Board of Governors of the Federal Reserve System

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

The May 2000 Senior Loan Officer Opinion Survey on Bank Lending Practices (BLPS) 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 effect of conditions in the high-yield bond market on demand for C&I loans, changes in terms on residential real estate lending over the past two years, the distribution of loan-to-value ratios on home mortgage originations during the last three months, and loans to purchase and carry securities. Loan officers from fifty-seven large domestic banks and twenty-one U.S. branches and agencies of foreign banks participated in the survey. The responses indicate that banks became significantly more cautious lenders over the past three months.

The survey results point to an intensification of the recent tendency toward firmer business lending practices. The percentage of domestic banks tightening standards on C&I loans was the largest since the November 1998 survey, and the share of U.S. branches and agencies of foreign banks that tightened standards also rose. Both domestic and foreign banks tightened terms on C&I loans as well, particularly risk premiums, most commonly citing a less certain or more unfavorable economic outlook as the reason. In addition, a notable fraction of banks raised standards for commercial real estate loans.

A modest net fraction of domestic banks noted that demand for C&I loans from large and middle-market firms had decreased somewhat over the past three months, while a few banks, on net, noted somewhat stronger demand from small firms. Meanwhile, 45 percent of the foreign branches and agencies, on net, reported weaker demand. Nonetheless, many domestic and foreign banks reported that demand for C&I loans had been boosted by unfavorable conditions in the high-yield bond market, and most were fairly receptive to these customers.

In general, standards for residential mortgage loans were unchanged relative to three months ago. However, relative to two years ago, a significant fraction of banks reported having eased terms on residential mortgages, including increases in the maximum size of loans and lower spreads of loan rates over their cost of funds. As in the past three surveys, a large fraction of banks reported that demand for home mortgages had weakened. A notable fraction of banks also reported a modest decrease in demand for consumer loans. Most respondents reported no change in their willingness to make consumer installment loans.

Banks reported that the pickup in loans to purchase and carry securities since last fall was the result of strong demand from nonbank brokers and dealers as well as from private banking and retail clients. Most security loans are made to brokers and dealers. Most banks indicated that a very large percentage of their security loans are collateralized. At domestic banks, the most common form of collateral is equity instruments, whereas at foreign branches and agencies, U.S. government and agency securities were almost as commonly used for collateral as equities.

Lending to Businesses
(Table 1, questions 1-9; Table 2, questions 1-9)

Almost a quarter of domestic respondents reported tightening standards on C&I loans to large and middle-market firms over the past three months, more than double the 11 percent last quarter. For large and middle-market firms, the percentage of banks tightening was the largest since the November 1998 survey, and for small firms the percentage tightening rose above that level, to 21 percent. The share of U.S. branches and agencies of foreign banks reporting tighter lending standards also rose, to 33 percent, on net. Similarly, more than 20 percent of domestic and foreign banks reported somewhat tighter standards on commercial real estate loans. No domestic banks indicated that they had eased standards on either C&I or commercial real estate loans.

Large fractions of banks also reported a further tightening of lending terms. For large and middle-market firms, 49 percent of domestic respondents and 43 percent of foreign branches and agencies, on net, reported higher premiums on riskier loans. In addition, more than a third of domestic banks, on net, charged higher fees and increased spreads of loan rates over their cost of funds. Significant fractions of foreign banks increased fees and reduced the maximum size of credit lines. For small firms, 36 percent of domestic banks reported charging higher spreads on riskier loans, and smaller fractions of banks also tightened all terms mentioned in the survey. Among both foreign and domestic banks that had tightened standards or terms on C&I loans, a less favorable or more uncertain economic outlook and a reduced tolerance for risk were most often reported as reasons for the tightening. A worsening of industry-specific problems was also mentioned by a substantial fraction of banks.

Almost 20 percent of domestic banks reported stronger loan demand from large and middle-market firms, while more than 25 percent saw weaker loan demand. A small net fraction of banks reported stronger demand from small firms. Domestic banks reporting stronger demand cited a wide variety of reasons as important; banks reporting weaker demand for C&I loans most commonly cited reduced business fixed investment as the reason. Meanwhile, 45 percent of the foreign branches and agencies, on net, reported weaker demand for C&I loans, reflecting reduced need for merger and acquisition financing and increases in their customers' internally generated funds. On net, a small fraction of domestic banks reported moderately stronger demand for commercial real estate loans; in contrast, 25 percent of foreign respondents reported weaker demand.

Two special questions addressed the extent to which C&I lending has been affected by developments in the market for below-investment grade bonds over the past year. A large fraction of domestic respondents, and more than 40 percent of large banks, reported that demand has been somewhat strengthened by below-investment grade borrowers that have turned to banks because of unfavorable conditions in the high-yield bond market. Out of sixteen banks that reported additional demand, ten reported having been fairly receptive, five reported having been fairly unreceptive, and one bank reported having been very unreceptive to these customers. Almost half of the branches and agencies reported stronger demand, with most having been fairly receptive.

