

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

The November 2000 Senior Loan Officer Opinion Survey on Bank Lending Practices focused on changes in the supply of and demand for bank loans to businesses and households over the past three months. Supplementary questions addressed the extent to which tighter business lending policies have affected different customer groups and loan categories, the degree to which recent increases in delinquency rates on commercial and industrial (C&I) loans had been anticipated, and banks' expectations about changes in credit policies over the coming year. Loan officers from fifty-seven large domestic banks and twenty-four U.S. branches and agencies of foreign banks participated in the survey.

Over the past three months, large fractions of foreign and domestic banking institutions – 80 and 44 percent respectively – reported tightening lending standards for C&I loans to large and medium-sized firms, and many respondents tightened loan terms as well. About a quarter of domestic and foreign respondents also tightened standards for commercial real estate loans. On net, demand for C&I and commercial real estate loans was reported to have weakened somewhat over the past three months.

Over the past year, domestic banks applied tighter standards and terms most aggressively on C&I loans intended to finance mergers and acquisitions (M&As) as well as to new customers seeking loan commitments. Branches and agencies of foreign banks applied tighter policies more evenly across customer and loan categories, though they most often targeted lending to selected industries. Looking ahead, more than half of both domestic and foreign respondents indicated that they anticipate a further tightening of standards and terms on C&I loans before the end of 2001. Substantial net fractions of both domestic and foreign institutions reported that the increase in C&I loan delinquency rates over the past two years was somewhat greater than expected.

While a large percentage of domestic banks tightened lending policies in the business sector, credit standards for all types of household lending were little changed over the past three months. Almost all domestic banks reported unchanged standards for residential mortgage loans, and only a handful of banks had tightened standards and terms for all types of consumer loans. Demand for both residential mortgages and consumer loans reportedly weakened over the past three months.

Lending to Businesses

(Table 1, questions 1-10; Table 2, questions 1-10)

On net, more than 40 percent of domestic banks reported a tightening of standards on C&I loans to large and middle-market firms over the past three months; for loans to small firms, only about a quarter of domestic banks indicated that they had tightened standards. A full 80 percent of branches and agencies of foreign banks reported somewhat tighter standards on C&I loans over the same period. Looking ahead over the next year, more than half of domestic banks and two-thirds of foreign respondents indicated that they anticipate a further tightening of standards and terms on C&I loans, assuming that the economy expands at a sustainable rate over that period.

At least a third of domestic and foreign institutions, on net, reported tightening each of the loan terms listed in the survey for large and middle-market firms over the past three months. Somewhat smaller net percentages of domestic banks tightened terms on C&I loans to small firms. Two-thirds of domestic respondents and three-quarters of foreign branches and agencies noted charging higher premiums on riskier loans to large and middle-market firms, with no bank easing in this category. On net, about half of both domestic and foreign institutions also indicated a general increase in spreads of loan rates over their cost of funds to these firms.

Among both domestic and foreign institutions that had tightened standards or terms on C&I loans, the reasons most often cited for doing so were a less favorable or more uncertain economic outlook, a worsening of industry-specific problems, and a reduced tolerance for risk. A significant fraction of foreign respondents also mentioned an increase in defaults by below-investment-grade borrowers in public debt markets as a reason for tightening their lending policies.

The November survey included a special question to determine which customer groups and loan categories had been most affected by the tighter standards and terms that have been reported over the past year. Loans to finance mergers and acquisitions were most frequently mentioned as affected by tighter underwriting standards by domestic banks, which also claimed to be clamping down somewhat more on applications from new customers seeking loan commitments. Tightening at branches and agencies of foreign banks appears to have been somewhat more evenly applied across customer groups and loan categories, though firms in selected industries and new customers seeking loan commitments were most frequently cited. Among all the respondents, numerous institutions noted that they had been especially cautious when lending to industries such as healthcare, movie theaters, and communications, and at least two banks singled out the textile, retail, trucking, and asbestos removal industries.

On net, 22 percent of domestic banks reported moderately weaker demand for C&I loans from large and middle-market firms, while almost 40 percent of foreign branches and agencies saw weaker demand over the past three months. A smaller net fraction of domestic banks reported decreased demand from small firms over the same period. Consistent with the slowdown in the pace of business investment during the third quarter, domestic banks that reported weaker loan demand most often cited a decrease in customer needs to finance capital expenditures, followed by reduced M&A financing requirements. A decrease in customers' need for M&A financing was the most common response among foreign respondents that experienced weaker demand for C&I loans.

