Board of Governors of the Federal Reserve System

The November 1999 Senior Loan Officer Opinion Survey on Bank Lending Practices

The November 1999 Senior Loan Officer Opinion Survey on Bank Lending Practices focused primarily on changes over the past three months in the supply of and demand for bank loans to businesses and households. Additional questions addressed Year 2000 (Y2K) issues. Loan officers from fifty-five large domestic banks and twenty-one U.S. branches and agencies of foreign banks participated in the survey. The responses indicate that banks became more cautious lenders over the past quarter but do not suggest a widespread reduction in credit availability. Household demand for credit has reportedly declined, particularly in the mortgage market.

The survey results point to a continued firming of business lending practices. At domestic banks, the tightening took place predominantly in terms on C&I loans, particularly in the form of higher risk premiums; a higher net percentage of respondents than in August reported that they had strengthened underwriting standards as well. The tightening of both standards and terms on C&I loans was more pronounced at branches and agencies of foreign banks. A small net fraction of domestic banks and a larger fraction of branches and agencies of foreign banks raised standards for commercial real estate loans.

A few domestic banks reported increased willingness to make consumer installment loans. Very few banks changed their standards or terms on credit card or other consumer loans, although several banks reported charging higher spreads over their cost of funds on outstanding credit card balances. For the second consecutive quarter, a significant fraction of banks reported that demand for home mortgages weakened, and in November, several banks also reported a modest decrease in demand for consumer loans.

On Y2K questions, the respondents indicated that demand for contingency lines of credit remained low. Domestic banks were generally willing to extend such lines, but often only to existing customers; moreover, the standards and terms for such loans were usually tighter than those on otherwise similar credit lines. However, banks were not, in general, tightening terms and standards on renewals of existing lines extending over year-end. Banks that were limiting new credit lines over year-end were chiefly concerned about adequately evaluating new customers for Y2K preparedness and about the possibility of a significant increase in the cost of funding loans over year-end.

Lending to Businesses
(Table 1, questions 1-10; Table 2, questions 1-10)

About 9 percent, on net, of domestic bank respondents said that over the past three months they had tightened standards on C&I loans to large and middle-market firms, up from 5 percent in August. Among branches and agencies of foreign banks, almost 30 percent said that they had tightened, up from 23 percent in August. For the second consecutive quarter, the survey found virtually no change, on net, in standards on loans to small businesses.

On C&I loans to large and middle-market firms, an average of 30 percent, on net, of domestic banks reported increasing risk premiums, costs of credit lines, and spreads of loan rates over the banks' cost of funds. The net percentage of respondents tightening these terms to large and middle-market firms has been rising since May. In addition, a significant number of banks reported charging higher premiums on riskier loans to small businesses. A substantial fraction of branches and agencies of foreign banks reported increasing premiums charged on riskier loans and many also indicated tightening non-price related terms. As in the August survey, the most commonly cited reasons for tightening remained a less favorable or more uncertain economic outlook, an expected worsening of industry-specific problems, and a reduced tolerance for risk.

Demand for C&I loans at domestic banks was reported to be essentially unchanged, on net, for the second consecutive quarter. Similarly, foreign respondents also indicated virtually no net change in demand. Merger and acquisition financing needs were given as the primary reason for increased demand by both the domestic banks and foreign branches and agencies that reported higher demand. Moreover, in a special question, 16 percent of large domestic banks and 10 percent of foreign banks stated that demand for C&I loans had been moderately boosted by the high cost of commercial paper issuance over year-end. Among domestic banks that experienced decreased demand, reduced business fixed investment was cited as the most common reason.

On net, 9 percent of domestic respondents reported tighter standards on commercial real estate loans. By contrast, one-third of foreign respondents tightened standards on commercial real estate loans, a slightly lower percentage than in August. On net, domestic bank respondents reported little change in the demand for commercial real estate loans over the past three months; on the other hand, almost 20 percent of branch and agency respondents noted a moderate weakening in demand.

Two special questions addressed changes in terms on commercial real estate loans over the past *nine* months. On net, domestic respondents reported that the terms on commercial real estate loans have been essentially unchanged since February. A considerable fraction of branches and agencies of foreign banks tightened terms on commercial real estate loans; in particular, spreads of loan rates over banks' cost of funds had widened, while maximum loan sizes and loan-to-value ratios had declined.

Lending to Households
(Table 1, questions 11-18)

On net, 41 percent of senior loan officers reported weaker demand for home mortgage loans in November, the highest net percentage since mid-1995 and the second consecutive quarter of weakness in this sector. Even though the question specifically asks about demand for mortgages for purchasing homes as opposed to refinancing existing mortgages, respondents reporting a decrease in demand may have been influenced by the decline in refinancing activity that began earlier in the year. However, the survey results are broadly consistent with the slowing in residential housing activity evident since the summer.

The willingness of banks to make consumer installment loans has increased slightly compared to three months ago. Standards and terms for consumer loans other than credit cards remained basically unchanged. However, two banks, on net, reported tightening standards on credit card applications. Furthermore, 13 percent of banks, on net, reported charging higher spreads over their cost of funds on credit card loans, a small increase from the August survey. On the demand side, there was a turnaround: on net, 8 percent of respondents reported decreased demand for consumer loans, whereas in August, 11 percent had reported an increase in demand.

