6
Remained basically unchanged	19	86.4
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	22	100.0

d. Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)

	All Respondents	
	Banks	Percent
Tightened considerably	0	0.0
Tightened somewhat	4	18.2
Remained basically unchanged	18	81.8
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	22	100.0

e. Premiums charged on riskier loans

	All Respondents	
	Banks	Percent
Tightened considerably	0	0.0
Tightened somewhat	6	27.3
Remained basically unchanged	16	72.7
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	22	100.0

f. Loan covenants

	All Respondents	
	Banks	**Percent**
Tightened considerably	0	0.0
Tightened somewhat	2	9.1
Remained basically unchanged	20	90.9
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	22	100.0

g. Collateralization requirements

	All Respondents	
	Banks	**Percent**
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	22	100.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	22	100.0

h. Use of interest rate floors (more use=tightened, less use=eased)

	All Respondents	
	Banks	**Percent**
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	20	100.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	20	100.0

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?

A. Possible reasons for tightening credit standards or loan terms:

a. Deterioration in your bank's current or expected capital position

	All Respondents	
	Banks	**Percent**
Not important	8	100.0
Somewhat important	0	0.0
Very important	0	0.0
Total	8	100.0

b. Less favorable or more uncertain economic outlook

	All Respondents	
	Banks	**Percent**
Not important	3	37.5
Somewhat important	5	62.5
Very important	0	0.0
Total	8	100.0

c. Worsening of industry-specific problems (please specify industries)

	All Respondents	
	Banks	**Percent**
Not important	2	25.0
Somewhat important	0	0.0
Very important	6	75.0
Total	8	100.0

d. Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)

	All Respondents	
	Banks	**Percent**
Not important	8	100.0
Somewhat important	0	0.0
Very important	0	0.0
Total	8	100.0

e. Reduced tolerance for risk

	All Respondents	
	Banks	**Percent**
Not important	2	25.0
Somewhat important	6	75.0
Very important	0	0.0
Total	8	100.0

f. Decreased liquidity in the secondary market for these loans

	All Respondents	
	Banks	**Percent**
Not important	4	50.0
Somewhat important	4	50.0
Very important	0	0.0
Total	8	100.0

g. Deterioration in your bank's current or expected liquidity position

	All Respondents	
	Banks	**Percent**
Not important	8	100.0
Somewhat important	0	0.0
Very important	0	0.0
Total	8	100.0

h. Increased concerns about the potential effects of legislative changes, supervisory actions, or accounting standards

	All Respondents	
	Banks	**Percent**
Not important	6	75.0
Somewhat important	2	25.0
Very important	0	0.0
Total	8	100.0

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

a. Improvement in your bank's current or expected capital position

Responses are not reported when the number of respondents is 3 or fewer.

b. More favorable or less uncertain economic outlook

Responses are not reported when the number of respondents is 3 or fewer.

c. Improvement in industry-specific problems (please specify industries)

Responses are not reported when the number of respondents is 3 or fewer.

d. More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)

Responses are not reported when the number of respondents is 3 or fewer.

e. Increased tolerance for risk

Responses are not reported when the number of respondents is 3 or fewer.

f. Increased liquidity in the secondary market for these loans

Responses are not reported when the number of respondents is 3 or fewer.

g. Improvement in your bank's current or expected liquidity position

Responses are not reported when the number of respondents is 3 or fewer.

h. Reduced concerns about the potential effects of legislative changes, supervisory actions, or accounting standards

Responses are not reported when the number of respondents is 3 or fewer.

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	2	9.1
About the same	14	63.6
Moderately weaker	6	27.3
Substantially weaker	0	0.0
Total	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?

