

Table 1

SENIOR LOAN OFFICER OPINION SURVEY ON BANK LENDING PRACTICES
AT SELECTED LARGE BANKS IN THE UNITED STATES
(Status of policy as of September, 1998)

(Number of banks and percentage of banks answering question)
(By volume of total domestic assets as of March 31, 1998¹)

Questions 1-7 ask about **commercial and industrial loans** at your bank: Questions 1-3 deal with changes in your bank's lending policies over the past month, and questions 4-7 deal with changes in demand over the same period. If your bank's lending policies have not changed over the past month, 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 month, 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 month, 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 more than \$50 million)

| | All Respondents | | Large Banks | | Other Banks | |
|------------------------------|-----------------|--------------|-------------|--------------|-------------|--------------|
| | Banks | Pct | Banks | Pct | Banks | Pct |
| Tightened considerably | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Tightened somewhat | 13 | 24.5 | 10 | 28.6 | 3 | 16.7 |
| Remained basically unchanged | 39 | 73.6 | 25 | 71.4 | 14 | 77.8 |
| Eased somewhat | 1 | 1.9 | 0 | 0.0 | 1 | 5.6 |
| Eased considerably | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total | 53 | 100.0 | 35 | 100.0 | 18 | 100.0 |

B. Standards for small firms (annual sales of less than \$50 million)

| | All Respondents | | Large Banks | | Other Banks | |
|------------------------------|-----------------|--------------|-------------|--------------|-------------|--------------|
| | Banks | Pct | Banks | Pct | Banks | Pct |
| Tightened considerably | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Tightened somewhat | 3 | 5.7 | 1 | 2.9 | 2 | 10.5 |
| Remained basically unchanged | 48 | 90.6 | 32 | 94.1 | 16 | 84.2 |
| Eased somewhat | 2 | 3.8 | 1 | 2.9 | 1 | 5.3 |
| Eased considerably | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total | 53 | 100.0 | 34 | 100.0 | 19 | 100.0 |

1. As of March 31, 1998, thirty-five respondents had domestic assets of \$15 billion or more; combined assets of these banks totaled \$1.89 trillion, compared to \$2.04 trillion for the entire panel of fifty-four banks, and \$4.35 trillion for all domestically chartered, federally insured commercial banks. The sample is selected from among the largest banks in each Federal Reserve District. Large banks are those with total domestic assets over \$15 billion.

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 month? (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 more than \$50 million)

| | All Respondents | Large Banks | Other Banks |
|--|-----------------|-------------|-------------|
| | Mean | Mean | Mean |
| Maximum size of credit lines | 2.80 | 2.85 | 2.72 |
| Costs of credit lines | 2.80 | 2.70 | 3.00 |
| Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased) | 2.80 | 2.67 | 3.06 |
| Loan covenants | 2.90 | 2.88 | 2.94 |
| Collateralization requirements | 2.92 | 2.91 | 2.94 |
| Other | 2.96 | 2.94 | 3.00 |
| Number of banks responding | 51 | 33 | 18 |

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 | 2.90 | 2.94 | 2.83 |
| Costs of credit lines | 3.00 | 3.00 | 3.00 |
| Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased) | 3.00 | 3.00 | 3.00 |
| Loan covenants | 3.00 | 3.03 | 2.94 |
| Collateralization requirements | 3.00 | 3.03 | 2.94 |
| Other | 3.00 | 3.00 | 3.00 |
| Number of banks responding | 49 | 31 | 18 |

3. If your bank has tightened or eased its credit standards or its terms for C&I loans or credit lines over the past month (as described in questions 1 and 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 | Large Banks | Other Banks |
|--|-----------------|-------------|-------------|
| | Mean | Mean | Mean |
| A deterioration in your bank's current or expected capital position | 1.05 | 1.07 | 1.00 |
| A less favorable economic outlook | 2.14 | 2.07 | 2.29 |
| A worsening of industry-specific problems | 1.86 | 1.87 | 1.86 |
| Less aggressive competition from other commercial banks | 1.23 | 1.27 | 1.14 |
| Less aggressive competition from nonbank lenders (other financial intermediaries or the capital markets) | 1.14 | 1.20 | 1.00 |
| Reduced tolerance for risk owing to heightened concern about your bank's foreign losses or exposures | 1.09 | 1.13 | 1.00 |
| Reduced tolerance for risk owing to other reasons | 1.59 | 1.73 | 1.29 |
| Other | 1.14 | 1.20 | 1.00 |
| Number of banks responding | 22 | 15 | 7 |

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

| | All Respondents | Large Banks | Other Banks |
|--|-----------------|-------------|-------------|
| | Mean | Mean | Mean |
| An improvement in your bank's current or expected capital position | 1.10 | 1.00 | 1.25 |
| A more favorable economic outlook | 1.20 | 1.00 | 1.50 |
| An improvement in industry-specific problems | 1.20 | 1.00 | 1.50 |
| More aggressive competition from other commercial banks | 2.30 | 2.33 | 2.25 |
| More aggressive competition from nonbank lenders (other financial intermediaries or the capital markets) | 1.90 | 1.83 | 2.00 |
| Increased tolerance for risk | 1.10 | 1.17 | 1.00 |
| Other | 1.00 | 1.00 | 1.00 |
| Number of banks responding | 10 | 6 | 4 |

