Board of Governors of the Federal Reserve System

The January 2000 Senior Loan Officer Opinion Survey on Bank Lending Practices

The January 2000 Senior Loan Officer Opinion Survey on Bank Lending Practices focused primarily on changes in the supply of and demand for bank loans to businesses and households over the past three months. Supplementary questions addressed the reasons behind the recent rise in delinquency rates on commercial and industrial (C&I) loans, the unusually heavy lending to securities brokers and dealers during November and December, and 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 somewhat more cautious lenders over the past three months but do not suggest a widespread reduction in credit availability.

The survey results point to a continued firming of business lending practices. A significant percentage of domestic banks and branches and agencies of foreign banks reported having tightened C&I loan terms, in particular risk premiums. Compared to November, a higher net percentage of both domestic and foreign respondents reported that they had boosted underwriting standards on C&I loans as well. In addition, a notable fraction of domestic banks raised standards for commercial real estate loans. On the demand side, domestic banks noted that demand for C&I loans from large and middle-market firms and demand for commercial real estate loans had increased over the past three months.

Well over half of the respondents agreed that the pattern of delinquency rates on their own C&I loan portfolios is consistent with the edging upward of aggregate delinquency rates that began in early 1998. Both domestic banks and branches and agencies of foreign banks indicated that their problem loans are limited to specific industries. However, many banks also view the delinquency rates on C&I loans as returning to a more normal long-run level.

Among domestic banks, the willingness to make consumer installment loans was about unchanged. Nonetheless, a few banks tightened their standards on credit card and other consumer loans. For the third consecutive quarter, a large fraction of banks reported that demand for home mortgages weakened, and a fair number of banks also reported a modest decrease in demand for consumer loans.

In the last two months of 1999, a number of large domestic banks and branches and agencies of foreign banks stepped up their lending to securities brokers and dealers through reverse RP agreements. Both domestic and foreign participants in this market indicated that they increased their activity in response to greater funding needs by dealers and difficulties encountered by dealers in obtaining funding elsewhere.

Consistent with the relatively benign conditions surrounding the century date change, very few banks indicated that Y2K-related concerns had any significant effect on their lending activities. The survey results suggest that Y2K-related deposit inflows tended to exceed somewhat Y2K-related credit demands.

Lending to Businesses
(Table 1, questions 1-8; Table 2, questions 1-8)

Over the past three months, 11 percent of domestic banks tightened standards on C&I loans to large and middle-market firms, up from 9 percent, on net, in November. No domestic or foreign bank reported that they had eased standards. For the second consecutive survey, almost 29 percent of branches and agencies of foreign banks reported tighter standards on C&I loans. In the case of lending to small firms, nearly 10 percent of domestic banks indicated that they had tightened standards, up from only 2 percent, on net, in November.

Regarding terms on business loans, both domestic and foreign respondents reported a further tightening, though the tightening was slightly more pronounced at branches and agencies of foreign banks. For domestic respondents, 35 percent, on net, reported charging higher premiums on riskier loans to large and middle market firms, and 25 percent, on net, charged higher spreads of loan rates over their cost of funds. For small firms, 22 percent of domestic banks, on net, reported charging higher spreads on riskier loans, while other terms remained basically unchanged. On the foreign side, 43 percent of respondents reported charging higher risk premiums, and 29 percent reported raising costs for credit lines. Both domestic and foreign banks reported a reduced tolerance for risk as the most important reason for tightening standards and terms, followed by a less favorable or more uncertain economic outlook and a worsening of industry-specific problems.

On net, 9 percent of domestic banks reported stronger demand for business loans from large and middle-market firms, while the demand from small firms was reported to be about unchanged. In contrast, 19 percent of foreign banks indicated a moderate weakening in the demand for C&I loans. Among domestic banks that reported stronger demand, increased merger and acquisition financing was given as the primary reason, followed by the need to finance accounts receivable and capital expenditures. Banks that reported decreased demand for C&I loans cited reduced business fixed investment as the most common reason.

A special question addressed reasons for the slight upward trend in delinquency rates on C&I loans evident since early 1998. Among the banks surveyed, nearly 60 percent of domestic respondents and 90 percent of foreign respondents reported that their delinquency rates had in fact increased. Industry-specific problems, particularly in health care, were cited as the most important factor, especially among large domestic banks and foreign respondents. Although several foreign respondents pointed to a general easing of lending standards between 1994 and 1998 as a cause behind the recent rise in delinquency rates on C&I loans, many banks viewed delinquencies as returning to a more normal long-run level from the unusually low levels prior to 1998. Relatively few banks noted that a general seasoning of their C&I loan portfolio has had an effect on the recent increase in delinquency rates, despite the continued increase in average maturity of business loans evident in the Survey of Terms of Business Lending.