A. If stronger loan demand (answer 1 or 2 to question 4), possible reasons:

a. Customer inventory financing needs increased

Responses are not reported when the number of respondents is 3 or fewer.

b. Customer accounts receivable financing needs increased

Responses are not reported when the number of respondents is 3 or fewer.

c. Customer investment in plant or equipment increased

Responses are not reported when the number of respondents is 3 or fewer.

d. Customer internally generated funds decreased

Responses are not reported when the number of respondents is 3 or fewer.

e. Customer merger or acquisition financing needs increased

Responses are not reported when the number of respondents is 3 or fewer.

f. Customer borrowing shifted to your bank from other bank or nonbank sources because these other sources became less attractive

Responses are not reported when the number of respondents is 3 or fewer.

g. Customer precautionary demand for cash and liquidity increased

Responses are not reported when the number of respondents is 3 or fewer.

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

a. Customer inventory financing needs decreased

	All Respondents	
	Banks	**Percent**
Not important	6	100.0
Somewhat important	0	0.0
Very important	0	0.0
Total	6	100.0

b. Customer accounts receivable financing needs decreased

	All Respondents	
	Banks	**Percent**
Not important	6	100.0
Somewhat important	0	0.0
Very important	0	0.0
Total	6	100.0

c. Customer investment in plant or equipment decreased

	All Respondents	
	Banks	**Percent**
Not important	3	50.0
Somewhat important	2	33.3
Very important	1	16.7
Total	6	100.0

d. Customer internally generated funds increased

	All Respondents	
	Banks	**Percent**
Not important	6	100.0
Somewhat important	0	0.0
Very important	0	0.0
Total	6	100.0

e. Customer merger or acquisition financing needs decreased

	All Respondents	
	Banks	**Percent**
Not important	1	16.7
Somewhat important	4	66.7
Very important	1	16.7
Total	6	100.0

f. Customer borrowing shifted from your bank to other bank or nonbank sources because these other sources became more attractive

	All Respondents	
	Banks	Percent
Not important	5	83.3
Somewhat important	1	16.7
Very important	0	0.0
Total	6	100.0

g. Customer precautionary demand for cash and liquidity decreased

	All Respondents	
	Banks	Percent
Not important	6	100.0
Somewhat important	0	0.0
Very important	0	0.0
Total	6	100.0

6. At your bank, apart from normal seasonal variation, 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 or increased 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	1	4.8
The number of inquiries has stayed about the same	18	85.7
The number of inquiries has decreased moderately	2	9.5
The number of inquiries has decreased substantially	0	0.0
Total	21	100.0

Over the past year, declines in oil prices may have led to strains in firms involved in oil and natural gas drilling/extraction and in the companies that provide support to those firms. ***Question 7*** *asks you to indicate what fraction of C&I loans held on your bank's books were made to firms in the oil and natural gas drilling/extraction sector.* ***Question 8*** *asks about your outlook for delinquencies and charge-offs on such loans.* ***Question 9*** *asks about changes in lending policies made by your bank in response to developments in the oil and natural gas drilling/extraction sector.* ***Question*** *asks about possible spillover effects from declines in energy commodity prices and associated declines in energy sector activities to other loan types.*

7. Approximately what fraction of C&I loans currently outstanding on your bank's books were made to firms in the oil and natural gas drilling/extraction sector?

	All Respondents	
	Banks	**Percent**
More than 20 percent	1	5.0
More than 10 percent but less than 20 percent	7	35.0
More than 5 percent but less than 10 percent	8	40.0
More than 1 percent but less than 5 percent	4	20.0
Less than 1 percent	0	0.0
Total	20	100.0

For this question, 1 respondent answered “My bank does not have any outstanding loans or lines of credit to firms in the oil and natural gas drilling/extraction sector.”

8. Assuming that economic activity progresses in line with consensus forecasts, and energy commodity prices evolve in line with current futures prices, what is your outlook for delinquencies and charge-offs on your bank's existing loans to firms in the oil and natural gas drilling/extraction sector over the remainder of 2016?

	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 remain around current levels	6	30.0
Loan quality is likely to deteriorate somewhat	13	65.0
Loan quality is likely to deteriorate substantially	1	5.0
Total	20	100.0

For this question, 1 respondent answered “My bank does not have any outstanding loans to firms in the oil and natural gas drilling/extraction sector.”

