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 1999)

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

Questions 1-6 *ask about* ***commercial and industrial loans*** *at your bank: Questions 1-3 and 6 deal with changes in your bank's lending policies over the past three months, and questions 4 and 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 standards as changes in standards.*

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	4	17.4
Tightened somewhat	10	43.5
Remained basically unchanged	8	34.8
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	2.26
Costs of credit lines	2.09
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	1.96
The premium charged on riskier loans	1.96
Loan covenants	2.70
Collateralization requirements	2.65
Other	2.91
Total	23

1. As of September 30, 1998, the twenty-three respondents had combined assets of $228 billion, compared to $820 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	1.59
A less favorable or more uncertain economic outlook	1.86
A worsening of industry-specific problems	1.64
Less aggressive competition from other commercial banks	1.59
Less aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.45
A reduced tolerance for risk	1.73
Decreased liquidity in the secondary market for these loans	2.05
Other	1.14
Number of banks responding	22

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	2.00
A more favorable or less uncertain economic outlook	1.00
An improvement in industry-specific problems	1.00
More aggressive competition from other commercial banks	1.50
More aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.50
An increased tolerance for risk	1.00
Increased liquidity in the secondary market for these loans	1.50
Other	1.00
Number of banks responding	2

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	2	8.7
Moderately stronger	6	26.1
About the same	9	39.1
Moderately weaker	6	26.1
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	1.18
Customer investment in plant or equipment increased	1.18
Customer internally generated funds decreased	1.27
Customer borrowing shifted from other sources to your bank because these other sources became less attractive	2.27
Customer merger or acquisition financing increased	1.73
Other	1.09
Number of banks responding	11

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	1.40
Customer internally generated funds increased	1.20
Customer borrowing shifted from your bank to other sources because these other sources became more attractive	1.60
Customer merger or acquisition financing decreased	1.80
Other	1.40
Number of banks responding	5

6. Regarding existing revolving lines of credit and other formal commitments to lend currently in place at your bank, on about what percent would your bank tighten terms, including fees and spreads over base rates, if they were maturing and being repriced today?

	All Respondents	
	Banks	Pct
0-20 percent	2	9.1
21-40 percent	4	18.2
41-60 percent	4	18.2
61-80 percent	10	45.5
81-100 percent	2	9.1
Total	22	100.0

Questions 7-11 *ask about* ***commercial real estate loans*** *at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate: Questions 7-9 deal with changes in your bank's lending policies over the past three months, and questions 10 and 11 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 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	Pct
Tightened considerably	3	21.4
Tightened somewhat	5	35.7
Remained basically unchanged	6	42.9
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	14	100.0

8. Over the past three months, how has your bank changed the following terms on commercial real estate 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.)

	All Respondents
	Mean
Maximum loan size	2.17
Maximum loan maturity	2.42
Spreads of loan rates over your bank's cost of funds	2.33
Loan-to-cost ratios	2.08
Requirements for take-out financing	2.42
Debt-service coverage ratios	2.00
Other	2.83
Number of banks responding	12

9. If your bank tightened or eased its credit standards or its terms for commercial real estate loans over the past three months (as described in questions 7 and 8), how important were 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	1.89
A less favorable or more uncertain economic outlook	1.89
A worsening of the condition of or the outlook for the commercial real estate markets in which your bank operates	2.00
Less aggressive competition from other banks	1.33
Less aggressive competition from nonbank sources of finance	1.11
A reduced tolerance for risk	2.00
Disruption in the the commercial mortgage-backed securities market	2.11
Increased concern about the reliability of take-out financing	2.11
Other	1.00
Number of banks responding	9

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 or less uncertain economic outlook	3.00
An improvement in the condition of or the outlook for commercial real estate in the markets in which your bank operates	1.00
More aggressive competition from other banks	1.00
More aggressive competition from nonbank sources of finance	1.00
An increased tolerance for risk	1.00
Increased liquidity in the commercial mortgage-backed securities market	3.00
Decreased concern about the reliability of take-out fianancing	1.00
Other	1.00
Number of banks responding	1