Lending to Households
(Table 1, questions 10-19)

The decrease in the demand for home mortgage loans continued in May. On net, 43 percent of respondents reported weaker demand than three months ago. Banks have now reported weaker demand for home mortgage loans, on net, for four consecutive quarters. Over the past three months, three banks eased their credit standards for approving residential mortgage loans, with all others keeping standards unchanged.

A special question revealed that terms on residential mortgage loans are generally less stringent, on net, than they were two years ago. On net, almost half of the banks surveyed have increased the maximum size of residential mortgages that they are willing to approve, about 30 percent have reduced the spread of loan rates over their banks' cost of funds. About 20 percent of domestic respondents, on net, also indicated that they have lowered origination fees relative to two years ago.

On balance, banks indicated that they are more willing to make high loan-to-value loans than they were two years ago. More than 30 percent of the respondents noted that they have eased their down-payment requirements, while just three banks reported that they had tightened requirements. Nonetheless, more than half of residential mortgage loans originated at banks in the past three months had a down-payment greater than 20 percent, and almost 80 percent of loans were made with more than 10 percent down.

A small number of domestic banks reported less willingness to make consumer installment loans as compared with three months ago. Standards and terms for both credit card and other consumer loans also remained unchanged at most banks. However, a few banks reported a moderate tightening of standards, and about 10 percent of banks, on net, reported charging higher spreads over banks' cost of funds on consumer loans other than credit card loans. On net, 22 percent of domestic banks reported moderately weaker demand for all types of consumer loans.

Loans to Purchase and Carry Securities
(Table 1, questions 20-24; Table 2, questions 10-14)

Loans to purchase and carry securities expanded rapidly late last year and in the early months of 2000; a series of special questions addressed banks' activities in the market for such loans.[1] Domestic respondents indicated that the expansion of security loans resulted from a significant increase in demand from nonbank brokers and dealers; many also noted increased demand from private banking and other retail customers.[2] One bank noted that the broker-dealers were in turn using the loans to finance their customers, and another reported that the demand was being spurred by high equity values.

Domestic banks reported that 62 percent of their loans to purchase and carry securities were made to nonbank brokers and dealers, while 28 percent went to private banking and other retail customers. At branches and agencies of foreign banks, almost all security loans were made to nonbank brokers and dealers, mutual funds, or other financial institutions. Only a minority of security loans at domestic and foreign banks are made under commitment.

Banks accounting for 75 percent of all security loans at domestic respondents reported that more than three-quarters of their loans to purchase and carry securities are collateralized. Equity instruments are the most common forms of collateral, especially for retail customers. At branches and agencies, collateral was somewhat less common and was more likely to be U.S. government securities or other debt instruments.

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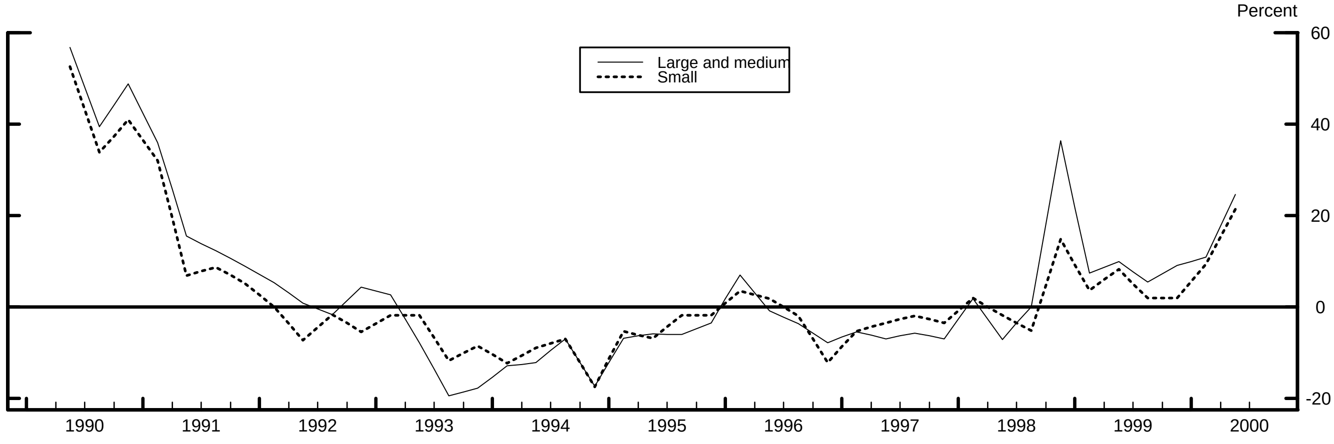
[1] Loans to purchase and carry securities are defined to include all loans made to nonbank brokers and dealers and all loans, whether secured (except by real estate) or unsecured, to any other borrower for the purpose of purchasing or carrying securities.