9. Please indicate how important each of the following actions have been in your bank's efforts to mitigate risks of loan losses from loans made to firms in the oil and natural gas drilling/extraction sector over the past year.

a. Tightening lending policies on new loans or lines of credit made to firms in this sector

	All Respondents	
	Banks	**Percent**
Not important	2	10.0
Somewhat important	6	30.0
Very important	12	60.0
Total	20	100.0

b. Enforcing material adverse change clauses or other covenants to limit draws on existing credit lines to firms in this sector

	All Respondents	
	Banks	**Percent**
Not important	8	42.1
Somewhat important	8	42.1
Very important	3	15.8
Total	19	100.0

c. Restructuring outstanding loans to make them more robust to the changed outlook for energy prices

	All Respondents	
	Banks	**Percent**
Not important	4	21.1
Somewhat important	5	26.3
Very important	10	52.6
Total	19	100.0

d. Requiring additional collateral to better secure loans or credit lines to firms in this sector

	All Respondents	
	Banks	**Percent**
Not important	3	15.0
Somewhat important	6	30.0
Very important	11	55.0
Total	20	100.0

e. Setting aside additional reserves for a potential increase in loan losses

	All Respondents	
	Banks	**Percent**
Not important	6	30.0
Somewhat important	8	40.0
Very important	6	30.0
Total	20	100.0

f. Tightening lending policies on new loans or credit lines made to firms in other sectors

	All Respondents	
	Banks	**Percent**
Not important	8	40.0
Somewhat important	9	45.0
Very important	3	15.0
Total	20	100.0

g. Hedging the risks arising from declines in energy prices through derivatives contracts

	All Respondents	
	Banks	**Percent**
Not important	9	47.4
Somewhat important	9	47.4
Very important	1	5.3
Total	19	100.0

h. My bank has not needed to mitigate risks of loan losses made to firms in this sector

	All Respondents	
	Banks	**Percent**
Not important	7	50.0
Somewhat important	3	21.4
Very important	4	28.6
Total	14	100.0

Questions 10-11 *ask about commercial real estate (CRE) 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 past 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 CRE loans changed?

	All Respondents	
	Banks	**Percent**
Tightened considerably	0	0.0
Tightened somewhat	1	7.1
Remained basically unchanged	13	92.9
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	14	100.0

11. Apart from normal seasonal variation, how has demand for CRE loans changed over the past three months?

	All Respondents	
	Banks	**Percent**
Substantially stronger	0	0.0
Moderately stronger	1	7.1
About the same	8	57.1
Moderately weaker	4	28.6
Substantially weaker	1	7.1
Total	14	100.0

Questions 12-13 *ask about how your bank has changed its lending policies on CRE loans over the past year.*

12. Over the past year, how has your bank changed the following policies on CRE loans?

a. Maximum loan size

	All Respondents	
	Banks	**Percent**
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	13	92.9
Eased somewhat	1	7.1
Eased considerably	0	0.0
Total	14	100.0

b. Maximum loan maturity

	All Respondents	
	Banks	**Percent**
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	14	100.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	14	100.0

c. Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)

	All Respondents	
	Banks	**Percent**
Tightened considerably	1	7.1
Tightened somewhat	2	14.3
Remained basically unchanged	8	57.1
Eased somewhat	3	21.4
Eased considerably	0	0.0
Total	14	100.0

d. Loan-to-value ratios

	All Respondents	
	Banks	**Percent**
Tightened considerably	0	0.0
Tightened somewhat	1	7.1
Remained basically unchanged	13	92.9
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	14	100.0

e. Debt-service coverage ratios

	All Respondents	
	Banks	Percent
Tightened considerably	0	0.0
Tightened somewhat	1	7.1
Remained basically unchanged	13	92.9
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	14	100.0

f. Market areas served (reduced market areas=tightened, expanded market areas=eased)