Year 2000
(Table 1, questions 19-27; table 2, questions 11-19)

The survey results continue to indicate that requests for Y2K contingency lines of credit have been limited. A relatively small percentage of domestic bank respondents had received requests for such lines from nonfinancial firms, while 16 percent of banks had received requests from financial firms. Despite some loan officers in the last survey noting that more requests might be forthcoming, these percentages are actually slightly lower than those observed in August. Branches and agencies of foreign banks were even less likely to have received requests for such lines.

Requests for contingency lines came from many different types of financial firms, with the largest number of respondents having received requests from other domestic commercial banks, followed by mutual funds, securities dealers and brokers, and insurance companies. Several respondents commented that they expect higher utilization of existing credit lines, which already have been extended over year-end, to fund year-end inventory accumulation and slower collection of receivables, but that companies generally did not need Y2K contingency financing.

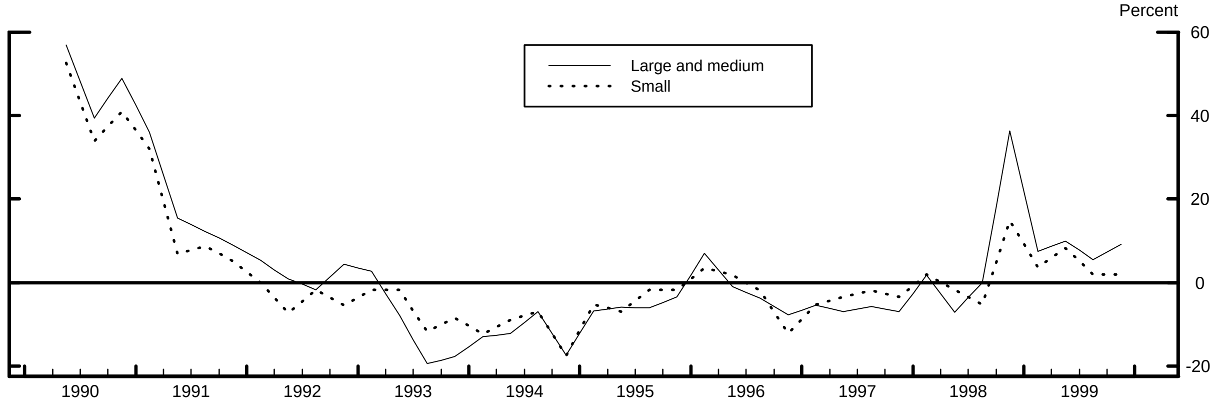
On the supply side, only two domestic and four branch and agency respondents were unwilling to extend Y2K contingency lines of credit. However, a majority of domestic and foreign respondents are limiting Y2K contingency lines of credit to existing customers, and in many cases such lines are being made available only to their most creditworthy existing customers. Compared to otherwise similar credit arrangements (such as with respect to maturity and size), a substantial fraction of large domestic and foreign respondents reported somewhat more stringent standards and terms on Y2K contingency lines. Nonetheless, compared to three months ago, 9 percent of domestic banks were more willing to extend Y2K contingency financing.

In contrast to the tighter standards and terms for Y2K contingency lines, 78 percent of the domestic banks surveyed reported no effect on either standards or terms for the renewal of expiring credit lines that extend over year-end but that are not specifically meant to meet year-end funding needs. Similarly, 60 percent of branch and agency respondents, up from 32 percent in August, reported no effect on either standards or terms. Among domestic banks that are tightening standards or terms on financing that extends over year-end, a higher percentage than in August stated that advances over year-end will be priced relative to their own cost of funds rather than independent indexes (such as LIBOR) and will likely entail a rate premium. The most common adjustment made by foreign respondents to credit lines that extend over year-end was to apply tighter credit standards.

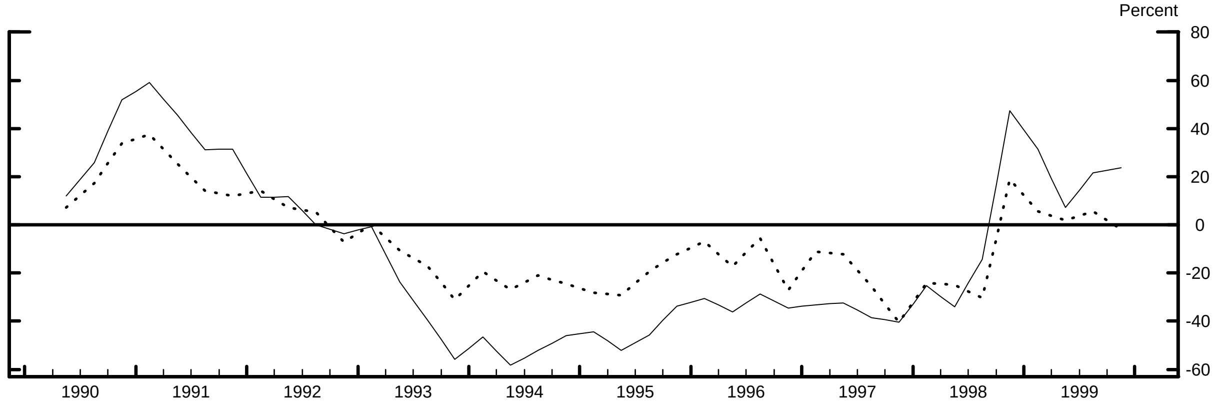
Of the respondents that were unwilling to extend Y2K contingency lines of credit, or that were limiting such lines to existing customers, or that had tightened standards or terms on renewals of existing lines, a variety of reasons for their reluctance were given. Almost half of domestic banks cited concerns about adequately evaluating new customers for Y2K preparedness. In addition, a high percentage of both domestic banks and branches and agencies of foreign banks expressed concern about the anticipated increased cost of, and uncertainty surrounding, funding credit extensions over year-end. At both domestic and foreign banks, concerns about the effect of Y2K-related lending on capital ratios abated significantly relative to the August survey.