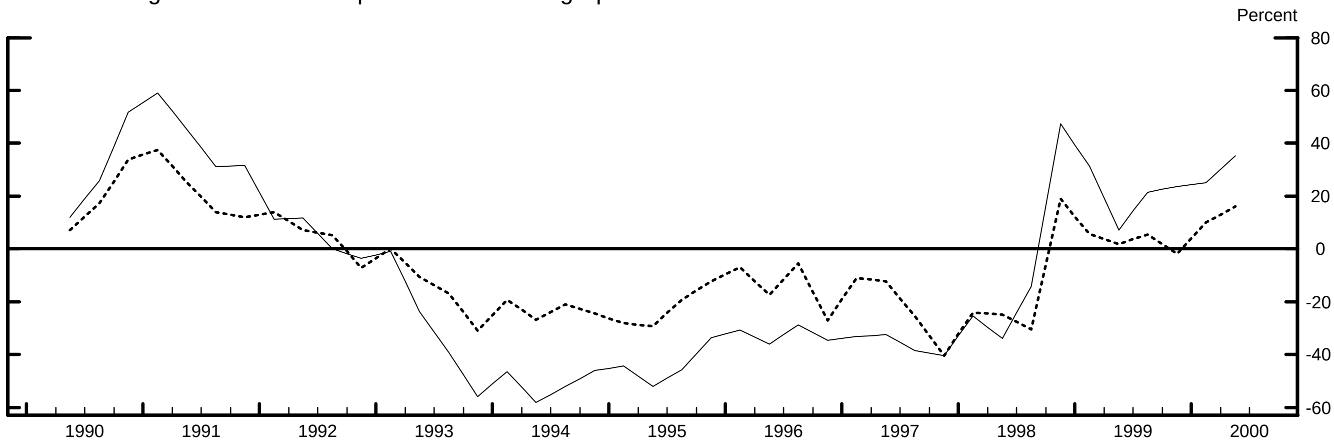
[2] Responses are weighted by the weekly average of security loans outstanding in April.

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

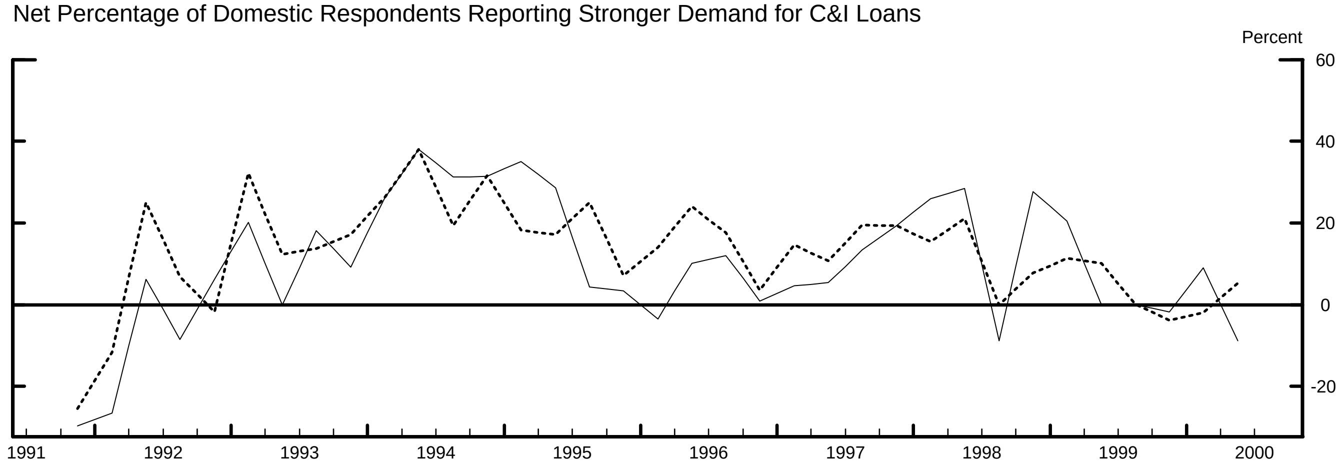
Net Percentage of Domestic Respondents Tightening Standards for C&I Loans



