

Table 2

**Senior Loan Officer Opinion Survey on Bank Lending Practices
at Selected Branches and Agencies of Foreign Banks in the United States¹**

(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--changed?

	All Respondents	
	Banks	Percent
Tightened considerably	0	0.0
Tightened somewhat	1	5.3
Remained basically unchanged	16	84.2
Eased somewhat	2	10.5
Eased considerably	0	0.0
Total	19	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	3.21
Costs of credit lines	3.47
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.74
Premiums charged on riskier loans	3.58
Loan covenants	3.37
Collateralization requirements	3.11
Other (please specify)	3.00
Number of banks responding	19

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
Deterioration in your bank's current or expected capital position	1.50
Less favorable or more uncertain economic outlook	2.50
Worsening of industry-specific problems (please specify industries)	2.00
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.00
Reduced tolerance for risk	1.50
Decreased liquidity in the secondary market for these loans	1.00
Increase in defaults by borrowers in public debt markets	1.00
Other (please specify)	0.00
Number of banks responding	2

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

	All Respondents
	Mean
Improvement in your bank's current or expected capital position	1.17
More favorable or less uncertain economic outlook	1.42
Improvement in industry-specific problems (please specify industries)	1.25
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	2.83
Increased tolerance for risk	1.25
Increased liquidity in the secondary market for these loans	1.67
Reduction in defaults by borrowers in public debt markets	1.25
Other (please specify)	1.00
Number of banks responding	12

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.)

	All Respondents	
	Banks	Percent
Substantially stronger	0	0.0
Moderately stronger	3	15.8
About the same	14	73.7
Moderately weaker	2	10.5
Substantially weaker	0	0.0
Total	19	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	1.33
Customer accounts receivable financing needs increased	1.00
Customer investment in plant or equipment increased	1.67
Customer internally generated funds decreased	1.67
Customer merger or acquisition financing needs increased	2.50
Customer borrowing shifted to your bank from other bank or nonbank sources because these other sources became less attractive	2.00
Other (please specify)	0.00
Number of banks responding	4

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

	All Respondents
	Mean
Customer inventory financing needs decreased	2.00
Customer accounts receivable financing needs decreased	2.00
Customer investment in plant or equipment decreased	0.00
Customer internally generated funds increased	2.00
Customer merger or acquisition financing needs decreased	0.00
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	3.00
Other (please specify)	0.00
Number of banks responding	1

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	
	Banks	Percent
The number of inquiries has increased substantially	0	0.0
The number of inquiries has increased moderately	6	31.6
The number of inquiries has stayed about the same	11	57.9
The number of inquiries has decreased moderately	2	10.5
The number of inquiries has decreased substantially	0	0.0
Total	19	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 standards and terms 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--compare with the credit standards that prevailed during 1996 and 1997 for those credits?

	All Respondents	
	Banks	Percent
Considerably tighter	2	10.5
Somewhat tighter	7	36.8
Very similar	7	36.8
Somewhat easier	2	10.5
Considerably easier	1	5.3
Total	19	100.0

8. 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 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.)

	All Respondents
	Mean
Maximum size of credit lines	2.84
Costs of credit lines	3.26
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.21
Premiums charged on riskier loans	3.05
Loan covenants	3.21
Collateralization requirements	3.05
Other (please specify)	3.50
Number of banks responding	19

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
	Mean
Your bank's current or expected capital position is now weaker	1.25
The economic outlook is now less favorable or more uncertain	1.13
Competition from other banks or nonbank lenders (including other financial intermediaries or the capital markets) has diminished	1.13
Improved measurement and management of risk has reduced your bank's tolerance for risk	2.44
Concern about corporate governance and the quality of financial reporting has increased	2.00
Other (please specify)	2.00
Number of banks responding	9

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

	All Respondents
	Mean
Your bank's current or expected capital position is stronger	1.64
The economic outlook is more favorable or less uncertain	1.45
Competition from other banks or nonbank lenders (including other financial intermediaries or the capital markets) has increased	2.64
Improved measurement and management of risk has increased your bank's tolerance for risk	1.73
Increased liquidity in the secondary market for these loans made loans of a given quality less risky	2.00
Other (please specify)	2.00
Number of banks responding	11

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	
	Banks	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	11	91.7
Eased somewhat	1	8.3
Eased considerably	0	0.0
Total	12	100.0

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

	All Respondents	
	Banks	Percent
Substantially stronger	0	0.0
Moderately stronger	4	33.3
About the same	8	66.7
Moderately weaker	0	0.0
Substantially weaker	0	0.0
Total	12	100.0

1. As of December 31, 2004, the 19 respondents had combined assets of \$427 billion, compared to \$993 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.