Measures of Supply and Demand for C&I Loans, by Size of Firm Seeking Loan

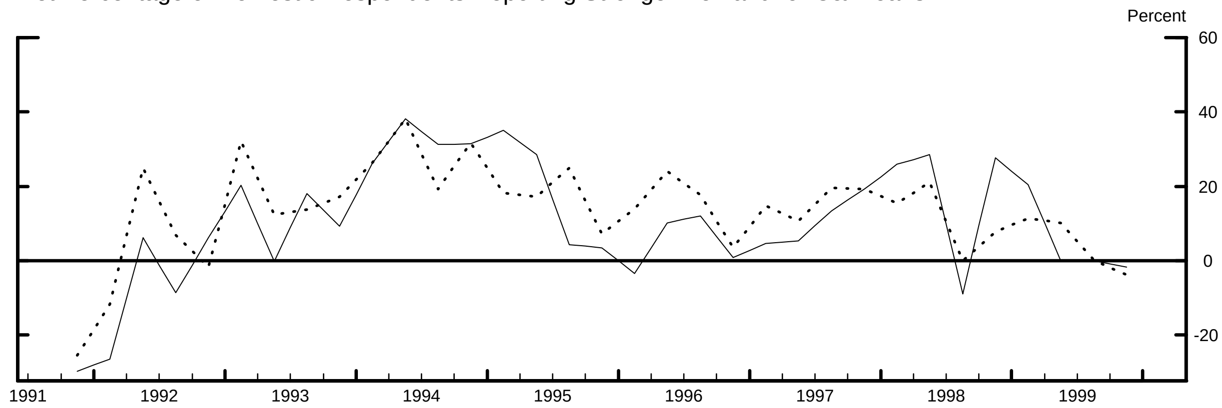
Net Percentage of Domestic Respondents Tightening Standards for C&I Loans



Net Percentage of Domestic Respondents Increasing Spreads of Loan Rates over Banks' Costs of Funds



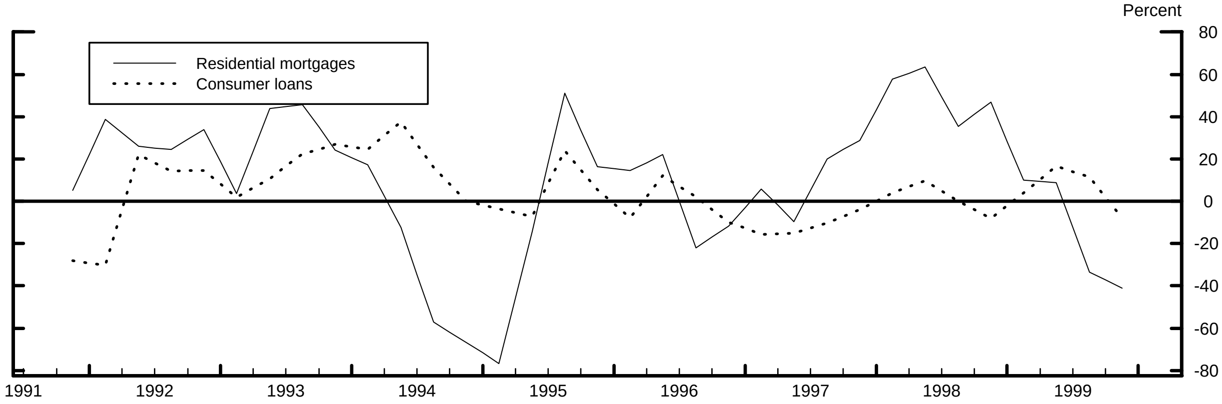
Net Percentage of Domestic Respondents Reporting Stronger Demand for C&I Loans



Measures of Supply and Demand for Loans to Households

Net Percentage of Domestic Respondents Indicating More Willingness to Make Consumer Installment Loans

Net Percentage of Domestic Respondents Reporting Stronger Demand for Loans to Households



Net Percentage of Domestic Respondents Tightening Standards for Mortgages to Individuals

Table 1

SENIOR LOAN OFFICER OPINION SURVEY ON BANK LENDING PRACTICES
AT SELECTED LARGE BANKS IN THE UNITED STATES
(Status of policy as of November 1999[1])