A special question addressed the extent to which banks had anticipated the gradual increase in C&I loan delinquency rates that has occurred over the past two years. The smaller respondents in the survey (domestic banks with less than \$20 billion in assets) indicated that, on balance, their delinquency rates rose about in line with expectations. However, more than 60 percent of the larger domestic respondents and 55 percent of branches and agencies of foreign banks, on net, reported that they were somewhat surprised by how much the quality of their C&I loan portfolios had deteriorated. Moreover, several of the domestic banks indicated that the increase in C&I loan delinquency rates had been much greater than anticipated.

Lending to Households

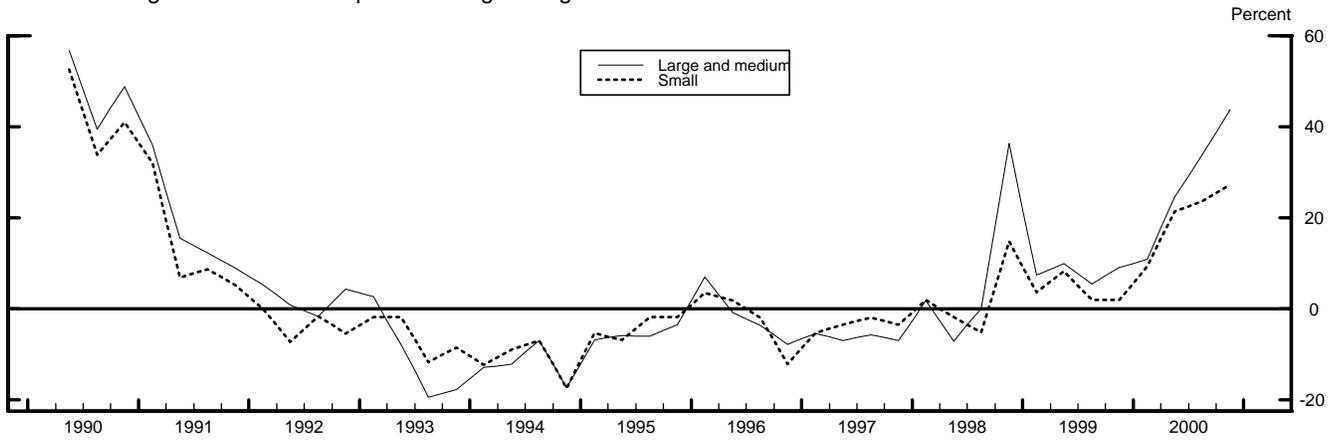
(Table 1, questions 11-18)

Over the past three months, banks' credit standards for approving residential mortgage loans were largely unchanged. The falloff in the demand for home mortgage loans at banks slowed over the past three months – on net, 33 percent of respondents reported somewhat weaker demand in the current survey, compared with 40 percent in the August survey.

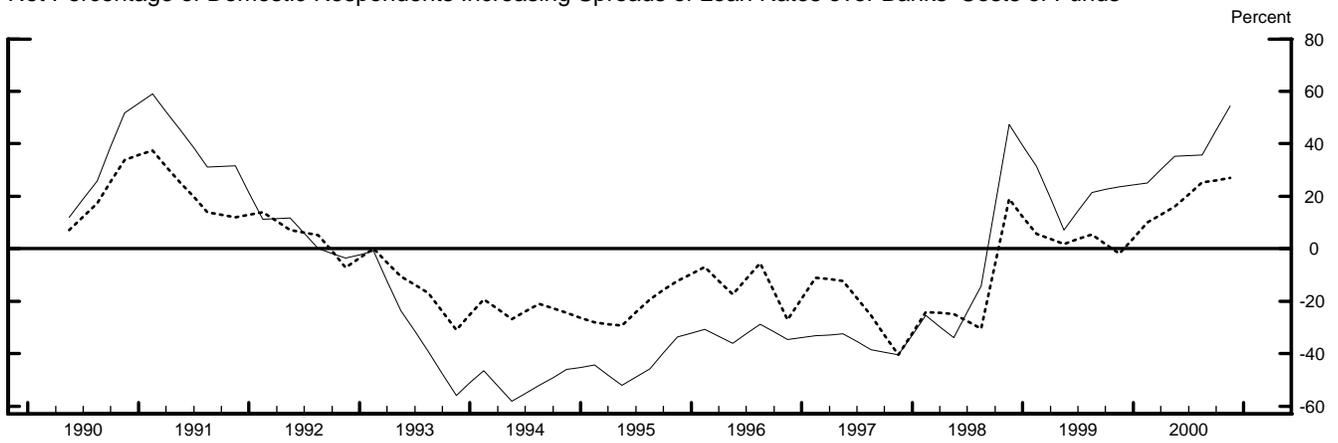
Nearly all banks also indicated that their willingness to make consumer installment loans was unchanged from three months ago. However, a few banks, on net, tightened credit standards for both credit card and other consumer loans, and more than 10 percent of banks reported charging higher spreads of loan rates over their cost of funds as well. On net, 13 percent of domestic banks observed moderately weaker demand for all types of consumer loans over the past three months.

