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