***Questions 1-6** 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 4-6 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--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 $50 million or more)

	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	6	10.9	4	12.9	2	8.3
Remained basically unchanged	48	87.3	27	87.1	21	87.5
Eased somewhat	1	1.8	0	0.0	1	4.2
Eased considerably	0	0.0	0	0.0	0	0.0
Total	55	100.0	31	100.0	24	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	3.4	2	8.3
Remained basically unchanged	48	90.6	27	93.1	21	87.5
Eased somewhat	2	3.8	1	3.4	1	4.2
Eased considerably	0	0.0	0	0.0	0	0.0
Total	53	100.0	29	100.0	24	100.0

1. The sample is selected from among the largest banks in each Federal Reserve District. In the table, large banks are defined as those with total domestic assets of $20 billion or more as of June 30, 1999. The combined assets of the 31 large banks totaled $1.91 trillion, compared to $2.12 trillion for the entire panel of 55 banks, and $ 4.72 trillion for all domestically chartered, federally insured commercial banks.

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 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.)

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	3.02	3.03	3.00
Costs of credit lines	2.69	2.58	2.83
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.76	2.61	2.96
The premiums charged on riskier loans	2.65	2.68	2.63
Loan covenants	2.98	2.94	3.04
Collateralization requirements	2.95	2.94	2.96
Other	2.98	3.00	2.96
Number of banks responding	55	31	24

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	2.98	3.00	2.96
Costs of credit lines	2.91	2.93	2.88
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.02	3.00	3.04
The premiums charged on riskier loans	2.75	2.90	2.58
Loan covenants	2.98	3.00	2.96
Collateralization requirements	3.02	3.07	2.96
Other	2.98	3.00	2.96
Number of banks responding	53	29	24

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 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	1.11	1.11	1.11
A less favorable or more uncertain economic outlook	1.96	2.00	1.89
A worsening of industry-specific problems	1.85	1.83	1.89
Less aggressive competition from other banks	1.15	1.17	1.11
Less aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.22	1.33	1.00
A reduced tolerance for risk	1.74	1.67	1.89
Decreased liquidity in the secondary market for these loans	1.48	1.72	1.00
Other	1.15	1.22	1.00
Number of banks responding	27	18	9

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	1.20	1.25	1.17
A more favorable or less uncertain economic outlook	1.30	1.50	1.17
An improvement in industry-specific problems	1.30	1.50	1.17
More aggressive competition from other banks	2.30	2.25	2.33
More aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.60	1.00	2.00
An increased tolerance for risk	1.20	1.25	1.17
Increased liquidity in the secondary market for these loans	1.10	1.00	1.17
Other	1.00	1.00	1.00
Number of banks responding	10	4	6

4. How has demand for C&I loans (actual disbursements of funds as opposed to requests for new or increased lines of credit) changed over the past three months (apart from normal seasonal variation)?

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

	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	10	18.2	6	19.4	4	16.7
About the same	34	61.8	20	64.5	14	58.3
Moderately weaker	10	18.2	4	12.9	6	25.0
Substantially weaker	1	1.8	1	3.2	0	0.0
Total	55	100.0	31	100.0	24	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	6	11.3	1	3.4	5	20.8
About the same	39	73.6	22	75.9	17	70.8
Moderately weaker	7	13.2	5	17.2	2	8.3
Substantially weaker	1	1.9	1	3.4	0	0.0
Total	53	100.0	29	100.0	24	100.0

5. If demand for C&I loans has strengthened or weakened over the past three months (as described in question 4), how important have been the following possible reasons for the change? (Please respond to either A, 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	1.42	1.14	1.80
Customer accounts receivable financing needs increased	1.42	1.29	1.60
Customer investment in plant or equipment increased	1.42	1.00	2.00
Customer internally generated funds decreased	1.42	1.43	1.40
Customer borrowing shifted from other sources to your bank because these other sources became less attractive	1.50	1.57	1.40
Customer merger or acquisition financing needs increased	1.75	1.86	1.60
Other	1.08	1.14	1.00
Number of banks responding	12	7	5

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	1.44	1.33	1.57
Customer accounts receivable financing needs decreased	1.44	1.33	1.57
Customer investment in plant or equipment decreased	1.75	1.67	1.86
Customer internally generated funds increased	1.50	1.44	1.57
Customer borrowing shifted from your bank to other sources because these other sources became more attractive	1.25	1.00	1.57
Customer merger or acquisition financing needs decreased	1.44	1.56	1.29
Other	1.33	1.56	1.00
Number of banks responding	16	9	7

6. Over the past three months, to what extent has demand for C&I loans at your bank been strengthened by customers that have turned to your bank because of the high cost of issuing commercial paper that extends over year-end?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially	0	0.0	0	0.0	0	0.0
Somewhat	5	9.1	5	16.1	0	0.0
Little or not at all	50	90.9	26	83.9	24	100.0
Total	55	100.0	31	100.0	24	100.0