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

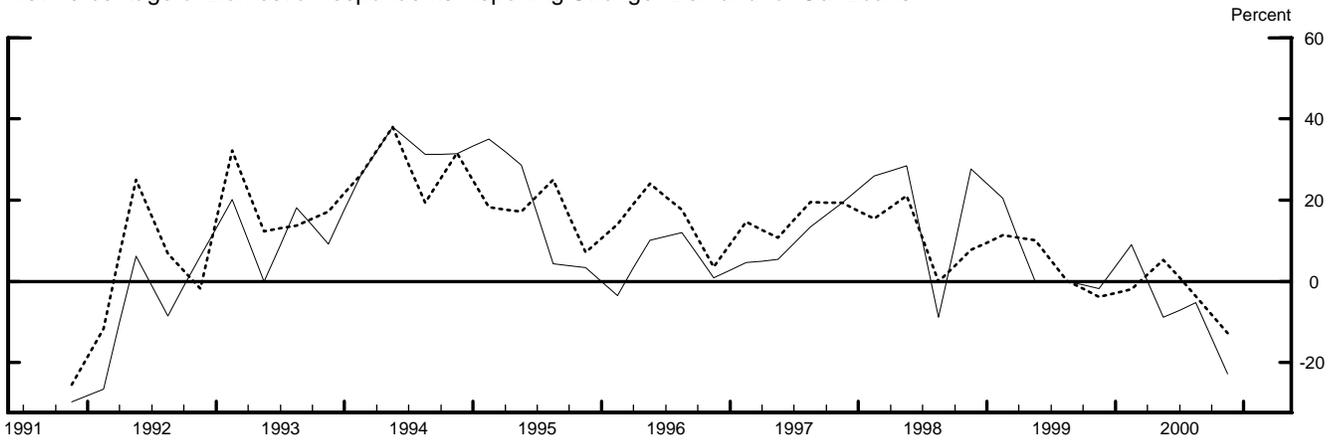
Net Percentage of Domestic Respondents Tightening Standards for C&I Loans



