

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 January 1998)

(Number of banks and percentage of banks answering question¹)

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 | 2 | 8.7 |
| Tightened somewhat | 7 | 30.4 |
| Remained basically unchanged | 13 | 56.5 |
| Eased somewhat | 1 | 4.3 |
| 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 | 2.48 |
| Costs of credit lines | 2.43 |
| Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased) | 2.26 |
| Loan covenants | 2.91 |
| Collateralization requirements | 2.91 |
| Other | 2.96 |
| Total | 23 |

1. As of September 30, 1997, the 23 respondents had combined assets of \$219.2 billion, compared to \$724.71 billion for all foreign-related banking institutions in the United States. The sample is selected from among the largest foreign-related banking institutions in those Federal Reserve Districts where such institutions are common.

3. If your bank has tightened or eased its credit standards or its terms for C&I loans or credit lines over the past three months (as described in questions 1-2), 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 | 2.31 |
| A less favorable economic outlook | 1.54 |
| A worsening of industry-specific problems | 1.15 |
| Less aggressive competition from other commercial banks | 1.15 |
| Less aggressive competition from nonbank lenders (other financial intermediaries or the capital markets) | 1.00 |
| Reduced tolerance for risk | 1.31 |
| Other | 1.15 |
| Number of banks responding | 13 |

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 | 1.00 |
| A more favorable economic outlook | 1.00 |
| An improvement in industry-specific problems | 1.00 |
| More aggressive competition from other commercial banks | 1.25 |
| More aggressive competition from nonbank lenders (other financial intermediaries or the capital markets) | 1.25 |
| Increased tolerance for risk | 1.50 |
| Other | 1.75 |
| Number of banks responding | 4 |

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 | 1 | 4.3 |
| Moderately stronger | 4 | 17.4 |
| About the same | 16 | 69.6 |
| 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 | 1.40 |
| Customer investment in plant or equipment increased | 1.80 |
| Customer internally generated funds decreased | 1.00 |
| Customer borrowing shifted from other sources to your bank because these other sources became less attractive | 1.40 |
| Customer merger or acquisition financing increased | 2.00 |
| Other | 1.40 |
| Number of banks responding | 5 |

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 | 1.00 |
| 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 | 2 | 11.8 |
| Tightened somewhat | 2 | 11.8 |
| Remained basically unchanged | 11 | 64.7 |
| Eased somewhat | 2 | 11.8 |
| 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 | 2 | 11.8 |
| Moderately stronger | 4 | 23.5 |
| About the same | 11 | 64.7 |
| Moderately weaker | 0 | 0.0 |
| Substantially weaker | 0 | 0.0 |
| Total | 17 | 100.0 |

Questions 8-12 ask about loans to U.S. addressees that are nonbank affiliates or subsidiaries of Asian firms. (If your bank makes no loans to such firms, please skip these questions.) The recent economic turmoil in Asia may have affected the ability of U.S. affiliates of Asian firms to obtain credit in the United States. Questions 8-10 deal with changes in your bank's lending policies toward nonbank affiliates of non-Japanese Asian firms in the past three months. In addition, a possible reduction in the supply of credit in Japan may have increased demand for credit in the United States by U.S. affiliates of Japanese firms. Questions 11 and 12 deal with changes in demand for credit of U.S. addressees that are nonbank affiliates or subsidiaries of Japanese firms over the past three months.

8. Over the past three months, how have your bank's credit standards for approving applications for loans or credit lines to nonbank affiliates or subsidiaries of Korean firms and to nonbank affiliates of other Asian (except Japanese) firms changed?

a. Standards for nonbank affiliates or subsidiaries of Korean firms

| | All Respondents | |
|------------------------------|-----------------|--------------|
| | Banks | Pct |
| Tightened considerably | 10 | 58.8 |
| Tightened somewhat | 7 | 41.2 |
| Remained basically unchanged | 0 | 0.0 |
| Eased somewhat | 0 | 0.0 |
| Eased considerably | 0 | 0.0 |
| Total | 17 | 100.0 |

b. Standards for nonbank affiliates or subsidiaries of Asian firms other than Korean or Japanese firms

| | All Respondents | |
|------------------------------|-----------------|--------------|
| | Banks | Pct |
| Tightened considerably | 8 | 50.0 |
| Tightened somewhat | 6 | 37.5 |
| Remained basically unchanged | 2 | 12.5 |
| Eased somewhat | 0 | 0.0 |
| Eased considerably | 0 | 0.0 |
| Total | 16 | 100.0 |

9. For applications for loans or credit lines from nonbank affiliates or subsidiaries of Korean firms that your bank is currently 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 | 1.44 |
| Costs of credit lines | 2.00 |
| Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased) | 1.75 |
| Loan covenants | 2.06 |
| Collateralization requirements | 2.13 |
| Other | 3.00 |
| Number of banks responding | 16 |

10. For applications for loans or credit lines from nonbank affiliates or subsidiaries of Asian firms, other than Korean or Japanese firms, that your bank is currently willing to approve, how have the terms of those loans changed over the past three months? (Please assign each term a number between 1 (tightened considerably) and 5 (eased considerably) as in question 9.)

| | All Respondents |
|--|-----------------|
| | Mean |
| Maximum size of credit lines | 1.47 |
| Costs of credit lines | 1.80 |
| Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased) | 1.67 |
| Loan covenants | 1.93 |
| Collateralization requirements | 1.93 |
| Other | 3.00 |
| Number of banks responding | 15 |

11. For borrowers that are nonbank affiliates or subsidiaries of Japanese firms, how has demand for 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 | 3 | 18.8 |
| Moderately stronger | 5 | 31.3 |
| About the same | 8 | 50.0 |
| Moderately weaker | 0 | 0.0 |
| Substantially weaker | 0 | 0.0 |
| Total | 16 | 100.0 |

12. If demand for loans from nonbank affiliates or subsidiaries of Japanese firms has strengthened over the past three months (answer 1 or 2 to question 11), 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.)

| | All Respondents |
|---|-----------------|
| | Mean |
| Customer financing needs increased (e.g., customers increased trade, inventory, investment, mergers, or acquisitions) | 1.25 |
| Customer internally generated funds decreased | 1.63 |
| Customer funding from parents decreased | 1.75 |
| Customer borrowing shifted from other sources to your bank because these other sources became less attractive or were unavailable | 2.75 |
| Other | 1.00 |
| Number of banks responding | 8 |