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

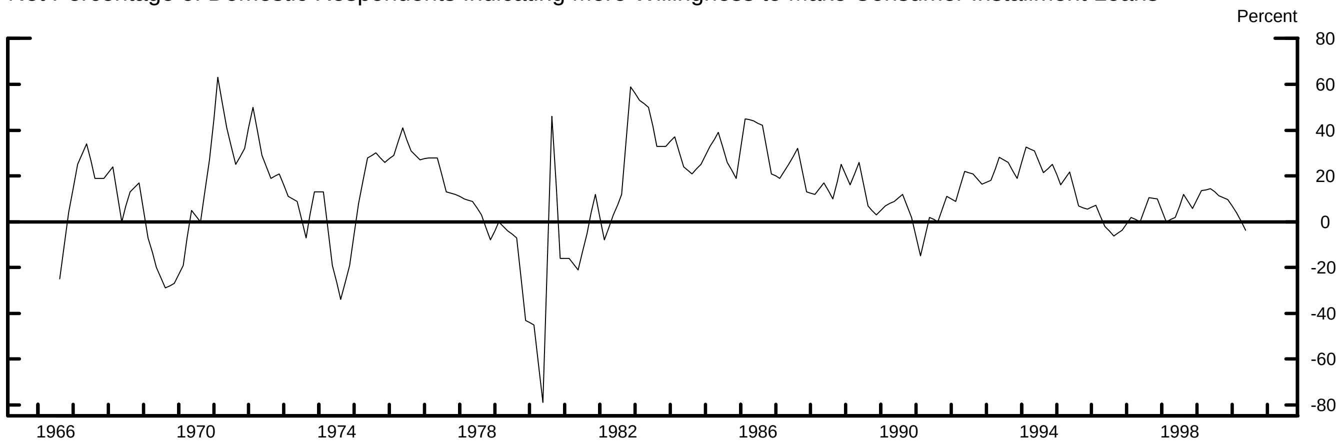


Net Percentage of Domestic Respondents Reporting Stronger Demand for C&I Loans

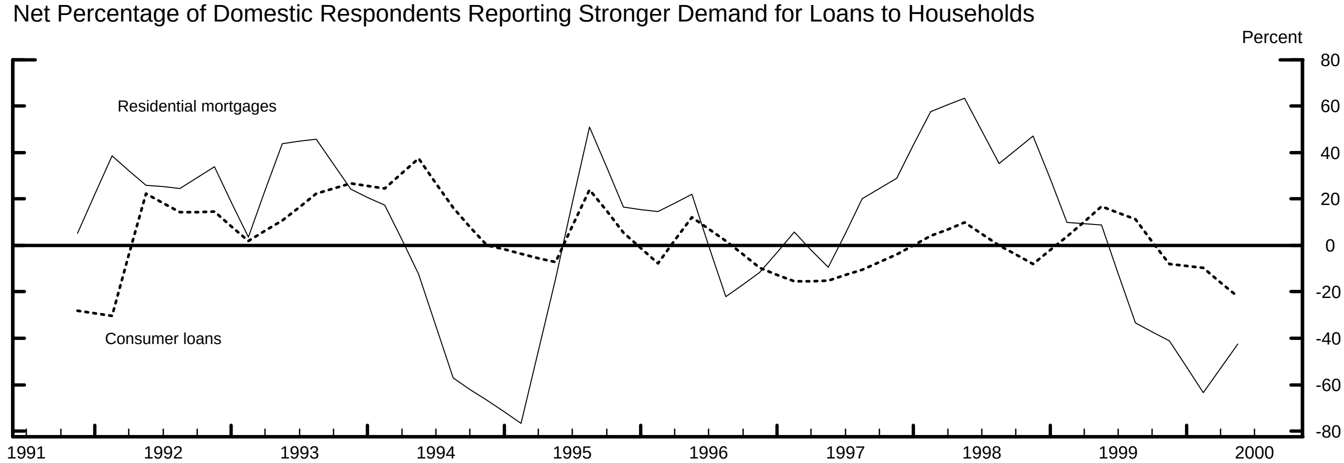


Measures of Supply and Demand for Loans to Households

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

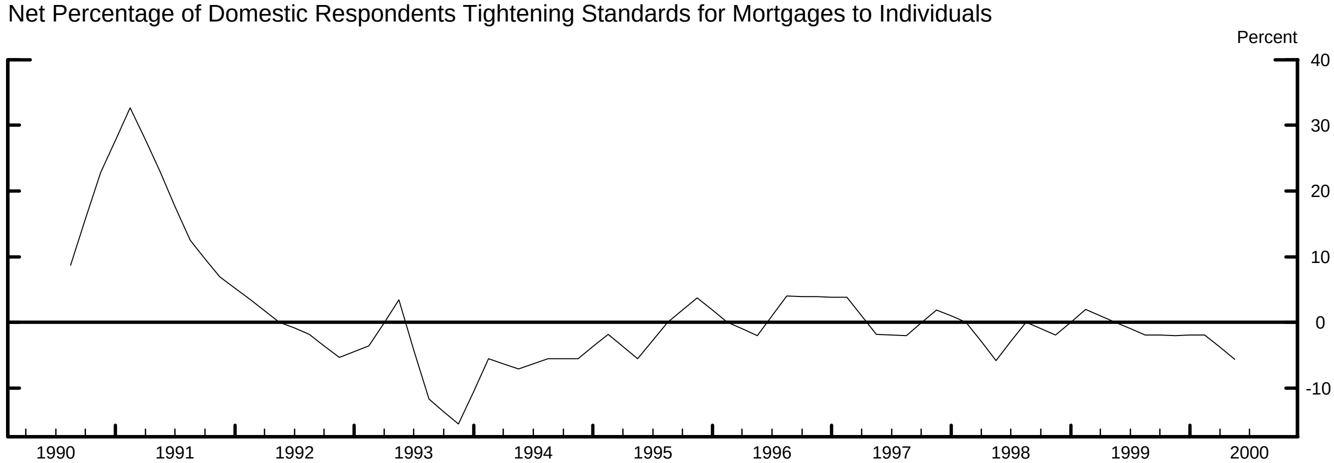


Table 1

SENIOR LOAN OFFICER OPINION SURVEY ON BANK LENDING PRACTICES
AT SELECTED LARGE BANKS IN THE UNITED STATES
(Status of policy as of May 2000[1])