	All Respondents	
	Banks	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	14	100.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	14	100.0

g. Length of interest-only payment period (shorter interest-only periods=tightened, longer interest-only periods=eased)

	All Respondents	
	Banks	**Percent**
Tightened considerably	0	0.0
Tightened somewhat	1	7.1
Remained basically unchanged	13	92.9
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	14	100.0

13. If your bank has tightened or eased its credit policies on CRE loans over the past year (as described in question 12), please select the 4 most important reasons among all the possible reasons listed below and rank them in order of importance. (Please respond to either A, B, or both as appropriate and rank the 4 most important reasons using a scale ranging from 4=the most important to 1=the least important.)

A. Possible reasons for tightening credit policies on CRE loans over the past year:

Responses are not reported when the number of respondents is 3 or fewer.

B. Possible reasons for easing credit policies on CRE loans over the past year:

Responses are not reported when the number of respondents is 3 or fewer.

Yields on commercial mortgage-backed securities (CMBS) have increased considerably over the last six months. At the same time, outstanding CRE loans held on banks' books have continued to grow robustly in aggregate, according to the Federal Reserve's weekly H.8 statistical release, "Assets and Liabilities of Commercial Banks in the United States." ***Questions 14-18*** *ask how your bank's lending policies and practices regarding CRE loans have been affected by recent conditions in the CMBS market and by activities of nonbank financial institutions.*

14. How have conditions in the CMBS market affected the volume of CRE loan **originations** by your bank over the past six months?

	All Respondents	
	Banks	**Percent**
Led to a substantial decrease	3	27.3
Led to a moderate decrease	1	9.1
Led to no change	7	63.6
Led to a moderate increase	0	0.0
Led to a substantial increase	0	0.0
Total	11	100.0

For this question, 5 respondents answered “My bank does not originate CRE loans.”

15. How have conditions in the CMBS market affected the volume of CRE loan **securitizations** by your bank over the past six months?

	All Respondents	
	Banks	**Percent**
Led to a substantial decrease	2	22.2
Led to a moderate decrease	3	33.3
Led to no change	4	44.4
Led to a moderate increase	0	0.0
Led to a substantial increase	0	0.0
Total	9	100.0

For this question, 7 respondents answered “My bank does not securitize CRE loans.”

16. Apart from normal seasonal variation, how has demand for loans or lines of credit from nonbank financial institutions, used to fund their CRE loan pipelines prior to securitization, changed over the past six months? (Please consider the number of requests for new spot loans, for disbursement of funds under existing loan commitments, and for new or increased credit lines.)

	All Respondents	
	Banks	**Percent**
Substantially stronger	0	0.0
Somewhat stronger	0	0.0
About the same	3	50.0
Somewhat weaker	1	16.7
Substantially weaker	2	33.3
Total	6	100.0

For this question, 9 respondents answered “My bank does not originate these types of loans or credit lines.”

17. How have your bank’s credit standards for approving applications for loans or lines of credit to nonbank financial institutions, used to fund their CRE loan pipelines prior to securitization, changed over the past six months? (Please consider applications for new spot loans, and for new or increased credit lines.)

	All Respondents	
	Banks	**Percent**
Tightened considerably	0	0.0
Tightened somewhat	2	33.3
Remained basically unchanged	4	66.7
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	6	100.0

For this question, 9 respondents answered “My bank does not originate these types of loans or credit lines.”

18. In the next six months, a large amount of CRE loans originated in 2006 and currently held in CMBS will need to be refinanced. Assuming economic activity progresses in line with consensus forecasts, how are the standards that your bank would apply to such CRE loans **different from** those that you expect to apply to other CRE loans?

	All Respondents	
	Banks	**Percent**
Considerably tighter	0	0.0
Somewhat tighter	3	25.0
About the same	9	75.0
Somewhat easier	0	0.0
Considerably easier	0	0.0
Total	12	100.0

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1. As of December 31, 2015, the 22 respondents had combined assets of $1.2 trillion, compared to $2.3 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.