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

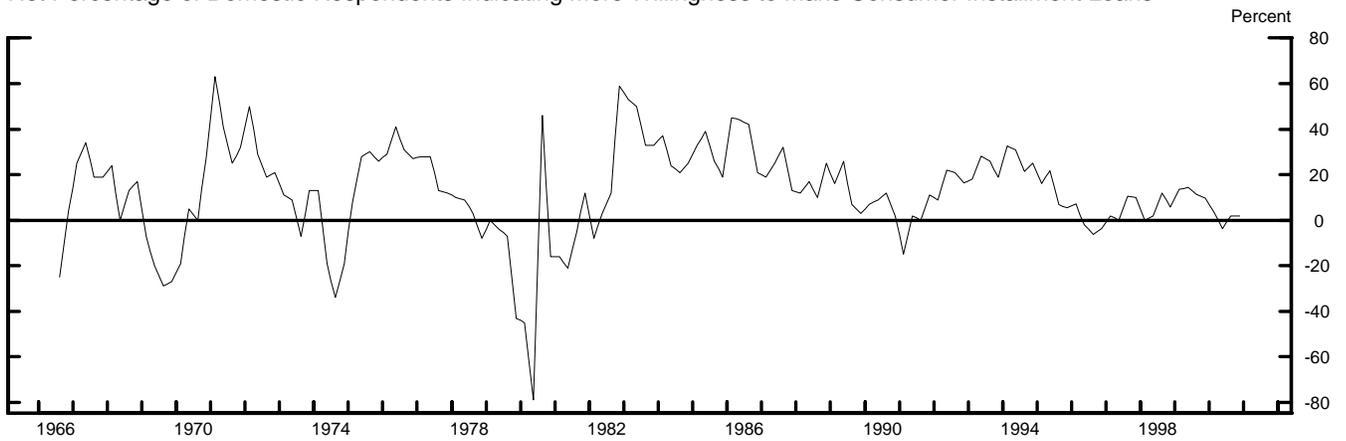


Net Percentage of Domestic Respondents Reporting Stronger Demand for C&I Loans

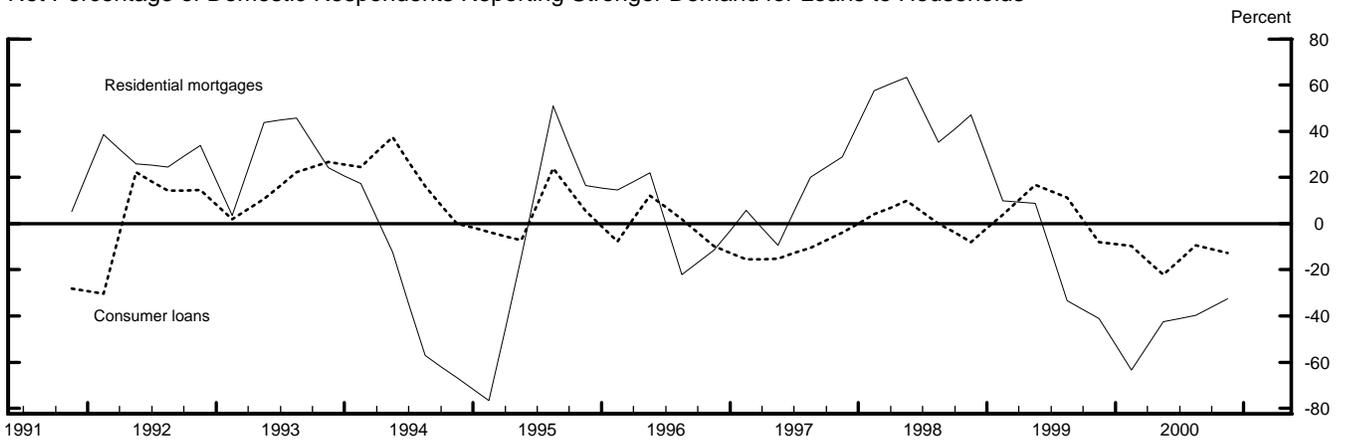


Measures of Supply and Demand for Loans to Households

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



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



Net Percentage of Domestic Respondents Tightening Standards for Mortgages to Individuals