Questions 7-10 *ask about* ***commercial real estate loans*** *at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 7 deals with changes in your bank's standards over the last three months, and question 8 deals with changes in demand over the same period. Questions 9 and 10 ask about changes in terms over the last nine months. If your bank's lending standards or terms have not changed over the periods described, please report them as unchanged even if they are either restrictive or accommodative relative to longer-term norms. If your bank's standards or terms have tightened or eased over the periods described, 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		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	1	1.8	1	3.2	0	0.0
Tightened somewhat	6	10.9	3	9.7	3	12.5
Remained basically unchanged	46	83.6	26	83.9	20	83.3
Eased somewhat	2	3.6	1	3.2	1	4.2
Eased considerably	0	0.0	0	0.0	0	0.0
Total	55	100.0	31	100.0	24	100.0

8. Over the past three months, how has demand for commercial real estate loans changed (apart from normal 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	10	18.2	4	12.9	6	25.0
About the same	36	65.5	21	67.7	15	62.5
Moderately weaker	8	14.5	5	16.1	3	12.5
Substantially weaker	1	1.8	1	3.2	0	0.0
Total	55	100.0	31	100.0	24	100.0

9. Over the past nine 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	Large Banks	Other Banks
	Mean	Mean	Mean
Maximum loan size	2.98	2.94	3.04
Maximum loan maturity	3.02	3.00	3.04
Spreads of loan rates over your bank's cost of funds	2.93	2.90	2.96
Loan-to-value ratio	2.98	2.94	3.04
Requirements for take-out financing	2.96	2.97	2.96
Debt-service coverage ratios	3.02	3.03	3.00
Other	3.02	3.06	2.96
Number of banks responding	55	31	24

10. If your bank has tightened or eased its commercial real estate lending terms over the past nine months (as described in question 9), how important were the following possible reasons for the change (please respond to either A, 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 loan terms

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
A less favorable economic outlook	1.74	1.80	1.63
A worsening of the condition of or the outlook for commercial real estate in the markets where your bank operates	1.57	1.53	1.63
Less aggressive competition from other commercial banks	1.22	1.33	1.00
Less aggressive competition from nonbank lenders	1.26	1.40	1.00
A reduced tolerance for risk	1.70	1.67	1.75
An increased concern about take-out financing	1.22	1.20	1.25
A less liquid market for securities collateralized by these loans	1.30	1.27	1.38
Other	1.22	1.13	1.38
Number of banks responding	23	15	8

B. Possible reasons for easing credit standards or loan terms

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
A more favorable economic outlook	1.00	1.00	1.00
An improvement in the condition of or the outlook for commercial real estate in the markets where your bank operates	1.18	1.17	1.20
More aggressive competition from other commercial banks	2.09	2.00	2.20
More aggressive competition from nonbank lenders	1.36	1.33	1.40
An increased tolerance for risk	1.27	1.17	1.40
A reduced concern about take-out financing	1.18	1.00	1.40
A more liquid market for securities collateralized by these loans	1.18	1.00	1.40
Other	1.18	1.18	1.00
Number of banks responding	11	6	5

Questions 11 and 12 *ask about* ***home mortgage loans*** *at your bank. Question 11 deals with changes in your bank's credit standards over the past three months, and question 12 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.*

11. Over the past three months, how have your bank's credit standards for approving applications from individuals for mortgage loans to purchase homes changed?

	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	0	0.0	0	0.0	0	0.0
Remained basically unchanged	50	98.0	28	100.0	22	95.7
Eased somewhat	1	2.0	0	0.0	1	4.3
Eased considerably	0	0.0	0	0.0	0	0.0
Total	51	100.0	28	100.0	23	100.0

12. Over the past three months, how has demand for mortgages to purchase homes (as opposed to refinancing existing mortgages) changed (apart from normal seasonal variation)?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially stronger	1	2.0	1	3.6	0	0.0
Moderately stronger	4	7.8	3	10.7	1	4.3
About the same	20	39.2	10	35.7	10	43.5
Moderately weaker	19	37.3	9	32.1	10	43.5
Substantially weaker	7	13.7	5	17.9	2	8.7
Total	51	100.0	28	100.0	23	100.0

Questions 13-18 *ask about* ***consumer lending*** *at your bank. Questions 13-15 deal with changes in your bank's willingness to make, and in its credit standards for, consumer loans over the past three months. Questions 16 and 17 deal with changes in loan terms over the same period, and question 18 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 policies as changes in policies.*

13. Please indicate your bank's willingness to make consumer installment loans now as opposed to three months ago.

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Much more willing	1	2.0	1	3.6	0	0.0
Somewhat more willing	4	7.8	2	7.1	2	8.7
About unchanged	45	88.2	24	85.7	21	91.3
Somewhat less willing	1	2.0	1	3.6	0	0.0
Much less willing	0	0.0	0	0.0	0	0.0
Total	51	100.0	28	100.0	23	100.0

14. Over the past three months, how have your bank's credit standards for approving applications for credit cards from individuals or households changed?

	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	7.3	1	4.2	2	11.8
Remained basically unchanged	37	90.2	23	95.8	14	82.4
Eased somewhat	1	2.4	0	0.0	1	5.9
Eased considerably	0	0.0	0	0.0	0	0.0
Total	41	100.0	24	100.0	17	100.0

15. Over the past three months, how have your bank's credit standards for approving applications for consumer loans other than credit card loans changed?

