

Table 1

Senior Loan Officer Opinion Survey on Bank Lending Practices at Selected Large Banks in the United States ¹

(Status of policy as of April 2005)

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. Questions 4-5 deal with changes in demand for C&I loans over the past three months. Question 6 asks about changes in prospective demand for C&I loans at your bank, as indicated by the volume of recent inquiries about the availability of new credit lines or increases in existing lines. 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	Percent	Banks	Percent	Banks	Percent
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	41	75.9	23	71.9	18	81.8
Eased somewhat	13	24.1	9	28.1	4	18.2
Eased considerably	0	0.0	0	0.0	0	0.0
Total	54	100.0	32	100.0	22	100.0

b. Standards for small firms (annual sales of less than \$50 million):

	All Respondents		Large Banks		Other Banks	
	Banks	Percent	Banks	Percent	Banks	Percent
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	41	75.9	24	75.0	17	77.3
Eased somewhat	13	24.1	8	25.0	5	22.7
Eased considerably	0	0.0	0	0.0	0	0.0
Total	54	100.0	32	100.0	22	100.0

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 \$50 million or more):

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Maximum size of credit lines	3.24	3.25	3.23
Costs of credit lines	3.44	3.53	3.32
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.72	3.78	3.64
Premiums charged on riskier loans	3.22	3.41	2.95
Loan covenants	3.26	3.31	3.18
Collateralization requirements	3.13	3.16	3.09
Other (please specify)	3.75	3.50	4.00
Number of banks responding	54	32	22

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	3.08	3.10	3.05
Costs of credit lines	3.28	3.32	3.23
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.55	3.58	3.50
Premiums charged on riskier loans	3.15	3.26	3.00
Loan covenants	3.23	3.23	3.23
Collateralization requirements	3.08	3.06	3.09
Other (please specify)	3.50	3.00	4.00
Number of banks responding	53	31	22

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
Deterioration in your bank's current or expected capital position	1.00	1.00	1.00
Less favorable or more uncertain economic outlook	1.60	1.33	2.00
Worsening of industry-specific problems (please specify industries)	1.60	1.67	1.50
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.20	1.00	1.50
Reduced tolerance for risk	1.50	1.00	2.00
Decreased liquidity in the secondary market for these loans	1.00	1.00	1.00
Increase in defaults by borrowers in public debt markets	1.00	1.00	1.00
Other (please specify)	2.50	2.50	0.00
Number of banks responding	7	4	3

b. Possible reasons for easing credit standards or loan terms:

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Improvement in your bank's current or expected capital position	1.19	1.18	1.21
More favorable or less uncertain economic outlook	1.64	1.68	1.57
Improvement in industry-specific problems (please specify industries)	1.26	1.14	1.43
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	2.81	2.78	2.86
Increased tolerance for risk	1.50	1.45	1.57
Increased liquidity in the secondary market for these loans	1.47	1.64	1.21
Reduction in defaults by borrowers in public debt markets	1.25	1.27	1.21
Other (please specify)	1.00	0.00	1.00
Number of banks responding	37	23	14

4. 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	Percent	Banks	Percent	Banks	Percent
Substantially stronger	1	1.9	1	3.1	0	0.0
Moderately stronger	24	44.4	17	53.1	7	31.8
About the same	24	44.4	11	34.4	13	59.1
Moderately weaker	5	9.3	3	9.4	2	9.1
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	54	100.0	32	100.0	22	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	Percent	Banks	Percent	Banks	Percent
Substantially stronger	1	1.9	1	3.1	0	0.0
Moderately stronger	22	40.7	12	37.5	10	45.5
About the same	28	51.9	16	50.0	12	54.5
Moderately weaker	3	5.6	3	9.4	0	0.0
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	54	100.0	32	100.0	22	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	1.94	1.95	1.92
Customer accounts receivable financing needs increased	2.03	2.00	2.08
Customer investment in plant or equipment increased	2.00	2.05	1.92
Customer internally generated funds decreased	1.31	1.35	1.25
Customer merger or acquisition financing needs increased	1.81	2.05	1.42
Customer borrowing shifted to your bank from other bank or nonbank sources because these other sources became less attractive	1.37	1.44	1.25
Other (please specify)	3.00	3.00	0.00
Number of banks responding	31	19	12

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	1.60	1.33	2.00
Customer accounts receivable financing needs decreased	1.40	1.33	1.50
Customer investment in plant or equipment decreased	1.86	2.25	1.33
Customer internally generated funds increased	2.00	2.25	1.50
Customer merger or acquisition financing needs decreased	1.33	1.50	1.00
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	1.20	1.00	1.50
Other (please specify)	2.00	2.00	0.00
Number of banks responding	8	5	3

6. At your bank, how has the number of inquiries from potential business borrowers regarding the availability and terms of new credit lines or increases in existing lines changed over the past three months? (Please consider only inquiries for additional C&I lines as opposed to the refinancing of existing loans.)