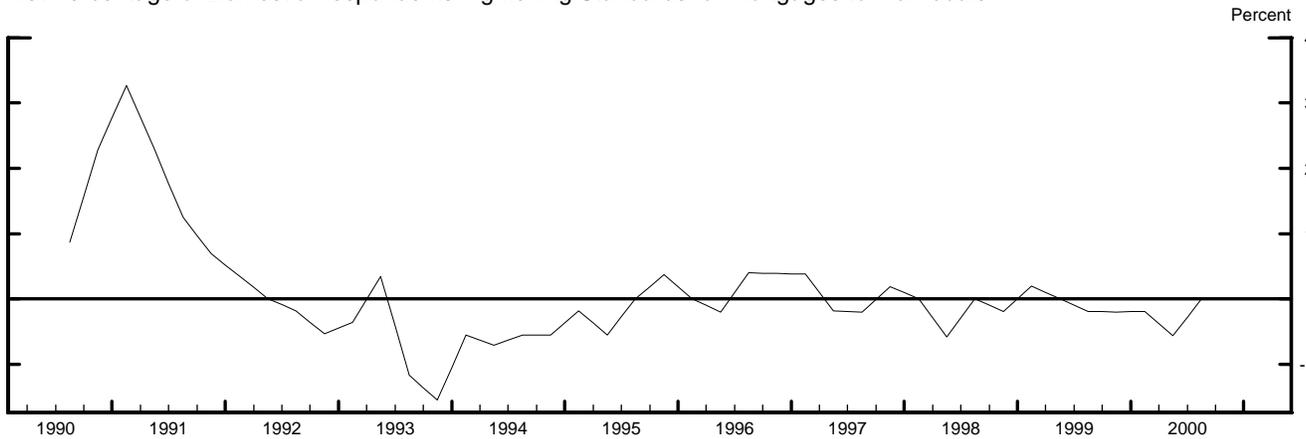


Table 1

SENIOR LOAN OFFICER OPINION SURVEY ON BANK LENDING PRACTICES
AT SELECTED LARGE BANKS IN THE UNITED STATES
(Status of policy as of November 2000¹)

Questions 1-6 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. Question 4 asks which of your customers have been most affected by changes in your bank's lending policies since the beginning of this year. Questions 5-6 deal with changes in demand for C&I loans over the past three months. 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	26	45.6	17	54.8	9	34.6
Remained basically unchanged	30	52.6	14	45.2	16	61.5
Eased somewhat	1	1.8	0	0.0	1	3.8
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	16	29.1	10	34.5	6	23.1
Remained basically unchanged	38	69.1	19	65.5	19	73.1
Eased somewhat	1	1.8	0	0.0	1	3.8
Eased considerably	0	0.0	0	0.0	0	0.0
Total	55	100.0	29	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 March 31, 2000. The combined assets of the 31 large banks totaled \$2.44 trillion, compared to \$2.70 trillion for the entire panel of 57 banks, and \$5.08 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	2.54	2.45	2.65
Costs of credit lines	2.53	2.35	2.73
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.42	2.29	2.58
Premiums charged on riskier loans	2.26	2.16	2.38
Loan covenants	2.58	2.55	2.62
Collateralization requirements	2.65	2.55	2.77
Other	2.98	3.00	2.96
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	2.81	2.73	2.88
Costs of credit lines	2.79	2.69	2.88
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.73	2.69	2.77
Premiums charged on riskier loans	2.48	2.35	2.62
Loan covenants	2.63	2.58	2.69
Collateralization requirements	2.75	2.65	2.85
Other	3.00	3.00	3.00
Number of banks responding	52	26	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	1.17	1.00	1.37
A less favorable or more uncertain economic outlook	2.14	2.21	2.05
A worsening of industry-specific problems	1.98	2.21	1.68
Less aggressive competition from other banks	1.28	1.29	1.26
Less aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.28	1.38	1.16
A reduced tolerance for risk	1.88	1.96	1.79
Decreased liquidity in the secondary market for these loans	1.56	1.71	1.37
An increase in defaults by below-investment-grade borrowers in public debt markets.	1.67	1.79	1.53
Other	1.00	1.00	1.00
Number of banks responding	43	24	19

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	1.00	1.00
A more favorable or less uncertain economic outlook	1.17	1.25	1.00
An improvement in industry-specific problems	1.00	1.00	1.00
More aggressive competition from other banks	2.17	1.75	3.00
More aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	2.00	1.75	2.50
An increased tolerance for risk	1.33	1.25	1.50
Increased liquidity in the secondary market for these loans	1.00	1.00	1.00
Other	1.00	1.00	1.00
Number of banks responding	6	6	2

4. If your bank's credit standards or terms for C&I loans or credit lines have tightened or eased, on net, since the beginning of this year, which of your customers have been affected by these changes? (Please respond to either A or B as appropriate and rate each customer group using the following scale: 1=not affected, 2=somewhat affected, 3=most strongly affected.)