For commercial real estate loans, 11 percent, on net, of domestic banks reported somewhat tighter standards, while standards at foreign respondents were reported to be unchanged. On the demand side, 11 percent, on net, of domestic banks reported moderately stronger demand for commercial real estate loans, while 17 percent of foreign respondents reported weaker demand.

Lending to Households
(Table 1, questions 9-16)

The demand for home mortgage loans was reported to have deteriorated further over the past three months. Compared to November when 41 percent of senior loan officers reported weaker demand on net, 64 percent reported weaker demand in the current survey—the highest net percentage since the first quarter of 1995. On net, banks have been reporting weaker demand for home mortgage loans for the last three quarters. However, the results are likely influenced by a sharp slowdown in refinancing activity, though the question specifically refers to demand for mortgage loans to purchase a home.

Compared to three months ago, 4 percent, on net, of banks reported somewhat greater willingness to make consumer installment loans. A small net fraction of banks indicated that they had tightened credit standards for both credit card and other consumer loans. Despite rapid growth in consumer credit in December, almost 10 percent of respondents, on net, reported decreased demand for consumer loans. It appears likely that much of the consumer lending late last year represented heavy credit card usage, which lending officers may not have factored into their responses.

Lending to Brokers and Dealers
(Table 1, question 17; Table 2, question 9)

Bank lending to securities brokers and dealers in the form of reverse RP transactions, was very strong during November and early December. Eight foreign respondents and twelve domestic banks indicated that they had increased their activity in the RP market over this period. Several respondents noted that demand for credit rose, owing to securities brokers and dealers' heavy funding needs. In addition, banks stepped up their lending in this market because broker-dealers' cost of commercial paper extending over year-end rose markedly and because other institutional lenders pulled back.

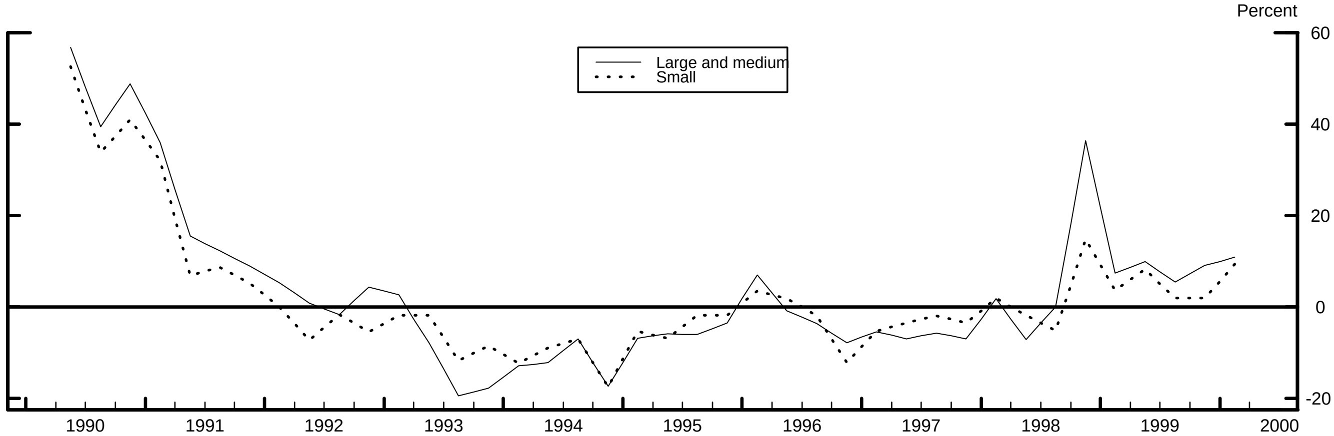
Year 2000
(Table 1, questions 18-22; Table 2, questions 10-14)

Only three domestic banks reported that they extended more than a negligible amount of credit to nonfinancial firms for Y2K-related needs. These loans were used mostly to fund precautionary build-ups of liquidity and inventories. Banks also mentioned inventories and liquidity to explain strong C&I loan demand, and it was possible that some of the strength in C&I lending was for Y2K-related reasons that were not evident to respondents. Similarly, only four domestic banks extended at least a moderate amount of Y2K-related credit to financial firms, particularly mutual funds, other domestic banks, and insurance companies.