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

A. Demand for C&I loans from large and middle-market firms (annual sales of more than \$50 million)

| | All Respondents | | Large Banks | | Other Banks | |
|------------------------|-----------------|--------------|-------------|--------------|-------------|--------------|
| | Banks | Pct | Banks | Pct | Banks | Pct |
| Substantially stronger | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Moderately stronger | 4 | 7.7 | 3 | 8.8 | 1 | 5.6 |
| About the same | 38 | 73.1 | 25 | 73.5 | 13 | 72.2 |
| Moderately weaker | 10 | 19.2 | 6 | 17.6 | 4 | 22.2 |
| Substantially weaker | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total | 52 | 100.0 | 34 | 100.0 | 18 | 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 | Pct | Banks | Pct | Banks | Pct |
| Substantially stronger | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Moderately stronger | 2 | 3.8 | 1 | 3.0 | 1 | 5.3 |
| About the same | 39 | 75.0 | 27 | 81.8 | 12 | 63.2 |
| Moderately weaker | 11 | 21.2 | 5 | 15.2 | 6 | 31.6 |
| Substantially weaker | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total | 52 | 100.0 | 33 | 100.0 | 19 | 100.0 |

5. If demand for C&I loans has strengthened or weakened over the past month (as described in question 4), 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. If stronger loan demand (answer 1 or 2 to question 4A or 4B), possible reasons:

| | All Respondents | Large Banks | Other Banks |
|---|-----------------|-------------|-------------|
| | Mean | Mean | Mean |
| Customer inventory financing needs increased | 1.80 | 1.67 | 2.00 |
| Customer investment in plant or equipment increased | 1.80 | 1.33 | 2.50 |
| Customer internally generated funds decreased | 1.00 | 1.00 | 1.00 |
| Customer borrowing shifted from other sources to your bank because these other sources became less attractive | 1.20 | 1.33 | 1.00 |
| Customer merger or acquisition financing increased | 1.40 | 1.67 | 1.00 |
| Other | 1.60 | 2.00 | 1.00 |
| Number of banks responding | 5 | 3 | 2 |

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

| | All Respondents | Large Banks | Other Banks |
|---|-----------------|-------------|-------------|
| | Mean | Mean | Mean |
| Customer inventory financing needs decreased | 1.50 | 1.50 | 1.50 |
| Customer investment in plant or equipment decreased | 1.75 | 1.70 | 1.83 |
| Customer internally generated funds increased | 1.31 | 1.40 | 1.17 |
| Customer borrowing shifted from your bank to other sources because these other sources became more attractive | 1.56 | 1.30 | 2.00 |
| Customer merger or acquisition financing decreased | 2.06 | 2.30 | 1.67 |
| Other | 1.25 | 1.30 | 1.17 |
| Number of banks responding | 16 | 10 | 6 |

6. If your bank has experienced stronger loan demand as a result of a shift to your bank from other sources of credit (answers 2 or 3 to question 5Ad), how important has been demand from firms temporarily discouraged from issuing bonds in the capital markets?

| | All Respondents | | Large Banks | | Other Banks | |
|--|-----------------|-------|-------------|-------|-------------|-----|
| | Banks | Pct | Banks | Pct | Banks | Pct |
| A very important source of increased loan demand | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| A somewhat important source of increased loan demand | 1 | 100.0 | 1 | 100.0 | 0 | 0.0 |
| Not an important source of increased loan demand | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total | 1 | 100.0 | 1 | 100.0 | 0 | 0.0 |

7. If your bank has experienced stronger loan demand as a result of credit demands diverted from the capital markets (answer 1 or 2 to question 6), what ratings do these borrowing firms' senior bonds typically carry?

| | All Respondents | | Large Banks | | Other Banks | |
|---|-----------------|-------|-------------|-------|-------------|-----|
| | Banks | Pct | Banks | Pct | Banks | Pct |
| Investment grade (Baa or higher) | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Slightly below investment grade (BB or B) | 1 | 100.0 | 1 | 100.0 | 0 | 0.0 |
| Lower risk grades (B- or lower) | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total | 1 | 100.0 | 1 | 100.0 | 0 | 0.0 |

Questions 8 and 9 ask about **lending to consumers**.

8. Please indicate your bank's willingness to make consumer installment loans now as opposed to one month ago.

| | All Respondents | | Large Banks | | Other Banks | |
|-----------------|-----------------|--------------|-------------|--------------|-------------|--------------|
| | Banks | Pct | Banks | Pct | Banks | Pct |
| Much more | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Somewhat more | 3 | 6.0 | 1 | 3.2 | 2 | 10.5 |
| About unchanged | 47 | 94.0 | 30 | 96.8 | 17 | 89.5 |
| Somewhat less | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Much less | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total | 50 | 100.0 | 31 | 100.0 | 19 | 100.0 |

9. Over the past month, how has demand for consumer loans at your bank changed (apart from seasonal variation).

| | All Respondents | | Large Banks | | Other Banks | |
|------------------------|-----------------|--------------|-------------|--------------|-------------|--------------|
| | Banks | Pct | Banks | Pct | Banks | Pct |
| Substantially stronger | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Moderately stronger | 3 | 6.1 | 1 | 3.3 | 2 | 10.5 |
| About unchanged | 36 | 73.5 | 21 | 70.0 | 15 | 78.9 |
| Moderately weaker | 10 | 20.4 | 8 | 26.7 | 2 | 10.5 |
| Substantially weaker | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total | 49 | 100.0 | 30 | 100.0 | 19 | 100.0 |