	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	6.0	1	3.6	2	9.1
Remained basically unchanged	44	88.0	26	92.9	18	81.8
Eased somewhat	3	6.0	1	3.6	2	9.1
Eased considerably	0	0.0	0	0.0	0	0.0
Total	50	100.0	28	100.0	22	100.0

16. Over the past three months, how has your bank changed the following terms on new or existing credit card accounts for individuals or households? (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	Large Banks	Other Banks
	Mean	Mean	Mean
Credit limits	2.95	3.04	2.81
Spreads of interest rates charged on outstanding balances over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.85	2.87	2.81
Minimum percent of outstanding balances required to be repaid each month	2.92	2.96	2.88
Other	3.00	3.00	3.00
Number of banks responding	39	23	16

17. Over the past three months, how has your bank changed the following terms on consumer loans other than credit card loans? (Please assign each term a number between 1=tightened considerably and 5=eased considerably as in question 16.)

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Maximum maturity	3.00	3.00	3.00
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.92	3.00	2.83
Minimum required down payment	3.06	3.04	3.09
Other	2.98	3.04	2.91
Number of banks responding	50	27	23

18. Over the past three months, how has demand for consumer loans of all types changed (apart from normal 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	2	3.9	2	7.1	0	0.0
About the same	43	84.3	23	82.1	20	87.0
Moderately weaker	6	11.8	3	10.7	3	13.0
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	51	100.0	28	100.0	23	100.0

Questions 19-27 *ask about demand for, and your bank's policy regarding, business credit over the year-end.*

19. To date, how many requests has your bank received 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		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
A substantial number	0	0.0	0	0.0	0	0.0
A moderate number	1	1.9	1	3.2	0	0.0
A negligible number	53	98.1	30	96.8	23	100.0
Total	54	100.0	31	100.0	23	100.0

20. If your bank has received at least a moderate number of requests from nonfinancial firms for Year 2000 contingency lines of credit (answer 1 or 2 to question 19), which of the following are important reasons for these requests? (Please select all that apply.)

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
To fund year-end inventory accumulation	1	50.0	0	0.0	1	100.0
To provide for possible delays in collection of receivables	1	50.0	1	100.0	0	0.0
To provide for possible delays in rolling over commercial paper	0	0.0	0	0.0	0	0.0
Other	0	0.0	0	0.0	0	0.0
Number of banks responding	2	100.0	1	100.0	1	100.0

21. To date, how many requests has your bank received for Year 2000 contingency lines of credit (as defined in question 19) from *financial* firms?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
A substantial number	1	1.8	1	3.2	0	0.0
A moderate number	8	14.5	7	22.6	1	4.2
A negligible number	46	83.6	23	74.2	23	95.8
Total	55	100.0	31	100.0	24	100.0

22. 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 21), which of the following are important sources of these requests? (Please select all that apply.)

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Insurance companies	4	40.0	4	50.0	0	0.0
Finance companies	3	30.0	3	37.5	0	0.0
Mutual funds	6	60.0	6	75.0	0	0.0
Securities dealers and brokerages	5	50.0	5	62.5	0	0.0
REITs	1	10.0	1	12.5	0	0.0
Domestic banks	9	90.0	7	87.5	2	100.0
Branches and agencies of foreign banks	3	30.0	3	37.5	0	0.0
Credit unions	3	30.0	1	12.5	2	100.0
Savings and loans institutions	1	10.0	1	12.5	0	0.0
Mortgage banks	1	10.0	1	12.5	0	0.0
Government sponsored enterprises	3	30.0	3	37.5	0	0.0
Other	0	0.0	0	0.0	0	0.0
Number of banks responding	10	100.0	8	100.0	2	100.0

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

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Yes, to existing and new customers generally	8	14.8	3	10.0	5	20.8
Yes, to existing customers, but only to the most creditworthy new customers	5	9.3	1	3.3	4	16.7
Yes, but only to the most creditworthy existing and new customers	9	16.7	5	16.7	4	16.7
Yes, but only to existing customers	18	33.3	10	33.3	8	33.3
Yes, but only to the most creditworthy existing customers	12	22.2	9	30.0	3	12.5
No	2	3.7	2	6.7	0	0.0
Total	54	100.0	30	100.0	24	100.0

24. If your bank is willing to extend Year 2000 contingency lines of credit (answers1-5 to question 23), please indicate its willingness to extend such lines now relative to three months ago.

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Much more willing	1	1.9	1	3.4	0	0.0
Somewhat more willing	4	7.5	3	10.3	1	4.2
About unchanged	48	90.6	25	86.2	23	95.8
Somewhat less willing	0	0.0	0	0.0	0	0.0
Much less willing	0	0.0	0	0.0	0	0.0
Total	53	100.0	29	100.0	24	100.0

25. If you are willing to extend Year 2000 contingency lines of credit, how do such credit arrangements compare to otherwise similar credit arrangements (e.g., with respect to maturity and size) in terms of the following measures of availability and cost? (Please assign each a number between 1 and 5 using the following scale: 1=much more stringent, 2=somewhat more stringent, 3=about the same, 4=somewhat less stringent, 5=considerably less stringent.).