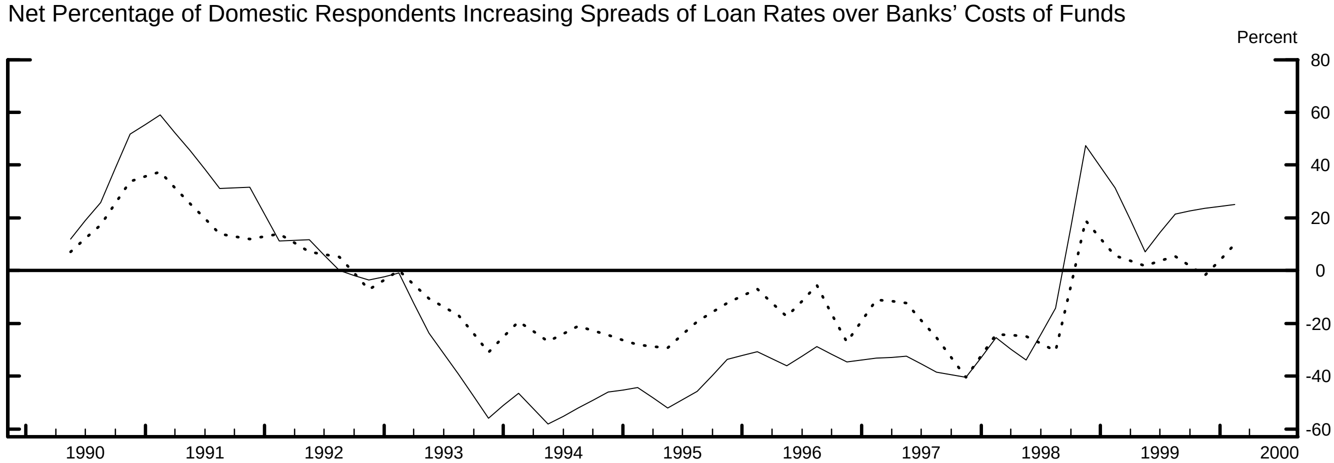
Most banks reported no unusual funding pressures around year-end. Sixty percent reported that neither credit demands nor deposit flows were materially affected by Y2K-related concerns. However, about a quarter of domestic banks indicated that higher credit demands were about matched by Y2K-related net deposit inflows, and 9 percent of domestic respondents and 14 percent of foreign branches and agencies indicated that they had excess funds to invest, owing to stronger Y2K-related deposit inflows than loan demands.

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

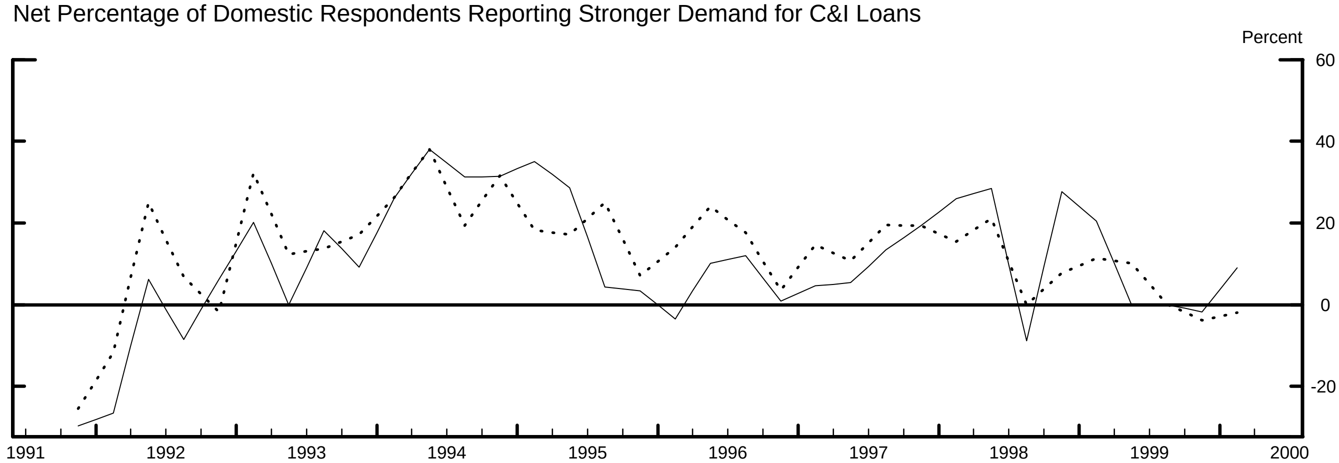
Net Percentage of Domestic Respondents Tightening Standards for C&I Loans



