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 May 1999)

Note: Data in this table were slightly revised after the May 21 release. Counts for responses to some questions were updated, but the overall conclusions of the survey were not affected. Any numbers that changed are noted by asterisks.

(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 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	1	4.5
Tightened somewhat	5	22.7
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? (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	2.73
Costs of credit lines	2.45
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.45
The premiums charged on riskier loans	2.45
Loan covenants	2.82
Collateralization requirements	2.68
Other	3.00
Total	22

1. As of December 31, 1998, the twenty-two respondents had combined assets of $206 billion, compared to $782 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	1.62 *
A less favorable or more uncertain economic outlook	1.62 *
A worsening of industry-specific problems	1.77 *
Less aggressive competition from other commercial banks	1.38 *
Less aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.38 *
A reduced tolerance for risk	1.62 *
Decreased liquidity in the secondary market for these loans	1.46 *
Other	1.23
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 or less uncertain economic outlook	1.00
An improvement in industry-specific problems	1.00 *
More aggressive competition from other commercial banks	1.00
More aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.00
An increased tolerance for risk	1.00
Increased liquidity in the secondary market for these loans	1.00
Other	1.00
Number of banks responding	1 *

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	4	18.2 *
About the same	16 *	72.7 *
Moderately weaker	1	4.5 *
Substantially weaker	1	4.5 *
Total	22 *	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.	1.00
Customer investment in plant or equipment increased.	1.20
Customer internally generated funds decreased.	1.20
Customer borrowing shifted from other sources to your bank because these other sources became less attractive.	1.40
Customer merger or acquisition financing increased.	2.20
Other	1.00
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.	1.50
Customer internally generated funds increased.	1.00
Customer borrowing shifted from your bank to other sources because these other sources became more attractive.	1.00
Customer merger or acquisition financing decreased.	1.50
Other	2.00
Number of banks responding	2 *

Questions 6 and 7 *ask about* ***commercial real estate loans*** *at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate: Questions 6 deals with changes in your bank's lending policies over the past three months, and question 7 deals 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.*

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	1	7.7
Tightened somewhat	2	15.4
Remained basically unchanged	10	76.9
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	13	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	3	23.1
About the same	7	53.8
Moderately weaker	2	15.4
Substantially weaker	1	7.7
Total	13	100.0

Questions 8-25 *ask about how your bank is managing risks resulting from any Year 2000* ***problems*** *of its customers and about demand for and bank policy regarding business credit over the year-end.*

8. Is your customers' Year 2000 preparedness included as part of your bank's underwriting or loan review standards?

	All Respondents	
	Banks	Pct
Underwriting standards	1	4.5 *
Loan review standards	2	9.1 *
Both	19	86.4 *
Neither	0	0.0
Total	22 *	100.0

9. Has your bank rejected any loan applications because of the applicant's inadequate Year 2000 preparedness?

	All Respondents	
	Banks	Pct
Yes, many times	0	0.0
Yes, a few times	3	13.6 *
Rarely or never	19 *	86.4 *
Total	22 *	100.0

10. Does your bank include covenants, conditions, representations, or warranties specifically related to Year 2000 preparedness in any of its loan documentation with business customers that are not already Year 2000 compliant?

	All Respondents	
	Banks	Pct
Yes, for almost all new loans to such customers	12	60.0*
Yes, for some new loans to such customers	8 *	40.0 *
Rarely or never	0	0.0
Total	20 *	100.0

11. At this time, what percentage of your bank's material business customers has been evaluated for Year 2000 preparedness?

	All Respondents	
	Banks	Pct
Less than 50 percent	0	0.0
At least 50 percent but less than 75 percent	1	4.5 *
At least 75 percent but less than 90 percent	4	18.2 *
At least 90 percent but less than 95 percent	2 *	9.1 *
At least 95 percent	15	68.2 *
Total	22 *	100.0

12. What percentage of your bank's material business customers that have been evaluated for Year 2000 preparedness was not making satisfactory progress toward achieving Year 2000 preparedness at the time of the most recent evaluation?

	All Respondents	
	Banks	Pct
Less than 5 percent	14 *	63.6 *
At least 5 percent but less than 10 percent	5	22.7 *
At least 10 percent but less than 15 percent	2	9.1 *
At least 15 percent but less than 30 percent	1	4.5 *
At least 30 percent	0	0.0
Total	22 *	100.0

13. Among all of your bank's material business customers (including those, if any, that have not yet been evaluated), what percentage has your bank downgraded because of the borrowers' inadequate Year 2000 preparation?

	All Respondents	
	Banks	Pct
Less than 1 percent	15 *	68.2 *
At least 1 percent but less than 3 percent	7	31.8 *
At least 3 percent but less than 5 percent	0	0.0
At least 5 percent but less than 10 percent	0	0.0
At least 10 percent	0	0.0
Total	22 *	100.0

14. To date, has your bank experienced any requests from nonfinancial firms for new credit lines or extensions of existing credit lines that are specifically related to firms' Year 2000 contingency preparations? Such lines are sometimes referred to as Year 2000 contingency lines of credit.

	All Respondents	
	Banks	Pct
A substantial number	0	0.0
A moderate number	0	0.0
A negligible number	21	100.0
Total	21	100.0

15. To date, has your bank experienced any requests for Year 2000 contingency lines of credit (as defined in question 14) from financial firms?