10. 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	1	7.7
Moderately stronger	3	23.1
About the same	8	61.5
Moderately weaker	1	7.7
Substantially weaker	0	0.0
Total	13	100.0

11. If demand for commercial real estate loans has strengthened or weakened over the past three months (as described in question 10), 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 10), possible reasons:

	All Respondents
	Mean
Customer borrowing shifted to your bank from competitors that have faced increased difficulty securitizing their commercial mortgages.	1.75
Customer borrowing shifted to your bank from other sources, besides lenders dependent on commercial mortgage-backed securities for funding, because these other sources became less attractive.	1.75
Customer financing needs for commercial real estate holdings, construction, or land development increased.	2.00
Other (please specify)	1.00
Number of banks responding	4

B. If weaker loan demand (answer 4 or 5 to question 10), possible reasons:

	All Respondents
	Mean
Customer borrowing shifted away from your bank to competitors that have been finding it easier than it was three months ago to securitize their commercial mortgages.	1.00
Customer borrowing shifted from your bank to other sources, besides lenders dependent on commercial mortgage-backed securities for funding, because these other sources became more attractive.	2.00
Customer financing needs for commercial real estate holdings, construction, or land development decreased.	1.00
Other (please specify)	2.00
Number of banks responding	2

Commercial banks' holdings of securities grew rapidly in the last quarter of 1998. ***Questions 12 and 13*** *ask about the* ***growth in securities*** *at your bank.*

12. How did your bank's holdings of securities change in the fourth quarter of 1998?

	All Respondents	
	Banks	Pct
Increased substantially	0	0.0
Increased somewhat	2	10.5
About unchanged	11	57.9
Decreased somewhat	5	26.3
Decreased substantially	1	5.3
Total	19	100.0

13. If securities have grown at your bank (answer 1 or 2 to question 12), to what factors do you attribute the growth? (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.):

	All Respondents
	Mean
The yields on some securities have increased relative to your bank's cost of funds, making these securities more attractive investments.	2.50
An increased willingness on the part of your parent bank to boost leverage in an effort to raise return on equity.	1.50
The growing trend toward securitization presented your bank with attractive new securities to purchase.	2.00
Holdings of longer-maturity securities were increased to compensate for the shorter expected duration of mortgage-backed securities resulting from the decline in longer-term interest rates in recent months and the consequent increase in prepayment risk.	2.00
Other	1.00
Number of banks responding	2

Questions 14 and 15 *concern* ***loan syndication****.*

14. How would you describe current conditions in the syndicated loan market, for example its capacity to absorb new credits without significant modification of terms, relative to six months ago, prior to the recent period of intense disruptions?

	All Respondents	
	Banks	Pct
Considerably better	0	0.0
Somewhat better	2	8.7
Basically unchanged on balance	4	17.4
Somewhat worse	12	52.2
Considerably worse	5	21.7
Total	23	100.0

15. If your bank originates syndicated loans and perceives the conditions in the syndicated loan market as worse than six months ago (answer 4 or 5 to question 14), how has this development affected your bank's business lending? (Please rate each possible effect using the following scale: 1=not significant, 2=moderately significant, 3=very significant.)

	All Respondents
	Mean
Loans at your bank have grown faster than they would have, as a larger share of the loans originated by your bank are remaining on its books.	1.36
In order to avoid an increase in loans on your bank's books, your bank has trimmed its originations of these loans.	1.64
Your bank has increasingly obtained the consent of borrowers, in advance, to allow adjustments to the interest rate and other loan terms during the syndication period (flexible pricing) in order to increase the likelihood of full subscription of loans it originates for syndication.	2.29
Other	1.29
Number of banks responding	14

Optional: Question 16 *requests feedback on any issues you judge to be important but that are not addressed on this survey.*

16. Are there any recent developments in lending practices not addressed in this survey that you find particularly significant? Your response will help us stay abreast of breaking issues and in choosing questions for future surveys. There is no need to reply if you have nothing you would like to add.