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Standards used by your bank to make the lines available	2.75	2.57	2.96
Commitment fees (1=much higher, 5=considerably lower)	2.58	2.38	2.83
Spreads over base rates (1=much higher, 5=considerably lower)	2.55	2.38	2.75
Collateral requirements	2.88	2.86	2.91
Covenants	2.88	2.89	2.88
Number of banks responding	53	29	24

26. How have potential Year 2000 risks affected the standards and terms your bank 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		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
No effect on either standards or terms	42	77.8	21	67.7	21	91.3
Standards are tighter	6	11.1	4	12.9	2	8.7
The size of lines is smaller	4	7.4	3	9.7	1	4.3
Spreads over base rates or fees are higher	8	14.8	7	22.6	1	4.3
Advances around year-end will require additional or more liquid collateral	4	7.4	3	9.7	1	4.3
Usage of the lines around year-end will be limited	6	11.1	5	16.1	1	4.3
Advances around year-end will entail a rate premium	10	18.5	8	25.8	2	8.7
Lines are being priced relative to your bank's cost of funds rather than independent indexes (such as LIBOR)	12	22.2	8	25.8	4	17.4
Other	2	3.7	2	6.5	0	0.0
Number of banks responding	54	100.0	31	100.0	23	100.0

27. If your bank is not willing to extend Year 2000 contingency lines of credit or is limiting such lines only to specific customer groups (answers 2-6 to question 23), or if it has tightened standards or terms on other lines of credit extending over year-end (as described in question 26), why? (Please select all that apply.)

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Anticipated increased cost of funds over year-end	17	41.5	13	52.0	4	25.0
Anticipated uncertainty in funding credit extensions over year-end	10	24.4	8	32.0	2	12.5
Concerns about the effect of additional lending on capital ratios	7	17.1	6	24.0	1	6.3
Concerns about adequately evaluating new customers for Year 2000 preparedness	20	48.8	9	36.0	11	68.8
Concerns about repayment prospects generally related to Year 2000 effects on customers	9	22.0	6	24.0	3	18.8
Heightened concerns about credit quality generally	11	26.8	5	20.0	6	37.5
Other	2	4.9	1	4.0	1	6.3
Number of banks responding	41	100.0	25	100.0	16	100.0

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 1999[1])

Questions 1-6 *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 4-6 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	1	4.8
Tightened somewhat	5	23.8
Remained basically unchanged	15	71.4
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	21	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	2.71
Costs of credit lines	2.62
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.71
The premiums charged on riskier loans	2.52
Loan covenants	2.76
Collateralization requirements	2.86
Other	2.90
Total	21

1. As of June 30, 1999, the 21 respondents had combined assets of $195 billion, compared to $736 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 and 2), how important have been the following possible reasons for the change? (Please respond to either A, 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	1.15
A less favorable or more uncertain economic outlook	1.85
A worsening of industry-specific problems	1.69
Less aggressive competition from other commercial banks	1.54
Less aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.31
A reduced tolerance for risk	1.69
Decreased liquidity in the secondary market for these loans	1.54
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	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)	1.33
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	6

4. How has demand for C&I loans (actual disbursements of funds as opposed to requests for new or increased lines of credit) changed over the past three months (apart from normal seasonal variation)?

	All Respondents	
	Banks	Pct
Substantially stronger	0	0.0
Moderately stronger	2	9.5
About the same	16	76.2
Moderately weaker	3	14.3
Substantially weaker	0	0.0
Total	21	100.0

5. If demand for C&I loans has strengthened or weakened over the past three months (as described in question 4), 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 accounts receivable financing needs increased	1.00
Customer investment in plant or equipment increased	1.50
Customer internally generated funds decreased	1.00
Customer borrowing shifted from other sources to your bank because these other sources became less attractive	1.00
Customer merger or acquisition financing increased	2.00
Other	2.50
Number of banks responding	2

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 accounts receivable 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	1.00
Customer merger or acquisition financing decreased	2.33
Other	1.00
Number of banks responding	3

6. Over the past three months, to what extent has demand for C&I loans at your bank been strengthened by customers that have turned to your bank because of the high cost of issuing commercial paper that extends over year-end?

	All Respondents	
	Banks	Pct
Substantially	1	4.8
Somewhat	1	4.8
Little or not at all	19	90.5
Total	21	100.0

Questions 7-10 *ask about* ***commercial real estate loans*** *at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 7 deals with changes in your bank's standards over the last three months, and question 8 deals with changes in demand over the same period. Questions 9 and 10 ask about changes in terms over the last nine months. If your bank's lending standards or terms have not changed over the periods described, please report them as unchanged even if they are either restrictive or accommodative relative to longer-term norms. If your bank's standards or terms have tightened or eased over the periods described, 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	2	16.7
Tightened somewhat	2	16.7
Remained basically unchanged	8	66.7
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	12	100.0

8. 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	0	0.0
About the same	9	81.8
Moderately weaker	2	18.2
Substantially weaker	0	0.0
Total	11	100.0

9. Over the past nine 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	2.45
Maximum loan maturity	2.91
Spreads of loan rates over your bank's cost of funds	2.45
Loan-to-value ratio	2.45
Requirements for take-out financing	2.82
Debt-service coverage ratios	2.73
Other	3.00
Total	11