	All Respondents	
	Banks	Pct
A substantial number	0	0.0
A moderate number	0	0.0
A negligible number	21	100.0
Total	21	100.0

16. If your bank has received at least a moderate number of requests from financial firms for Year 2000 contingency lines of credit (answer 1 or 2 to question 15), which of the following are important sources of these requests? (Please select all that apply.)

	All Respondents	
	Banks	Pct
Insurance companies	0	0.0
Finance companies	0	0.0
Mutual funds	0	0.0
Brokerages	0	0.0
REITs	0	0.0
Domestic banks	0	0.0
Branches and agencies of foreign banks	0	0.0
Credit unions	0	0.0
Savings and loans institutions	0	0.0
Other	0	0.0
Total responding to 16	0	

17. Looking ahead, does your bank expect to receive requests for Year 2000 contingency lines of credit from either financial or nonfinancial firms?

	All Respondents	
	Banks	Pct
A substantial number	0	0.0
A moderate number	4 *	18.2 *
A negligible number	18	81.8 *
Total	22 *	100.0

18. Is your bank willing to extend Year 2000 contingency lines of credit?

	All Respondents	
	Banks	Pct
Yes, to existing and new borrowers	0	0.0
Yes, but only to existing borrowers	8 *	40.0 *
No	12	60.0 *
Total	20 *	100.0

19. If your bank is not willing to extend Year 2000 contingency lines of credit or is limiting such lines only to existing borrowers (answer 2 or 3 to question 18), why? (Please select all that apply.)

	All Respondents	
	Banks	Pct
Anticipated difficulty of funding credit lines over year-end	5	31.3 *
Concerns about the effect of additional lending on capital ratios	4 *	23.5 *
Concerns about repayment prospects related to Year 2000 effects on customers	5	31.3 *
Heightened concerns about credit quality generally	2	12.5 *
Other	4	25.0
Total responding to 19	16 *	

20. If your bank is willing to extend Year 2000 contingency lines of credit (answer 1 or 2 to question 18), how do your credit standards for these facilities compare to standards for credit lines extended for general business purposes?

	All Respondents	
	Banks	Pct
Substantially tighter	3	33.3
Moderately tighter	2 *	22.2 *
Essentially the same	4 *	44.4 *
Total	9	100.0

21. If your bank is willing to extend Year 2000 contingency lines of credit (answer 1 or 2 to question 18), how will loans taken down under such facilities be priced relative to loans under credit lines extended for general business purposes?

	All Respondents	
	Banks	Pct
No difference in pricing	2	25.0 *
A premium of 10 basis points or less	2	25.0 *
A premium of 11 to 25 basis points	1	12.5 *
A premium of 26 to 50 basis points	2 *	25.0 *
A premium of 51 basis points or more	1	12.5 *
Total	8 *	100.0

22. If your bank's credit standards or terms are generally tighter for Year 2000 contingency lines than for other business lines of credit (as described in questions 20 and 21), is the relative tightness applied

	All Respondents	
	Banks	Pct
Mainly to nonfinancial firms	1 *	10.0 *
Mainly to financial firms	0	0.0
About equally to nonfinancial and financial firms	7	70.0
Your bank's standards and terms of Year 2000 contingency lines are not generally tighter than the standards and terms of other business lines of credit.	2 *	20.0 *
Total	10	100.0

23. How has your bank's strategy to manage its Year 2000 risks affected the standards and terms it applies to customer requests to renew expiring credit lines that would extend over year-end, but are not specifically meant to meet year-end funding needs? (Please select all that apply.)

	All Respondents	
	Banks	Pct
No effect on either standards or terms	10 *	50.0 *
Standards are tighter.	6	30.0
The size of lines is smaller.	2	10.0
Spreads over base rates and/or fees are higher.	4	20.0
Advances around year-end will require additional or more liquid collateral.	1	5.0
Usage of the lines around year-end will be limited.	6	30.0
Drawdowns around year-end will entail a rate premium.	3 *	15.0 *
Other	2	10.0
Total responding to 23	20	

24. How do you expect drawdowns of existing business credit lines at your bank around year-end to compare to normal year-end drawdowns?

	All Respondents	
	Banks	Pct
Much stronger than normal	1	5.0 *
Somewhat stronger than normal	10 *	50.0 *
About normal	9	45.0 *
Somewhat weaker than normal	0	0.0
Much weaker than normal	0	0.0
Total	20 *	100.0

25. If your bank expects demand for business credit to be stronger than normal around year-end (answer 1 or 2 to question 24), what do you think will be the reasons for the stronger demand? (Please rate each possible reason using the following scale: 1=not a reason, 2=a somewhat important reason, 3=a very important reason.)

	All Respondents
	Mean
Increased customer inventory financing needs	1.55 *
Increased customer accounts receivable financing needs	1.36 *
The cost of borrowing elsewhere may exceed the cost of borrowing at your bank.	1.09 *
Market disruptions may make borrowing elsewhere difficult or impossible.	1.83 *
Other	1.18 *
	12 *

Optional: Question 26 *requests feedback on any issues you judge to be important but are not addressed on this survey.*

26. 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.