***Questions 1-5** ask about **commercial and industrial (C&I) loans** at your bank. Questions 1-3 deal with changes in your bank's lending policies over the past three months, and questions 4-5 deal with changes in demand over the same period. If your bank's lending policies have not changed over the past three months, please report them as unchanged even if the policies are either restrictive or accommodative relative to longer-term norms. If your bank's policies have tightened or eased over the past three months, please so report them regardless of how they stand relative to longer-term norms. Also, please report changes in enforcement of existing 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	14	24.6	9	29.0	5	19.2
Remained basically unchanged	43	75.4	22	71.0	21	80.8
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	57	100.0	31	100.0	26	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	12	21.4	7	23.3	5	19.2
Remained basically unchanged	44	78.6	23	76.7	21	80.8
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	56	100.0	30	100.0	26	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 December 31, 1999. The combined assets of the 31 large banks totaled $2.23 trillion, compared to $2.46 trillion for the entire panel of 57 banks, and $ 4.95 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	2.82	2.81	2.85
Costs of credit lines	2.61	2.55	2.69
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.63	2.55	2.73
The premiums charged on riskier loans	2.42	2.39	2.46
Loan covenants	2.82	2.84	2.81
Collateralization requirements	2.88	2.84	2.92
Other	2.98	2.97	3.00
Number of banks responding	57	31	26

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	2.93	2.93	2.92
Costs of credit lines	2.88	2.93	2.81
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.84	2.90	2.77
The premiums charged on riskier loans	2.63	2.70	2.54
Loan covenants	2.89	2.87	2.92
Collateralization requirements	2.88	2.87	2.88
Other	2.91	2.90	2.92
Number of banks responding	56	30	26

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 and 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	1.19	1.00
A less favorable or more uncertain economic outlook	1.97	1.95	2.00
A worsening of industry-specific problems	1.62	1.64	1.60
Less aggressive competition from other banks	1.08	1.14	1.00
Less aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.14	1.23	1.00
A reduced tolerance for risk	1.84	1.95	1.67
Decreased liquidity in the secondary market for these loans	1.41	1.59	1.13
Other	1.09	1.10	1.07
Number of banks responding	37	22	15

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	1.40	1.67	1.00
A more favorable or less uncertain economic outlook	1.00	1.00	1.00
An improvement in industry-specific problems	1.00	1.00	1.00
More aggressive competition from other banks	1.83	1.67	2.00
More aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.50	1.33	1.67
An increased tolerance for risk	1.17	1.00	1.33
Increased liquidity in the secondary market for these loans	1.00	1.00	1.00
Other	1.17	1.00	1.33
Number of banks responding	6	6	3

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

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	17.5	8	25.8	2	7.7
About the same	32	56.1	14	45.2	18	69.2
Moderately weaker	15	26.3	9	29.0	6	23.1
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	57	100.0	31	100.0	26	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	11	19.6	6	20.0	5	19.2
About the same	37	66.1	21	70.0	16	61.5
Moderately weaker	8	14.3	3	10.0	5	19.2
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	56	100.0	30	100.0	26	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 and 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	1.79	1.78	1.80
Customer accounts receivable financing needs increased	1.86	1.78	2.00
Customer investment in plant or equipment increased	1.85	1.75	2.00
Customer internally generated funds decreased	1.64	1.56	1.80
Customer merger or acquisition financing needs increased	1.79	2.11	1.20
Customer borrowing shifted from other sources to your bank because these other sources became less attractive	1.57	1.67	1.40
Other	1.00	1.00	1.00
Number of banks responding	14	9	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	1.25	1.20	1.33
Customer accounts receivable financing needs decreased	1.19	1.20	1.17
Customer investment in plant or equipment decreased	1.75	1.70	1.83
Customer internally generated funds increased	1.44	1.30	1.67
Customer merger or acquisition financing needs decreased	1.56	1.60	1.50
Customer borrowing shifted from your bank to other sources because these other sources became more attractive	1.38	1.30	1.50
Other	1.44	1.50	1.33
Number of banks responding	16	10	6

Since the middle of 1999, issuance in the high-yield bond market has fallen off notably. ***Questions 6-7*** *ask to what extent demand for C&I loans at your has bank been affected by recent developments in the market for below-investment grade bonds.*