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

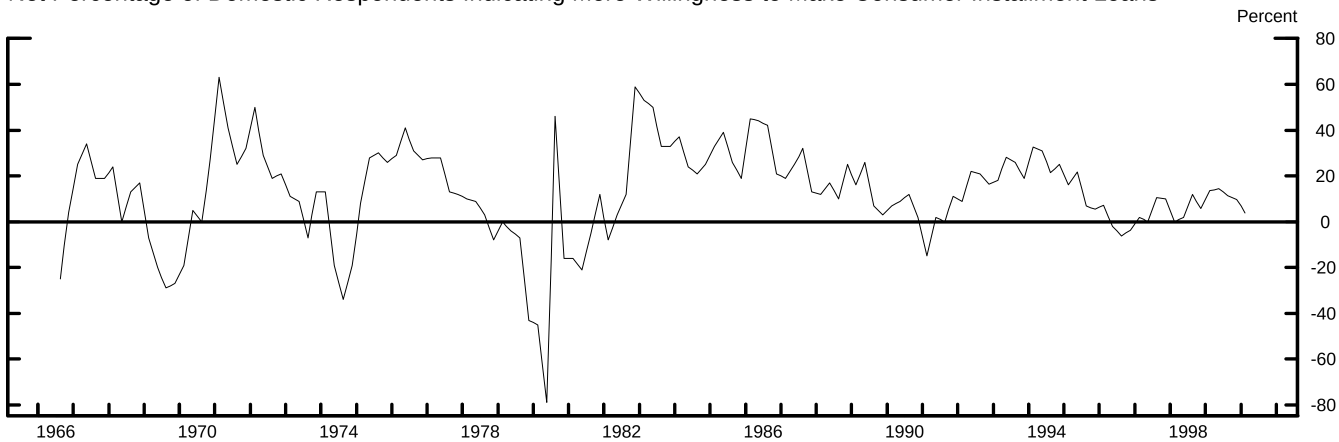


Net Percentage of Domestic Respondents Reporting Stronger Demand for C&I Loans

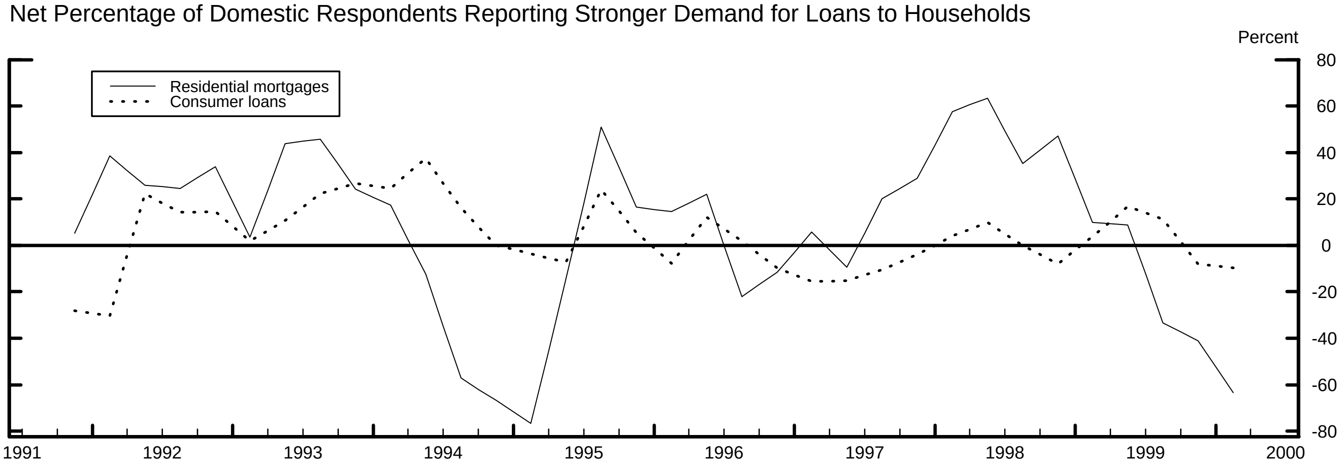


Measures of Supply and Demand for Loans to Households

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

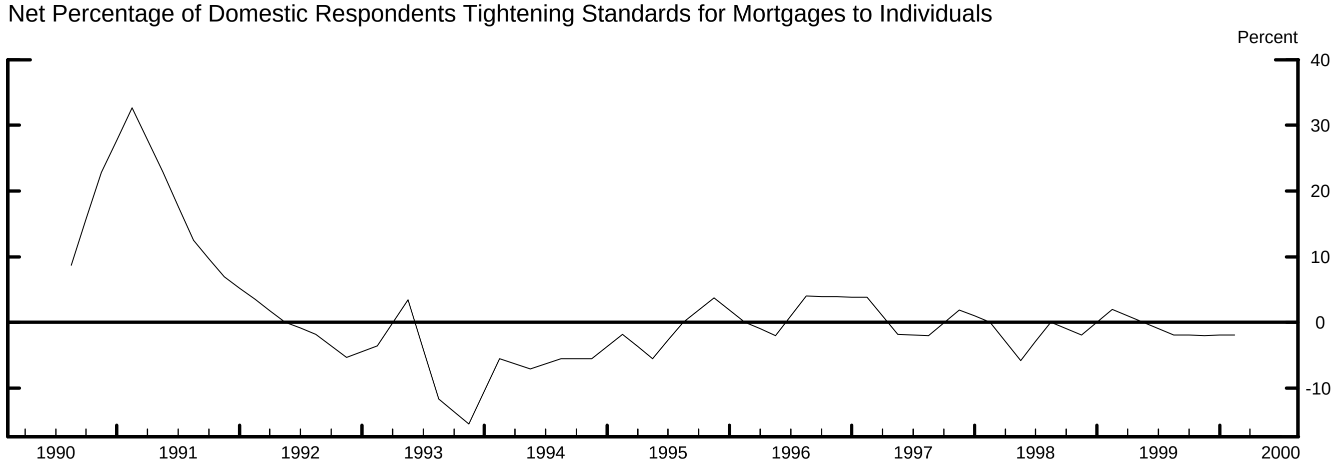


Table 1

SENIOR LOAN OFFICER OPINION SURVEY ON BANK LENDING PRACTICES
AT SELECTED LARGE BANKS IN THE UNITED STATES
(Status of policy as of January 2000[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, questions 4 and 5 deal with changes in demand over the same period, and question 6 asks about recent increases in delinquency rates on C&I loans. 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	3	10.0	3	12.0
Remained basically unchanged	49	89.1	27	90.0	22	88.0
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	55	100.0	30	100.0	25	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	5	9.4	3	10.7	2	8.0
Remained basically unchanged	48	90.6	25	89.3	23	92.0
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	53	100.0	28	100.0	25	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 September 30, 1999. The combined assets of the 30 large banks totaled $2.06 trillion, compared to $2.29 trillion for the entire panel of 55 banks, and $ 4.77 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	2.81	2.75	2.88
Costs of credit lines	2.79	2.68	2.92
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.75	2.61	2.92
The premiums charged on riskier loans	2.62	2.54	2.71
Loan covenants	2.90	2.82	3.00
Collateralization requirements	2.87	2.86	2.88
Other	3.00	3.00	3.00
Number of banks responding	52	28	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	2.92	2.96	2.88
Costs of credit lines	2.92	2.92	2.92
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.90	2.88	2.92
The premiums charged on riskier loans	2.78	2.81	2.75
Loan covenants	2.88	2.85	2.92
Collateralization requirements	2.92	2.96	2.88
Other	3.00	3.00	3.00
Number of banks responding	50	26	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, B, or both as appropriate.) (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

A. Possible reasons for tightening credit standards or loan terms

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
A deterioration in your bank's current or expected capital position	1.05	1.07	1.00
A less favorable or more uncertain economic outlook	1.68	1.67	1.71
A worsening of industry-specific problems	1.55	1.47	1.71
Less aggressive competition from other banks	1.05	1.07	1.00