A. Customer groups affected by tighter credit standards or loan terms

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Customers renewing existing commitments	1.65	1.76	1.47
New customers seeking lending commitments	2.10	2.07	2.16
Customers without committed lines seeking loans	1.67	1.62	1.74
Customers seeking M&A financing	2.33	2.34	2.32
Customers seeking commercial paper back-up lines	1.48	1.48	1.47
Customers in selected industries	1.81	1.93	1.63
Other	1.04	1.07	1.00
Number of banks responding	48	29	19

B. Customer groups affected by easier credit standards or loan terms

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Customers renewing existing commitments	1.75	1.67	2.00
New customers seeking lending commitments	1.75	1.67	2.00
Customers seeking loans without commitments	1.00	1.00	1.00
Customers seeking M&A financing	1.00	1.00	1.00
Customers seeking commercial paper back-up lines	1.00	1.00	1.00
Customers in selected industries	1.00	1.00	1.00
Other	1.00	1.00	1.00
Number of banks responding	4	3	1

5. Apart from normal seasonal variation, how has demand for C&I loans changed over the past three months? (Please consider only funds actually disbursed 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	7	12.3	2	6.5	5	19.2
About the same	30	52.6	15	48.4	15	57.7
Moderately weaker	20	35.1	14	45.2	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	7	12.7	1	3.4	6	23.1
About the same	34	61.8	21	72.4	13	50.0
Moderately weaker	14	25.5	7	24.1	7	26.9
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	55	100.0	29	100.0	26	100.0

6. If demand for C&I loans has strengthened or weakened over the past three months (as described in question 5), 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 5A or 5B), possible reasons

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Customer inventory financing needs increased	1.62	1.71	1.50
Customer accounts receivable financing needs increased	1.54	1.71	1.33
Customer investment in plant or equipment increased	1.38	1.29	1.50
Customer internally generated funds decreased	1.38	1.57	1.17
Customer merger or acquisition financing needs increased	1.62	1.71	1.50
Customer borrowing shifted from other sources to your bank because these other sources became less attractive	1.69	1.71	1.67
Other	1.08	1.14	1.00
Number of banks responding	13	7	6

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

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Customer inventory financing needs decreased	1.55	1.53	1.57
Customer accounts receivable financing needs decreased	1.59	1.60	1.57
Customer investment in plant or equipment decreased	2.14	2.13	2.14
Customer internally generated funds increased	1.23	1.20	1.29
Customer merger or acquisition financing needs decreased	1.77	1.87	1.57
Customer borrowing shifted from your bank to other sources because these other sources became more attractive	1.23	1.20	1.29
Other	1.09	1.13	1.00
Number of banks responding	22	15	7

Delinquency rates on C&I loans have been rising steadily since the middle of 1998, and recent data indicate a further deterioration in the average quality of business loan portfolios. **Question 7** asks whether the quality of your bank's C&I loan portfolio has deteriorated over this period and to what extent such deterioration was anticipated. **Question 8** asks about potential changes in lending policies at your bank through the end of 2001.

7. If the quality of your bank's C&I loan portfolio has deteriorated since the middle of 1998, please characterize the extent of deterioration relative to your bank's initial expectations?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Much greater than had been expected	5	10.4	4	14.3	1	5.0
Somewhat greater than had been expected	19	39.6	14	50.0	5	25.0
About as much as had been expected	19	39.6	9	32.1	10	50.0
Somewhat less than had been expected	5	10.4	1	3.6	4	20.0
Much less than had been expected	0	0.0	0	0.0	0	0.0
Total	48	100.0	28	100.0	20	100.0

8. From now through the end of 2001, how would you expect standards and terms on C&I loans at your bank to change, assuming that the economy expands at a sustainable rate?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Tighten considerably	2	3.5	1	3.2	1	3.8
Tighten somewhat	28	49.1	15	48.4	13	50.0
Remain basically unchanged	27	47.4	15	48.4	12	46.2
Ease somewhat	0	0.0	0	0.0	0	0.0
Ease considerably	0	0.0	0	0.0	0	0.0
Total	57	100.0	31	100.0	26	100.0

Questions 9-10 ask about **commercial real estate loans** at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 9 deals with changes in your bank's standards over the last three months, and question 10 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.

9. 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	2	3.5	0	0.0	2	7.7
Tightened somewhat	13	22.8	6	19.4	7	26.9
Remained basically unchanged	42	73.7	25	80.6	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	57	100.0	31	100.0	26	100.0

10. 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	0	0.0	0	0.0	0	0.0
Moderately stronger	5	8.8	0	0.0	5	19.2
About the same	42	73.7	25	80.6	17	65.4
Moderately weaker	10	17.5	6	19.4	4	15.4
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	57	100.0	31	100.0	26	100.0

Questions 11-12 ask about **residential mortgage loans** at your bank. Question 11 deals with changes in your bank's credit standards over the past three months, and question 12 deals with changes in demand over the same period. If your bank's credit standards have not changed over the past three months, please report them as unchanged even if the standards are either restrictive or accommodative relative to longer-term norms. If your bank's credit standards have tightened or eased over the past three months, please so report them regardless of how they stand relative to longer-term norms. Also, please report changes in enforcement of existing standards as changes in standards.