6. Over the past *twelve months*, to what extent has demand for C&I loans at your bank been strengthened by borrowers that have turned to banks because of unfavorable conditions in the high-yield bond market?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially	2	3.5	2	6.5	0	0.0
Somewhat	14	24.6	12	38.7	2	7.7
Little or not at all	41	71.9	17	54.8	24	92.3
Total	57	100.0	31	100.0	26	100.0

7. If you answered 1 or 2 to question 6, how receptive has your bank been to this additional demand?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Very receptive	0	0.0	0	0.0	0	0.0
Fairly receptive	10	62.5	9	64.3	1	50.0
Fairly unreceptive	5	31.3	4	28.6	1	50.0
Very unreceptive	1	6.3	1	7.1	0	0.0
Total	16	100.0	14	100.0	2	100.0

Questions 8 and 9 *ask about* ***commercial real estate loans*** *at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 8 deals with changes in your bank's standards over the last three months, and question 9 deals with changes in demand over the same period. If your bank's lending standards or terms have not changed over the past three months, 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 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.*

8. 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	12	21.4	3	10.0	9	34.6
Remained basically unchanged	44	78.6	27	90.0	17	65.4
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	56	100.0	30	100.0	26	100.0

9. Apart from normal seasonal variation, how has demand for commercial real estate loans changed over the past three months?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially stronger	1	1.8	1	3.4	0	0.0
Moderately stronger	11	20.0	3	10.3	8	30.8
About the same	34	61.8	20	69.0	14	53.8
Moderately weaker	9	16.4	5	17.2	4	15.4
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	55	100.0	29	100.0	26	100.0

Questions 10-13 *ask about* ***residential mortgage loans*** *at your bank. Question 10 deals with changes in your bank's credit standards over the past three months, and question 11 deals with changes in demand over the same period. Question 12 asks about the distribution of loan-to-value ratios on home mortgage originations over the past three months. Question 13 asks about changes in your bank's terms on these loans over the past two years. If your bank's credit standards and terms have not changed over the relevant time frame, 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.*

10. 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	51	94.4	26	92.9	25	96.2
Eased somewhat	3	5.6	2	7.1	1	3.8
Eased considerably	0	0.0	0	0.0	0	0.0
Total	54	100.0	28	100.0	26	100.0

11. Apart from normal seasonal variation, how has demand for mortgages to purchase homes changed over the past three months? (Please consider only new originations as opposed to the refinancing of existing mortgages.)

	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	7	13.0	6	21.4	1	3.8
About the same	17	31.5	10	35.7	7	26.9
Moderately weaker	27	50.0	11	39.3	16	61.5
Substantially weaker	3	5.6	1	3.6	2	7.7
Total	54	100.0	28	100.0	26	100.0

12. Over the past three months, approximately what share of home mortgage originations at your bank has had loan-to-value ratios in the following ranges? (Please exclude originations of home equity loans. Percentages may not add to 100 due to rounding.)

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
More than 100 percent	0.67	0.72	0.61
100 percent	1.44	1.92	0.91
95 to 99 percent	8.21	7.64	8.84
90 to 94 percent	11.55	11.44	11.68
80 to 89 percent	26.07	24.96	27.28
Less than 80 percent	52.06	53.32	50.68
Number of banks responding	48	25	23

13. Over the past *two years*, how have the following terms on mortgage loans to purchase homes changed? (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 size of mortgage	3.49	3.30	3.71
Maximum maturity	3.00	3.04	2.96
Loan origination fees	3.22	3.22	3.21
Spreads of mortgage rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.31	3.59	3.00
Maximum length of extended interest-rate locks (shorter=tightened, longer=eased)	3.04	3.04	3.04
Minimum downpayment (higher=tightened, lower=eased)	3.29	3.33	3.25
Maximum number of discount points available (less=tightened, more=eased)	2.98	3.04	2.92
Other	3.04	3.07	3.00
Number of banks responding	51	27	24

Questions 14-19 *ask about* ***consumer lending*** *at your bank. Questions 14-16 deal with changes in your bank's willingness to make, and in its credit standards for, consumer loans over the past three months. Questions 17-18 deal with changes in loan terms over the same period, and question 19 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.*

14. 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	1	1.9	0	0.0	1	3.8
About unchanged	50	92.6	26	92.9	24	92.3
Somewhat less willing	3	5.6	2	7.1	1	3.8
Much less willing	0	0.0	0	0.0	0	0.0
Total	54	100.0	28	100.0	26	100.0

15. 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	2	5.1	1	5.0	1	5.3
Remained basically unchanged	36	92.3	18	90.0	18	94.7
Eased somewhat	1	2.6	1	5.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	39	100.0	20	100.0	19	100.0

16. 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	4	7.4	3	10.7	1	3.8
Remained basically unchanged	49	90.7	25	89.3	24	92.3
Eased somewhat	1	1.9	0	0.0	1	3.8
Eased considerably	0	0.0	0	0.0	0	0.0
Total	54	100.0	28	100.0	26	100.0

17. 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	3.03	3.11	2.94
Spreads of interest rates charged on outstanding balances over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.00	3.00	3.00
Minimum percent of outstanding balances required to be repaid each month	2.97	3.00	2.94
Other	3.00	3.00	3.00
Number of banks responding	36	19	17

18. 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 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 maturity	2.98	3.00	2.96
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.89	2.93	2.84
Minimum required down payment	2.98	2.96	3.00
Other	2.96	2.93	3.00
Number of banks responding	53	28	25

19. Apart from normal seasonal variation, how has demand for consumer loans of all types changed over the past three months?