Less aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.14	1.20	1.00
A reduced tolerance for risk	1.73	1.53	2.14
Decreased liquidity in the secondary market for these loans	1.36	1.40	1.29
Other	1.23	1.20	1.29
Number of banks responding	22	15	7

B. Possible reasons for easing credit standards or loan terms

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
An improvement in your bank's current or expected capital position	1.00	0.00	1.00
A more favorable or less uncertain economic outlook	2.00	0.00	2.00
An improvement in industry-specific problems	1.00	0.00	1.00
More aggressive competition from other banks	2.50	0.00	2.50
More aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	2.00	0.00	2.00
An increased tolerance for risk	2.00	0.00	2.00
Increased liquidity in the secondary market for these loans	1.00	0.00	1.00
Other	1.00	0.00	1.00
Number of banks responding	2	0	2

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	1	1.8	0	0.0	1	4.0
Moderately stronger	11	20.0	7	23.3	4	16.0
About the same	36	65.5	19	63.3	17	68.0
Moderately weaker	7	12.7	4	13.3	3	12.0
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	55	100.0	30	100.0	25	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	1	1.9	0	0.0	1	4.0
Moderately stronger	6	11.3	3	10.7	3	12.0
About the same	38	71.7	21	75.0	17	68.0
Moderately weaker	8	15.1	4	14.3	4	16.0
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	53	100.0	28	100.0	25	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	1.50	1.57	1.40
Customer accounts receivable financing needs increased	1.58	1.57	1.60
Customer investment in plant or equipment increased	1.58	1.71	1.40
Customer internally generated funds decreased	1.17	1.00	1.40
Customer borrowing shifted from other sources to your bank because these other sources became less attractive	1.33	1.00	1.80
Customer merger or acquisition financing needs increased	2.08	2.29	1.80
Customer liquidity needs increased	1.33	1.29	1.40
Other	1.25	1.14	1.40
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	1.40	1.50	1.25
Customer accounts receivable financing needs decreased	1.40	1.50	1.25
Customer investment in plant or equipment decreased	1.70	1.67	1.75
Customer internally generated funds increased	1.30	1.17	1.50
Customer borrowing shifted from your bank to other sources because these other sources became more attractive	1.10	1.00	1.25
Customer merger or acquisition financing needs decreased	1.60	1.83	1.25
Customer liquidity needs decreased	1.30	1.17	1.50
Other	1.10	1.17	1.00
Number of banks responding	10	6	4