10. If your bank has tightened or eased its commercial real estate lending terms during the past nine months (as described in question 9), how important were the following possible reasons for the change (please respond to either A, 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 loan terms

	All Respondents
	Mean
A less favorable economic outlook	1.86
A worsening of the condition of or the outlook for commercial real estate in the markets where your bank operates	1.86
Less aggressive competition from other commercial banks	1.14
Less aggressive competition from nonbank lenders	1.00
A reduced tolerance for risk	2.00
An increased concern about take-out financing	1.43
A less liquid market for securities collateralized by these loans	1.71
Other	1.29
Number of banks responding	7

B. Possible reasons for easing loan terms

	All Respondents
	Mean
A more favorable economic outlook	0.00
An improvement in the condition of or the outlook for commercial real estate in the markets where your bank operates	0.00
More aggressive competition from other commercial banks	0.00
More aggressive competition from nonbank lenders	0.00
An increased tolerance for risk	0.00
A reduced concern about take-out financing	0.00
A more liquid market for securities collateralized by these loans	0.00
Other	0.00
Number of banks responding	0

Questions 11-19 *ask about demand for, and your bank's policy regarding, business credit over the year-end.*

11. To date, how many requests has your bank experienced 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

12. If your bank has received at least a moderate number of requests from nonfinancial firms for Year 2000 contingency lines of credit (answer 1 or 2 to question 11), which of the following are important reasons for these requests? (Please select all that apply.)

	All Respondents	
	Banks	Pct
To fund year-end inventory accumulation	1	100.0
To provide for possible delays in collection of receivables	1	100.0
To provide for possible delays in rolling over commercial paper	1	100.0
Other	0	0.0
Number of banks responding	1	100.0

13. To date, how many requests has your bank experienced for Year 2000 contingency lines of credit (as defined in question 11) from *financial* firms?

	All Respondents	
	Banks	Pct
A substantial number	0	0.0
A moderate number	1	4.8
A negligible number	20	95.2
Total	21	100.0

14. 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 13), 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
Securities dealers and brokerages	1	100.0
REITs	0	0.0
Domestic banks	1	100.0
Branches and agencies of foreign banks	0	0.0
Credit unions	0	0.0
Savings and loans institutions	0	0.0
Mortgage banks	0	0.0
Government sponsored enterprises	1	100.0
Other	0	0.0
Number of banks responding	1	100.0

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

	All Respondents	
	Banks	Pct
Yes, to existing and new customers generally	1	4.8
Yes, to existing customers, but only to the most creditworthy new customers	3	14.3
Yes, but only to the most creditworthy existing and new customers	0	0.0
Yes, but only to existing customers	4	19.0
Yes, but only to the most creditworthy existing customers	9	42.9
No	4	19.0
Total	21	100.0

16. If your bank is willing to extend Year 2000 contingency lines of credit (answers1-5 to question 15), please indicate its willingness to extend such lines now relative to three months ago.

	All Respondents	
	Banks	Pct
Much more willing	0	0.0
Somewhat more willing	2	11.8
About unchanged	14	82.4
Somewhat less willing	1	5.9
Much less willing	0	0.0
Total	17	100.0

17. If you are willing to extend Year 2000 contingency lines of credit, how do such credit arrangements compare to otherwise similar credit arrangements (e.g., with respect to maturity and size) in terms of the following measures of availability and cost? (Please assign each a number between 1 and 5 using the following scale: 1=much more stringent, 2=somewhat more stringent, 3=about the same, 4=somewhat less stringent, 5=considerably less stringent.).

	All Respondents
	Mean
Standards used by your bank to make the lines available	2.71
Commitment fees (1=much higher, 5=considerably lower)	2.47
Spreads over base rates (1=much higher, 5=considerably lower)	2.47
Collateral requirements	2.76
Covenants	2.71
Total	17

18. How have potential Year 2000 risks affected the standards and terms your bank 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	12	60.0
Standards are tighter	5	25.0
The size of lines is smaller	0	0.0
Spreads over base rates or fees are higher	3	15.0
Advances around year-end will require additional or more liquid collateral	0	0.0
Usage of the lines around year-end will be limited	3	15.0
Advances around year-end will entail a rate premium	3	15.0
Lines are being priced relative to your bank’s cost of funds rather than independent indexes (such as LIBOR)	4	20.0
Other	1	5.0
Number of banks responding	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 specific customer groups (answers 2-6 to question 15), or if it has tightened standards or terms on other lines of credit extending over year-end (as described in question 18), why? (Please select all that apply.)

	All Respondents	
	Banks	Pct
Anticipated increased cost of funds over year-end	9	56.3
Anticipated uncertainty in funding credit extensions over year-end	9	56.3
Concerns about the effect of additional lending on capital ratios	3	18.8
Concerns about adequately evaluating new customers for Year 2000 preparedness	4	25.0
Concerns about repayment prospects generally related to Year 2000 effects on customers	3	18.8
Heightened concerns about credit quality generally	4	25.0
Other	1	6.3
Number of banks responding	16	100.0