	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	4	7.4	1	3.6	3	11.5
About the same	34	63.0	17	60.7	17	65.4
Moderately weaker	16	29.6	10	35.7	6	23.1
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	54	100.0	28	100.0	26	100.0

Loans to purchase and carry securities *expanded rapidly late last year and in the early months of 2000.* ***Questions 20-24*** *ask about your bank's activities in the market for loans to purchase and carry securities. (Loans to purchase and carry securities are defined to include all loans made to nonbank brokers and dealers and all loans, whether secured (except by real estate) or unsecured, to any other borrower for the purpose of purchasing or carrying securities.) Reported percentages and means are weighted by average outstanding loans to purchase and carry securities during the month of April.*

20. Of the loans to purchase and carry securities on your bank's books, what is the typical approximate percentage distribution across customers? (Percentages may not add to 100 due to rounding.)

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Nonbank brokers and dealers in securities	62.15	63.43	10.69
Mutual funds	5.64	5.75	1.34
Other financial institutions	3.13	3.15	2.21
Private banking and other retail customers	28.35	26.92	85.76
Other	0.73	0.74	0.00
Number of banks responding	49	27	22

21. Approximately what percentage of your bank's loans to purchase and carry securities is secured? (Percentages may not add to 100 due to rounding.)

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
90 to 100 percent	38	39.9	20	39.0	18	77.9
75 to 89 percent	4	34.9	2	35.5	2	9.1
50 to 74 percent	5	15.9	4	16.0	1	12.9
Less than 50 percent	2	9.4	2	9.6	0	0.0
Total	49	100.0	28	100.0	21	100.0

22. With respect to loans to purchase and carry securities at your bank that are secured, what is the approximate percentage distribution of collateral used across the following financial instruments? (Percentages may not add to 100 due to rounding.)

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
U.S. government securities	11.00	10.93	13.93
U.S. agency securities	8.49	8.44	10.48
Other debt instruments	15.67	15.90	5.59
Equity instruments	61.86	61.67	69.99
Other	2.98	3.05	0.01
Number of banks responding	47	27	20

23. Approximately what percentage of your bank's loans to purchase and carry securities are made under commitment? (Percentages may not add to 100 due to rounding.)

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
90 to 100 percent	12	4.6	3	3.6	9	47.9
75 to 89 percent	10	10.9	5	10.5	5	28.4
50 to 74 percent	3	9.4	3	9.6	0	0.0
25 to 49 percent	4	10.5	3	10.4	1	16.2
Less than 25 percent	18	64.6	14	65.9	4	7.6
Total	47	100.0	28	100.0	19	100.0

24. If loans to purchase and carry securities have grown at your bank since last fall, what have been the major 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
Broker-dealer financing needs have been high	2.36	2.37	1.44
Lending to mutual funds has been strong	1.04	1.04	1.27
Demands from private banking and other retail customers has been high	1.68	1.68	1.82
Other	1.01	1.01	1.00
Number of banks responding	33	21	12

Table 2

SENIOR LOAN OFFICER OPINION SURVEY ON BANK LENDING PRACTICES
AT SELECTED BRANCHES AND AGENCIES OF FOREIGN BANKS IN THE UNITED STATES
(Status of policy as of May 2000[1])

Questions 1-5 *ask about* ***commercial and industrial (C&I) loans*** *at your bank. Questions 1-3 deal with changes in your bank's lending policies over the past three months, and questions 4-5 deal with changes in demand over the same period. If your bank's lending policies have not changed over the past three months, please report them as unchanged even if the policies are either restrictive or accommodative relative to longer-term norms. If your bank's policies have tightened or eased over the past three months, please so report them regardless of how they stand relative to longer-term norms. Also, please report changes in enforcement of existing 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	7	33.3
Remained basically unchanged	12	57.1
Eased somewhat	1	4.8
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	2.67
Costs of credit lines	2.71
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.81
Premiums charged on riskier loans	2.43
Loan covenants	2.76
Collateralization requirements	2.81
Other	2.90
Total	21

1. As of December 31, 1999, the 21 respondents had combined assets of $227 billion, compared to $806 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 and 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 bank's current or expected capital position	1.00
A less favorable or more uncertain economic outlook	2.09
A worsening of industry-specific problems	1.91
Less aggressive competition from other commercial banks	1.27
Less aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.27
A reduced tolerance for risk	1.91
Decreased liquidity in the secondary market for these loans	1.45
Other	1.55
Number of banks responding	11