6. Delinquency rates on C&I loans have been rising gradually since early 1998. Although they remain at low levels, this upward trend has occurred during a period of exceptional economic growth and strong business profits. If delinquency rates on C&I loans at your bank have increased, what factors were important reasons? (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Problems that developed in a limited number of specific industries	1.81	2.00	1.50
A general easing of lending standards and terms between 1994 and 1998	1.45	1.47	1.42
A general seasoning of your bank's loan portfolio	1.39	1.26	1.58
By 1998, delinquency rates had fallen to abnormally low levels and have been returning to a more normal long-run level	1.74	1.79	1.67
Other	1.19	1.16	1.25
Number of banks responding	31	19	12

Questions 7 and 8 *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. 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	0	0.0	0	0.0	0	0.0
Tightened somewhat	7	12.7	3	10.0	4	16.0
Remained basically unchanged	47	85.5	26	86.7	21	84.0
Eased somewhat	1	1.8	1	3.3	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	55	100.0	30	100.0	25	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	11	20.4	6	20.0	5	20.8
About the same	38	70.4	22	73.3	16	66.7
Moderately weaker	5	9.3	2	6.7	3	12.5
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	54	100.0	30	100.0	24	100.0

Questions 9 and 10 *ask about* ***home mortgage loans*** *at your bank. Question 9 deals with changes in your bank's credit standards over the past three months, and question 10 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.*

9. 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	1	1.9	1	3.7	0	0.0
Remained basically unchanged	49	94.2	26	96.3	23	92.0
Eased somewhat	2	3.8	0	0.0	2	8.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	52	100.0	27	100.0	25	100.0

10. 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	0	0.0	0	0.0	0	0.0
Moderately stronger	0	0.0	0	0.0	0	0.0
About the same	19	36.5	10	37.0	9	36.0
Moderately weaker	26	50.0	13	48.1	13	52.0
Substantially weaker	7	13.5	4	14.8	3	12.0
Total	52	100.0	27	100.0	25	100.0

Questions 11-16 *ask about* ***consumer lending*** *at your bank. Questions 11-13 deal with changes in your bank's willingness to make, and in its credit standards for, consumer loans over the past three months. Questions 14 and 15 deal with changes in loan terms over the same period, and question 16 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.*

11. 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	0	0.0	0	0.0	0	0.0
Somewhat more willing	3	5.8	1	3.7	2	8.0
About unchanged	48	92.3	25	92.6	23	92.0
Somewhat less willing	1	1.9	1	3.7	0	0.0
Much less willing	0	0.0	0	0.0	0	0.0
Total	52	100.0	27	100.0	25	100.0

12. 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	1	2.4	1	4.3	0	0.0
Tightened somewhat	2	4.8	2	8.7	0	0.0
Remained basically unchanged	38	90.5	20	87.0	18	94.7
Eased somewhat	1	2.4	0	0.0	1	5.3
Eased considerably	0	0.0	0	0.0	0	0.0
Total	42	100.0	23	100.0	19	100.0

13. 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	5.8	2	7.4	1	4.0
Remained basically unchanged	48	92.3	25	92.6	23	92.0
Eased somewhat	1	1.9	0	0.0	1	4.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	52	100.0	27	100.0	25	100.0

14. 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	3.00	2.95	3.05
Spreads of interest rates charged on outstanding balances over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.97	2.90	3.05
Minimum percent of outstanding balances required to be repaid each month	2.92	2.90	2.95
Other	3.00	2.95	3.05
Number of banks responding	39	20	19

15. 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	2.98	2.92	3.04
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.94	2.96	2.92
Minimum required down payment	2.98	2.96	3.00
Other	3.02	3.00	3.04
Number of banks responding	50	26	24

16. 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	5	9.6	3	11.1	2	8.0
About the same	37	71.2	19	70.4	18	72.0
Moderately weaker	10	19.2	5	18.5	5	20.0
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	52	100.0	27	100.0	25	100.0

Question 17 *asks for the reasons behind the recent strength in* ***loans to securities brokers and dealers****.*

17. Bank lending to securities brokers and dealers in the form of reverse RP transactions was extremely strong during the November-December period. If your bank increased its activity in this market over this period, what factors were important? (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Broker-dealers' funding needs were extremely heavy	1.58	1.50	2.00
Your bank took advantage of attractive lending opportunities that developed when other institutional lenders in the RP market pulled back	1.42	1.40	1.50
Broker-dealers found the cost of issuing commercial paper increasing, particularly at maturities extending over year-end	1.58	1.50	2.00
Your bank enjoyed unusually low costs to fund its RP lending	1.33	1.30	1.50
Your bank found reverse RPs to be an attractive way to deploy increased deposits in Treasury tax and loan accounts	1.25	1.30	1.00
Your bank has decided to alter its portfolio strategy and increase the share of assets allocated to reverse RP transactions	1.25	1.30	1.00
Other	1.33	1.40	1.00
Number of banks responding	12	10	2

Questions 18-21 *ask about demand for business credit related to the century date change.*

18. In the weeks and months leading up to and the period immediately following the year-end, how much credit has your bank extended to *nonfinancial* firms that was used to meet Year 2000 (Y2K) related needs? (Please include draws under regular lines of credit, as well as Y2K contingency lines.)