	All Respondents		Large Banks		Other Banks	
	Banks	Percent	Banks	Percent	Banks	Percent
The number of inquiries has increased substantially	1	1.9	1	3.2	0	0.0
The number of inquiries has increased moderately	24	45.3	12	38.7	12	54.5
The number of inquiries has stayed about the same	25	47.2	17	54.8	8	36.4
The number of inquiries has decreased moderately	3	5.7	1	3.2	2	9.1
The number of inquiries has decreased substantially	0	0.0	0	0.0	0	0.0
Total	53	100.0	31	100.0	22	100.0

The results of this survey indicate that banks consistently tightened lending standards and loan terms, on net, between 1998 and 2003, but generally eased standards and terms throughout 2004 and into early 2005. Other sources suggest that average spreads on syndicated C&I loans are now near levels last reached before lending terms began to tighten in 1998. Questions 7-9 ask how your bank's current C&I lending standards and terms compare with the standards and terms your institution offered on similar loans in the 1996-1997 period.

7. How do your bank's current 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 compare with the credit standards that prevailed at your institution during 1996 and 1997 for those credits?

a. Standards for large and middle-market firms (annual sales of \$50 million or more):

	All Respondents		Large Banks		Other Banks	
	Banks	Percent	Banks	Percent	Banks	Percent
Considerably tighter	1	1.9	0	0.0	1	4.5
Somewhat tighter	14	26.4	10	32.3	4	18.2
Very similar	26	49.1	16	51.6	10	45.5
Somewhat easier	12	22.6	5	16.1	7	31.8
Considerably easier	0	0.0	0	0.0	0	0.0
Total	53	100.0	31	100.0	22	100.0

b. Standards for small firms (annual sales of less than \$50 million):

	All Respondents		Large Banks		Other Banks	
	Banks	Percent	Banks	Percent	Banks	Percent
Considerably tighter	2	3.8	1	3.2	1	4.5
Somewhat tighter	9	17.0	7	22.6	2	9.1
Very similar	30	56.6	18	58.1	12	54.5
Somewhat easier	12	22.6	5	16.1	7	31.8
Considerably easier	0	0.0	0	0.0	0	0.0
Total	53	100.0	31	100.0	22	100.0

8. 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 do the terms currently offered on those loans compare with the terms that prevailed at your institution during 1996 and 1997? (Please assign each term a number between 1 and 5 using the following scale: 1=considerably tighter, 2=somewhat tighter, 3=very similar, 4=somewhat easier, 5=considerably easier.)

a. Terms for large and middle-market firms (annual sales of \$50 million or more):

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Maximum size of credit lines	3.30	3.19	3.45
Costs of credit lines	3.41	3.56	3.18
Spreads of loan rates over your bank's cost of funds (wider spreads=tighter, narrower spreads=easier)	3.52	3.56	3.45
Premiums charged on riskier loans	3.07	3.22	2.86
Loan covenants	3.07	3.16	2.95
Collateralization requirements	2.93	2.91	2.95
Other (please specify)	4.00	3.75	5.00
Number of banks responding	54	32	22

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	3.26	3.16	3.41
Costs of credit lines	3.28	3.34	3.18
Spreads of loan rates over your bank's cost of funds (wider spreads=tighter, narrower spreads=easier)	3.39	3.41	3.36
Premiums charged on riskier loans	3.13	3.28	2.91
Loan covenants	2.96	2.94	3.00
Collateralization requirements	2.98	2.91	3.09
Other (please specify)	4.00	3.50	5.00
Number of banks responding	54	32	22

9. If your bank's credit standards or terms for C&I loans or credit lines are currently easier or tighter than they were in 1996 and 1997 (as described in questions 7 and 8), how important are the following possible reasons for the differences? (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 tighter current credit standards or loan terms relative to the 1996-1997 period:

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Your bank's current or expected capital position is now weaker	1.08	1.06	1.11
The economic outlook is now less favorable or more uncertain	1.38	1.38	1.40
Competition from other banks or nonbank lenders (including other financial intermediaries or the capital markets) has diminished	1.16	1.19	1.11
Improved measurement and management of risk has reduced your bank's tolerance for risk	2.12	2.12	2.11
Concern about corporate governance and the quality of financial reporting has increased	1.56	1.44	1.78
Other (please specify)	2.50	2.50	0.00
Number of banks responding	27	17	10

b. Possible reasons for easier current credit standards or loan terms relative to the 1996-1997 period:

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Your bank's current or expected capital position is now stronger	1.53	1.60	1.44
The economic outlook is now more favorable or less uncertain	1.53	1.47	1.60
Competition from other banks or nonbank lenders (including other financial intermediaries or the capital markets) has increased	2.70	2.71	2.69
Improved measurement and management of risk has increased your bank's tolerance for risk	1.69	1.70	1.69
Increased liquidity in the secondary market for these loans has made loans of a given quality less risky	1.54	1.89	1.13
Other (please specify)	2.50	2.50	0.00
Number of banks responding	37	21	16

Questions 10-11 ask about **commercial real estate loans** at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 10 deals with changes in your bank's standards over the last three months. Question 11 deals with changes in demand. If your bank's lending standards or terms have not changed over the relevant period, 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 relevant period, 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 for commercial real estate loans changed?