B. Possible reasons for easing credit standards or loan terms

	All Respondents
	Mean
An improvement in your bank's current or expected capital position	1.83
A more favorable or less uncertain economic outlook	1.50
An improvement in industry-specific problems	1.33
More aggressive competition from other commercial banks	1.83
More aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.17
An increased tolerance for risk	1.33
Increased liquidity in the secondary market for these loans	1.67
Other	1.00
Number of banks responding	6

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

	All Respondents	
	Banks	Pct
Substantially stronger	0	0.0
Moderately stronger	1	5.0
About the same	9	45.0
Moderately weaker	9	45.0
Substantially weaker	1	5.0
Total	20	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 and 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	2.00
Customer internally generated funds decreased	1.00
Customer merger or acquisition financing increased	2.00
Customer borrowing shifted from other sources to your bank because these other sources became less attractive	1.00
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	1.50
Customer accounts receivable financing needs decreased	1.38
Customer investment in plant or equipment decreased	1.50
Customer internally generated funds increased	1.75
Customer merger or acquisition financing decreased	1.88
Customer borrowing shifted from your bank to other sources because these other sources became more attractive	1.38
Other	1.00
Number of banks responding	8

Since the middle of 1999, issuance in the high-yield bond market has fallen off notably. ***Questions 6-7*** *ask to what extent demand for C&I loans at your bank has been affected by recent developments in the market for below-investment grade bonds.*

6. Over the past *twelve months*, to what extent has demand for C&I loans at your bank been strengthened by borrowers that have turned to banks because of unfavorable conditions in the high-yield bond market?

	All Respondents	
	Banks	Pct
Substantially	0	0.0
Somewhat	10	50.0
Little or not at all	10	50.0
Total	20	100.0

7. If you answered 1 or 2 to question 6, how receptive has your bank been to this additional demand?

	All Respondents	
	Banks	Pct
Very receptive	0	0.0
Fairly receptive	8	80.0
Fairly unreceptive	1	10.0
Very unreceptive	1	10.0
Total	10	100.0

Questions 8-9 *ask about* ***commercial real estate loans*** *at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 8 deals with changes in your bank's standards over the last three months, and question 9 deals with changes in demand over the same period. If your bank's lending standards or terms have not changed over the past three months, 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 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.*

8. 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	3	25.0
Remained basically unchanged	9	75.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	12	100.0

9. Apart from normal seasonal variation, how has demand for commercial real estate loans changed over the past three months?

	All Respondents	
	Banks	Pct
Substantially stronger	0	0.0
Moderately stronger	0	0.0
About the same	9	75.0
Moderately weaker	3	25.0
Substantially weaker	0	0.0
Total	12	100.0

Loans to purchase and carry securities *expanded very rapidly late last year and in the early months of 2000.* ***Questions 10-14*** *ask about your bank's activities in the market for loans to purchase and carry securities. (Loans to purchase and carry securities are defined to include all loans made to nonbank brokers and dealers and all loans, whether secured (except by real estate) or unsecured, to any other borrower for the purpose of purchasing or carrying securities.)*

10. Of the loans to purchase and carry securities on your bank's books, what is the typical approximate percentage distribution across customers? (Percentages may not add to 100 due to rounding.)

	All Respondents
	Mean
Nonbank brokers and dealers in securities	63.73
Mutual funds	11.45
Other financial institutions	14.36
Private banking and other retail customers	6.64
Other	3.82
Number of banks responding	11

11. Approximately what percentage of your bank's loans to purchase and carry securities is secured?

	All Respondents	
	Banks	Pct
90 to 100 percent	6	54.5
75 to 89 percent	1	9.1
50 to 74 percent	3	27.3
Less than 50 percent	1	9.1
Total	11	100.0

12. With respect to loans to purchase and carry securities at your bank that are secured, what is the approximate percentage distribution of collateral used across the following financial instruments? (Percentages may not add to 100 due to rounding.)

	All Respondents
	Mean
U.S. government securities	27.50
U.S. agency securities	7.30
Other debt instruments	27.10
Equity instruments	38.10
Other	0.00
Number of banks responding	10

13. Approximately what percentage of your bank's loans to purchase and carry securities are made under commitment?

	All Respondents	
	Banks	Pct
90 to 100 percent	1	9.1
75 to 89 percent	1	9.1
50 to 74 percent	1	9.1
25 to 49 percent	1	9.1
Less than 25 percent	7	63.6
Total	11	100.0

14. If loans to purchase and carry securities have grown at your bank since last fall, what have been the major reasons? (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

	All Respondents
	Mean
Broker-dealer financing needs have been high	1.89
Lending to mutual funds has been strong	1.33
Demands from private banking and other retail customers has been high	1.44
Other	1.33
Number of banks responding	9