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
A substantial amount	0	0.0	0	0.0	0	0.0
A moderate amount	3	5.6	1	3.3	2	8.3
A negligible amount	51	94.4	29	96.7	22	91.7
Number of banks responding	54	100.0	30	100.0	24	100.0

19. If your bank extended at least a moderate amount of funding to *nonfinancial* firms for Y2K-related needs (answer 1 or 2 to question 18), which of the following are important reasons for these borrowings? (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
To fund precautionary buildups of inventories	1.50	1.50	1.50
To fund precautionary buildups of liquidity	1.50	1.50	1.50
To fill funding gaps caused by delays in rolling over commercial paper	1.50	1.50	1.50
To fill funding gaps caused by delays in collection of receivables	1.25	1.00	1.50
Other	1.00	1.00	1.00
Number of banks responding	4	2	2

20. How much credit has your bank extended to *financial* firms that was used to meet Y2K-related needs? (Please include draws under regular lines of credit, as well as Y2K contingency lines.)

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
A substantial amount	1	1.9	1	3.3	0	0.0
A moderate amount	3	5.6	2	6.7	1	4.2
A negligible amount	50	92.6	27	90.0	23	95.8
Number of banks responding	54	100.0	30	100.0	24	100.0

21. If your bank extended at least a moderate amount of credit to *financial* firms for Y2K-related needs (answer 1 or 2 to question 20), which of the following were important recipients of these funds? (Please select all that apply.)

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Insurance companies	3	50.0	2	50.0	1	50.0
Finance companies	2	33.3	1	25.0	1	50.0
Mutual funds	4	66.7	3	75.0	1	50.0
Securities dealers and brokerages	0	0.0	0	0.0	0	0.0
REITs	1	16.7	0	0.0	1	50.0
Domestic banks	3	50.0	2	50.0	1	50.0
Branches and agencies of foreign banks	1	16.7	0	0.0	1	50.0
Credit unions	1	16.7	0	0.0	1	50.0
Savings and loans institutions	1	16.7	0	0.0	1	50.0
Mortgage banks	1	16.7	0	0.0	1	50.0
Government sponsored enterprises	2	33.3	1	25.0	1	50.0
Other	1	16.7	1	25.0	0	0.0
Number of banks responding	6	100.0	4	100.0	2	100.0

Question 22 *relates to balance sheet changes around year-end attributable toY2K effects.*

22. How was your bank's position as a net demander or supplier of funds affected by credit demands and deposit (or other liabilities) flows related to Y2K effects? In the days or weeks around year-end, your bank experienced: (Please choose one.)

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantial need for funds to meet Y2K-related credit demands and/or deposit out flows	0	0.0	0	0.0	0	0.0
Moderate need for funds to meet Y2K-related credit demands and/or deposit out flows	3	5.6	0	0.0	3	12.0
No unusual funding pressures, as Y2K-related credit demands about matched Y2K-related net deposit inflows	13	24.1	6	20.7	7	28.0
Moderate excess funds to invest, owing to Y2K-related deposit inflows	3	5.6	2	6.9	1	4.0
Substantial excess funds to invest, owing to Y2K-related deposit inflows	2	3.7	2	6.9	0	0.0
No unusual funding pressures, as neither credit demands nor deposit flows were materially affected by Y2K-related effects	33	61.1	19	65.5	14	56.0
Number of banks responding	54	100.0	29	100.0	25	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 January 2000[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, questions 4 and 5 deal with changes in demand over the same period, and question 6 asks about recent increases in delinquency rates on C&I loans. 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	2.81
Costs of credit lines	2.67
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.67
Premiums charged on riskier loans	2.57
Loan covenants	2.76
Collateralization requirements	2.86
Other	2.95
Total	21

1. As of September 30, 1999, the 21 respondents had combined assets of $215 billion, compared to $741 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	1.44
A less favorable or more uncertain economic outlook	1.78
A worsening of industry-specific problems	1.78
Less aggressive competition from other commercial banks	1.56
Less aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.56
A reduced tolerance for risk	1.89
Decreased liquidity in the secondary market for these loans	1.56
Other	1.22
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	2.00
A more favorable or less uncertain economic outlook	1.50
An improvement in industry-specific problems	1.00
More aggressive competition from other commercial banks	2.50
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	1.50
Other	1.00
Number of banks responding	2