	All Respondents		Large Banks		Other Banks	
	Banks	Percent	Banks	Percent	Banks	Percent
Tightened considerably	1	1.9	0	0.0	1	4.5
Tightened somewhat	0	0.0	0	0.0	0	0.0
Remained basically unchanged	40	74.1	22	68.8	18	81.8
Eased somewhat	13	24.1	10	31.3	3	13.6
Eased considerably	0	0.0	0	0.0	0	0.0
Total	54	100.0	32	100.0	22	100.0

11. 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	Percent	Banks	Percent	Banks	Percent
Substantially stronger	1	1.9	0	0.0	1	4.5
Moderately stronger	14	25.9	11	34.4	3	13.6
About the same	35	64.8	20	62.5	15	68.2
Moderately weaker	4	7.4	1	3.1	3	13.6
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	54	100.0	32	100.0	22	100.0

Questions 12-13 ask about **residential mortgage loans** at your bank. Question 12 deals with changes in your bank's credit standards over the past three months, and question 13 deals with changes in demand over the same period. If your bank's credit standards have not changed over the relevant period, 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 relevant period, 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.

12. 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	Percent	Banks	Percent	Banks	Percent
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	1	2.0	1	3.4	0	0.0
Remained basically unchanged	46	93.9	26	89.7	20	100.0
Eased somewhat	2	4.1	2	6.9	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	49	100.0	29	100.0	20	100.0

13. 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	Percent	Banks	Percent	Banks	Percent
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	7	14.3	6	20.7	1	5.0
About the same	26	53.1	13	44.8	13	65.0
Moderately weaker	13	26.5	9	31.0	4	20.0
Substantially weaker	3	6.1	1	3.4	2	10.0
Total	49	100.0	29	100.0	20	100.0

Questions 14-19 ask about **consumer lending** at your bank. Question 14 deals with changes in your bank's willingness to make consumer loans over the past three months. Questions 15-18 deal with changes in credit standards and loan terms over the same period. Question 19 deals with changes in demand for consumer 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.

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	Percent	Banks	Percent	Banks	Percent
Much more willing	0	0.0	0	0.0	0	0.0
Somewhat more willing	8	15.7	5	16.7	3	14.3
About unchanged	43	84.3	25	83.3	18	85.7
Somewhat less willing	0	0.0	0	0.0	0	0.0
Much less willing	0	0.0	0	0.0	0	0.0
Total	51	100.0	30	100.0	21	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	Percent	Banks	Percent	Banks	Percent
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	33	91.7	16	88.9	17	94.4
Eased somewhat	3	8.3	2	11.1	1	5.6
Eased considerably	0	0.0	0	0.0	0	0.0
Total	36	100.0	18	100.0	18	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	Percent	Banks	Percent	Banks	Percent
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	1	2.0	0	0.0	1	4.8
Remained basically unchanged	44	86.3	26	86.7	18	85.7
Eased somewhat	6	11.8	4	13.3	2	9.5
Eased considerably	0	0.0	0	0.0	0	0.0
Total	51	100.0	30	100.0	21	100.0

17. Over the past three months, how has your bank changed the following terms and conditions 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	3.07	3.17	3.00
Spreads of interest rates charged on outstanding balances over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.93	2.83	3.00
Minimum percent of outstanding balances required to be repaid each month	3.00	3.00	3.00
Minimum required credit score (increased score=tightened, reduced score=eased)	3.04	3.17	2.94
The extent to which loans are granted to some customers that do not meet credit scoring thresholds (increased=eased, decreased=tightened)	2.93	3.17	2.75
Other (please specify)	2.00	2.00	0.00
Number of banks responding	28	12	16

18. Over the past three months, how has your bank changed the following terms and conditions 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	3.06	3.07	3.05
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.10	3.07	3.15
Minimum required downpayment	3.06	3.03	3.10
Minimum required credit score (increased score=tightened, reduced score=eased)	2.98	3.00	2.95
The extent to which loans are granted to some customers that do not meet credit scoring thresholds (increased=eased, decreased=tightened)	2.96	3.07	2.80
Other (please specify)	2.50	3.00	2.00
Number of banks responding	49	29	20

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	Percent	Banks	Percent	Banks	Percent
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	8	15.7	5	16.7	3	14.3
About the same	25	49.0	12	40.0	13	61.9
Moderately weaker	18	35.3	13	43.3	5	23.8
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	51	100.0	30	100.0	21	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, 2004. The combined assets of the 32 large banks totaled \$3.84 trillion, compared to \$4.05 trillion for the entire panel of 54 banks, and \$7.34 trillion for all domestically chartered, federally insured commercial banks.