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

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	1	1.9	0	0.0	1	4.2
Remained basically unchanged	50	96.2	27	96.4	23	95.8
Eased somewhat	1	1.9	1	3.6	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	52	100.0	28	100.0	24	100.0

12. 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	3	5.8	3	10.7	0	0.0
About the same	29	55.8	15	53.6	14	58.3
Moderately weaker	20	38.5	10	35.7	10	41.7
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	52	100.0	28	100.0	24	100.0

Questions 13-18 ask about **consumer lending** at your bank. Questions 13-15 deal with changes in your bank's willingness to make, and in its credit standards for, consumer loans over the past three months. Questions 16-17 deal with changes in loan terms over the same period, and question 18 deals with changes in demand over the same period. If your bank's lending policies have not changed over the past three months, please report them as unchanged even if the policies are either restrictive or accommodative relative to longer-term norms. If your bank's policies have tightened or eased over the past three months, please so report them regardless of how they stand relative to longer-term norms. Also, please report changes in enforcement of existing policies as changes in policies.

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

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Much more willing	0	0.0	0	0.0	0	0.0
Somewhat more willing	2	3.6	1	3.4	1	3.8
About unchanged	52	94.5	27	93.1	25	96.2
Somewhat less willing	1	1.8	1	3.4	0	0.0
Much less willing	0	0.0	0	0.0	0	0.0
Total	55	100.0	29	100.0	26	100.0

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

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	4	11.1	3	16.7	1	5.6
Remained basically unchanged	31	86.1	14	77.8	17	94.4
Eased somewhat	1	2.8	1	5.6	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	36	100.0	18	100.0	18	100.0

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

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	6	11.1	4	13.8	2	8.0
Remained basically unchanged	46	85.2	23	79.3	23	92.0
Eased somewhat	2	3.7	2	6.9	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	54	100.0	29	100.0	25	100.0

16. Over the past three months, how has your bank changed the following terms on new or existing credit card accounts for individuals or households? (Please assign each term a number between 1 and 5 using the following scale: 1=tightened considerably, 2=tightened somewhat, 3=remained basically unchanged, 4=eased somewhat, 5=eased considerably.)

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Credit limits	2.97	2.94	3.00
Spreads of interest rates charged on outstanding balances over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.88	2.75	3.00
Minimum percent of outstanding balances required to be repaid each month	3.00	3.00	3.00
Other	2.97	2.94	3.00
Number of banks responding	33	16	17

17. Over the past three months, how has your bank changed the following terms on consumer loans other than credit card loans? (Please assign each term a number between 1 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	3.00	3.03	2.96
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.85	2.83	2.88
Minimum required down payment	2.98	2.93	3.04
Other	2.98	3.03	2.92
Number of banks responding	55	29	26

18. 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	7	12.7	3	10.3	4	15.4
About the same	34	61.8	17	58.6	17	65.4
Moderately weaker	14	25.5	9	31.0	5	19.2
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	55	100.0	29	100.0	26	100.0

Table 2

SENIOR LOAN OFFICER OPINION SURVEY ON BANK LENDING PRACTICES
AT SELECTED BRANCHES AND AGENCIES OF FOREIGN BANKS IN THE UNITED STATES
(Status of policy as of November 2000¹)

Questions 1-6 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. Question 4 asks which of your customers have been most affected by changes in your bank's lending policies since the beginning of this year. Questions 5-6 deal with changes in demand for C&I loans over the past three months. 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	0	0.0
Tightened somewhat	19	79.2
Remained basically unchanged	5	20.8
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	24	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	2.54
Costs of credit lines	2.63
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.50
Premiums charged on riskier loans	2.17
Loan covenants	2.58
Collateralization requirements	2.71
Other	2.92
Total	24

