Table 2

SENIOR LOAN OFFICER OPINION SURVEY ON BANK LENDING PRACTICES
AT SELECTED BRANCHES AND AGENCIES OF FOREIGN BANKS IN THE UNITED STATES
(Status of policy as of November 1997)

(Number of banks and percentage of banks answering question[1])

Questions 1-5 *ask about* ***commercial and industrial loans*** *at your bank: Questions 1-3 deal with changes in your bank's lending policies over the past three months, and questions 4-5 deal with changes in demand over the same period. If your bank's lending policies have not changed over the past three months, please report them as unchanged even if the policies are either restrictive or accommodative relative to longer-term norms. If your bank's policies have tightened or eased over the past three months, please so report them regardless of how they stand relative to longer-term norms. Also, please report changes in enforcement of existing policies as changes in policies.*

1. Over the past three months, how have your bank's credit standards for approving applications for C&I loans or credit lines--other than those to be used to finance mergers and acquisitions--changed?

	All Respondents	
	Banks	Pct
Tightened considerably	0	0.0
Tightened somewhat	4	17.4
Remained basically unchanged	17	73.9
Eased somewhat	2	8.7
Eased considerably	0	0.0
Total	23	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	2.83
Costs of credit lines	2.91
Spreads of loan rates over your bank's cost of funds	3.00
Loan covenants	3.13
Collateralization requirements	2.96
Other	3.00
Total	23

1. As of June 30, 1997, the 23 respondents had combined assets of $223.2 billion, compared to $733.3 billion for all foreign-related banking institutions in the United States.

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 1-2), how important have been the following possible reasons for the change? (Please respond to either A or B or both as appropriate.) (Please 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
A deterioration in your parent bank's current or expected capital position	1.50
A less favorable economic outlook	1.50
A worsening of industry-specific problems	1.50
Less aggressive competition from other commercial banks	1.13
Less aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.00
Reduced tolerance for risk	2.00
Other	1.25
Number of banks responding	8

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

	All Respondents
	Mean
An improvement in your parent bank's current or expected capital position	1.80
A more favorable economic outlook	1.80
An improvement in industry-specific problems	1.80
More aggressive competition from other commercial banks	2.40
More aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	2.00
Increased tolerance for risk	1.40
Other	1.00
Number of banks responding	5

4. How has demand for C&I loans (actual extensions of credit as opposed to undrawn lines) changed over the past three months (apart from normal seasonal variation)?

	All Respondents	
	Banks	Pct
Substantially stronger	0	0.0
Moderately stronger	7	30.4
About the same	14	60.9
Moderately weaker	2	8.7
Substantially weaker	0	0.0
Total	23	100.0

5. If demand for C&I loans has strengthened or weakened over the past three months, 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:

	All Respondents
	Mean
Customer inventory financing needs increased	1.14
Customer investment in plant or equipment increased	1.71
Customer internally generated funds decreased	1.43
Customer borrowing shifted from other sources to your bank because these other sources became less attractive	1.71
Customer merger or acquisition financing increased	2.43
Other	1.00
Number of banks responding	7

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

	All Respondents
	Mean
Customer inventory financing needs decreased	1.00
Customer investment in plant or equipment decreased	1.00
Customer internally generated funds increased	1.00
Customer borrowing shifted from your bank to other sources because these other sources became more attractive	2.00
Customer merger or acquisition financing decreased	1.00
Other	1.50
Number of banks responding	2

Questions 6-7 *ask about* ***commercial real estate loans*** *at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate: Question 6 deals with changes in your bank's credit standards over the past three months, and question 7 deals with changes in demand over the same period. If your bank's credit standards have not changed over the past three months, 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 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 standards as changes in standards.*

6. Over the past three months, how have your bank's credit standards for approving applications for commercial real estate loans changed?

	All Respondents	
	Banks	Pct
Tightened considerably	0	0.0
Tightened somewhat	2	11.8
Remained basically unchanged	15	88.2
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	17	100.0

7. Over the past three months, how has demand for commercial real estate loans changed (apart from normal seasonal variation)?

	All Respondents	
	Banks	Pct
Substantially stronger	0	0.0
Moderately stronger	6	35.3
About the same	11	64.7
Moderately weaker	0	0.0
Substantially weaker	0	0.0
Total	17	100.0

Questions 8-10 *ask about* ***Collateralized Loan Obligations*** *(CLOs) backed by bank commercial and industrial loans other than those guaranteed by the Small Business Administration.*

8. Has your bank established, or is it planning to establish, a program to issue CLOs backed by commercial and industrial loans other than those guaranteed by the Small Business Administration?

	All Respondents	
	Banks	Pct
Our bank has such a program	6	26.1
Our bank does not have such a program yet, but is planning to establish one within the next year	4	17.4
Our bank does not have such a program, but is considering establishing one	5	21.7
Our bank does not have such a program and does not intend to establish one in the foreseeable future	8	34.8
Total	23	100.0

9. If your bank has a CLO program or is planning to establish one within the next year (answer 1 or 2 to question 8), approximately what is the dollar volume of loans you expect will be securitized over the coming year?

	All Respondents
	Mean $billions
Dollar volume of loans expected to be securitized over the coming year	1.95
Number of banks responding	10

10. To what do you attribute the recent surge in interest in CLOs backed by business loans? (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

	All Respondents
	Mean
An increased desire by banks to deploy capital efficiently by moving relatively high quality business loans off their balance sheets	2.58
Aside from capital costs, funding loans using CLOs is less costly, given current market interest rates, than is funding them on balance sheet	1.75
The continued development of the asset-backed security market has reduced the cost of packaging and selling loans, making CLOs more attractive	2.05
Other	1.10
Number of banks responding	20

***Questions 11 and 12** ask about the **pricing** of larger commercial and industrial loans.*

11. According to the Federal Reserve's quarterly Survey of Terms of Business Lending, spreads of rates on larger business loans (those over $1 million) over market rates have widened over the past year. This result appears to be at odds with press reports and the results of past Senior Loan Officer Surveys, which suggest a narrowing of spreads on larger loans over the period. In your opinion, what factors have likely contributed to the rise in measured rate spreads? (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

	All Respondents
	Mean
Spreads on loans of given risk have narrowed, but the average risk of new loans has increased	2.25
Loan rate spreads have increased, but all-in spreads have narrowed owing to reductions in fees or other loan costs	1.60
Other	1.25
Number of banks responding	20

12. If the average risk of new loans has increased (a response of 2 or 3 to question 11.a), to what do you attribute the increase in risk? (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

	All Respondents
	Mean
A decision by your bank to accept increased risk in order to earn higher returns	1.72
Increased demand for loans for mergers or acquisitions	1.94
Increased demand for higher-risk loans other than those for mergers or acquisitions	1.83
Other	1.00
Number of banks responding	18