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	1	4.8
About the same	15	71.4
Moderately weaker	5	23.8
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	2.00
Customer investment in plant or equipment increased	2.00
Customer internally generated funds decreased	1.00
Customer borrowing shifted from other sources to your bank because these other sources became less attractive	2.00
Customer merger or acquisition financing increased	2.00
Customer liquidity needs increased	2.00
Other	1.00
Number of banks responding	1

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

	All Respondents
	Mean
Customer inventory financing needs decreased	1.40
Customer accounts receivable financing needs decreased	1.20
Customer investment in plant or equipment decreased	1.40
Customer internally generated funds increased	1.40
Customer borrowing shifted from your bank to other sources because these other sources became more attractive	1.40
Customer merger or acquisition financing decreased	1.20
Customer liquidity needs decreased	1.40
Other	2.00
Number of banks responding	5

6. Delinquency rates on C&I loans have been rising gradually since early 1998. Although they remain at low levels, this upward trend has occurred during a period of exceptional economic growth and strong business profits. If delinquency rates on C&I loans at your bank have increased, what factors were important reasons? (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

	All Respondents
	Mean
Problems that developed in a limited number of specific industries	2.06
A general easing of lending standards and terms between 1994 and 1998	1.65
A general seasoning of your bank's loan portfolio	1.06
By 1998, delinquency rates had fallen to abnormally low levels and have been returning to a more normal long-run level	1.53
Other	1.39
Number of banks responding	18

Questions 7 and 8 *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. 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	0	0.0
Tightened somewhat	1	7.7
Remained basically unchanged	12	92.3
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	13	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	2	16.7
About the same	6	50.0
Moderately weaker	3	25.0
Substantially weaker	1	8.3
Total	12	100.0

Question 9 *asks for the reasons behind the recent strength in* ***loans to securities brokers and dealers****.*

9. Bank lending to securities brokers and dealers in the form of reverse RP transactions was extremely strong during the November-December period. If your bank increased its activity in this market over this period, what factors were important? (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

	All Respondents
	Mean
Broker-dealers' funding needs were extremely heavy	1.88
Your bank took advantage of attractive lending opportunities that developed when other institutional lenders in the RP market pulled back	1.50
Broker-dealers found the cost of issuing commercial paper increasing, particularly at maturities extending over year-end	1.63
Your bank enjoyed unusually low costs to fund its RP lending	1.00
Your bank found reverse RPs to be an attractive way to deploy increased deposits in Treasury tax and loan accounts	1.00
Your bank has decided to alter its portfolio strategy and increase the share of assets allocated to reverse RP transactions	1.13
Other	1.63
Number of banks responding	8

Questions 10-13 *ask about demand for business credit related to the century date change.*

10. In the weeks and months leading up to and the period immediately following the year-end, how much credit has your bank extended to *nonfinancial* firms that was used to meet Year 2000 (Y2K) related needs? (Please include draws under regular lines of credit, as well as Y2K contingency lines.)

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

11. If your bank extended at least a moderate amount of funding to *nonfinancial* firms for Y2K-related needs (answer 1 or 2 to question 10), which of the following are important reasons for these borrowings? (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

	All Respondents
	Mean
To fund precautionary buildups of inventories	1.00
To fund precautionary buildups of liquidity	2.00
To fill funding gaps caused by delays in rolling over commercial paper	2.00
To fill funding gaps caused by delays in collection of receivables	1.00
Other	3.00
Number of banks responding	1

12. How much credit has your bank extended to *financial* firms that was used to meet Y2K-related needs? (Please include draws under regular lines of credit, as well as Y2K contingency lines.)

	All Respondents	
	Banks	Pct
A substantial amount	0	0.0
A moderate amount	1	5.0
A negligible amount	19	95.0
Total	20	100.0

13. If your bank extended at least a moderate amount of credit to *financial* firms for Y2K-related needs (answer 1 or 2 to question 12), which of the following were important recipients of these funds? (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	0	0.0
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	0	0.0
Other	0	0.0
Number of banks responding	1	100.0

***Question 14** relates to balance sheet changes around year-end attributable toY2K effects.*

14. How was your bank's position as a net demander or supplier of funds affected by credit demands and deposit (or other liabilities) flows related to Y2K effects? In the days or weeks around year-end, your bank experienced: (Please choose one.)

	All Respondents	
	Banks	Pct
Substantial need for funds to meet Y2K-related credit demands and/or deposit outflows	0	0.0
Moderate need for funds to meet Y2K-related credit demands and/or deposit outflows	1	4.8
No unusual funding pressures, as Y2K-related credit demands about matched Y2K-related net deposit inflows	7	33.3
Moderate excess funds to invest, owing to Y2K-related deposit inflows	3	14.3
Substantial excess funds to invest, owing to Y2K-related deposit inflows	0	0.0
No unusual funding pressures, as neither credit demands nor deposit flows were materially affected by Y2K-related effects	10	47.6
Total	21	100.0