1. As of March 31, 2000, the 24 respondents had combined assets of \$287 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	1.35
A less favorable or more uncertain economic outlook	2.40
A worsening of industry-specific problems	2.30
Less aggressive competition from other commercial banks	1.10
Less aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.05
A reduced tolerance for risk	2.05
Decreased liquidity in the secondary market for these loans	1.75
An increase in defaults by below-investment-grade borrowers in public debt markets.	2.05
Other	1.15
Number of banks responding	20

B. Possible reasons for easing credit standards or loan terms

	All Respondents
	Mean
An improvement in your bank's current or expected capital position	1.00
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	3.00
More aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	2.00
An increased tolerance for risk	1.00
Increased liquidity in the secondary market for these loans	1.00
Other	1.00
Number of banks responding	1

4. If your bank's credit standards or terms for C&I loans or credit lines have tightened or eased, on net, since the beginning of this year, which of your customers have been affected by these changes? (Please respond to either A or B as appropriate and rate each customer group using the following scale: 1=not affected, 2=somewhat affected, 3=most strongly affected.)

A. Customer groups affected by tighter credit standards or loan terms

	All Respondents
	Mean
Customers renewing existing commitments	2.05
New customers seeking lending commitments	2.15
Customers without committed lines seeking loans	1.80
Customers seeking M&A financing	2.10
Customers seeking commercial paper back-up lines	2.05
Customers in selected industries	2.40
Other	1.00
Number of banks responding	20

B. Customer groups affected by easier credit standards or loan terms

	All Respondents
	Mean
Customers renewing existing commitments	1.00
New customers seeking lending commitments	1.00
Customers seeking loans without commitments	1.50
Customers seeking M&A financing	1.00
Customers seeking commercial paper back-up lines	1.00
Customers in selected industries	2.00
Other	1.00
Number of banks responding	2

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

	All Respondents	
	Banks	Pct
Substantially stronger	0	0.0
Moderately stronger	0	0.0
About the same	15	62.5
Moderately weaker	8	33.3
Substantially weaker	1	4.2
Total	24	100.0

6. If demand for C&I loans has strengthened or weakened over the past three months (as described in question 5), 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 5), 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	1.00
Customer internally generated funds decreased	1.00
Customer merger or acquisition financing increased	1.00
Customer borrowing shifted from other sources to your bank because these other sources became less attractive	3.00
Other	1.00
Number of banks responding	1

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

	All Respondents
	Mean
Customer inventory financing needs decreased	1.67
Customer accounts receivable financing needs decreased	1.67
Customer investment in plant or equipment decreased	1.67
Customer internally generated funds increased	1.44
Customer merger or acquisition financing needs decreased	2.11
Customer borrowing shifted from your bank to other sources because these other sources became more attractive	1.44
Other	1.22
Number of banks responding	9

Delinquency rates on C&I loans have been rising steadily since the middle of 1998, and recent data indicate a further deterioration in the average quality of business loan portfolios. **Question 7** asks whether the quality of your bank's C&I loan portfolio has deteriorated over this period and to what extent such deterioration was anticipated. **Question 8** asks about potential changes in lending policies at your bank through the end of 2001.

7. If the quality of your bank's C&I loan portfolio has deteriorated since the middle of 1998, please characterize the extent of deterioration relative to your bank's initial expectations?

	All Respondents	
	Banks	Pct
Much greater than had been expected	0	0.0
Somewhat greater than had been expected	13	56.5
About as much as had been expected	10	43.5
Somewhat less than had been expected	0	0.0
Much less than had been expected	0	0.0
Total	23	100.0

8. From now through the end of 2001, how would you expect standards and terms on C&I loans at your bank to change, assuming that the economy expands at a sustainable rate?

	All Respondents	
	Banks	Pct
Tighten considerably	2	8.3
Tighten somewhat	14	58.3
Remain basically unchanged	8	33.3
Ease somewhat	0	0.0
Ease considerably	0	0.0
Total	24	100.0

Questions 9-10 ask about **commercial real estate loans** at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 9 deals with changes in your bank's standards over the last three months, and question 10 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.

9. Over the past three months, how have your bank's credit standards for approving applications for commercial real estate loans changed?

	All Respondents	
	Banks	Pct
Tightened considerably	1	7.1
Tightened somewhat	3	21.4
Remained basically unchanged	10	71.4
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	14	100.0

10. 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	3	21.4
About the same	9	64.3
Moderately weaker	1	7.1
Substantially weaker	1	7.1
Total	14	100.0

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