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TO: HEADS OF RESEARCH AT ALL FEDERAL RESERVE BANKS

Enclosed for distribution to respondents is a national summary of the October 2006 Senior Loan Officer Opinion Survey on Bank Lending Practices.

Enclosures

This document is available on the Federal Reserve Board's web site
(<http://www.federalreserve.gov/boarddocs/surveys>).

The October 2006 Senior Loan Officer Opinion Survey on Bank Lending Practices

The October 2006 Senior Loan Officer Opinion Survey on Bank Lending Practices addressed changes in the supply of, and demand for, bank loans to businesses and households over the past three months. Special questions in the survey queried banks about the extent to which the recent strength in commercial and industrial lending reflected a surge in loans to fund merger and acquisition activity. This article is based on responses from fifty-five domestic banks and seventeen foreign banking institutions.

Overall, the respondents noted mixed changes in lending standards and terms over the past three months, while demand for most loan types reportedly declined somewhat. Both domestic and foreign institutions indicated that they had eased lending terms on commercial and industrial (C&I) loans over the previous three months, while credit standards on such loans had changed little. Domestic banks, however, reported that they had tightened lending standards on commercial real estate loans over the previous three months. Demand for C&I loans at domestic institutions was reportedly little changed in the October survey, while demand for commercial real estate loans at these institutions weakened over the past three months. In the household sector, respondents generally reported no change in credit standards on residential mortgage loans over the survey period, while demand for such loans continued to weaken. Standards and terms on credit card and non-credit-card consumer loans were also little changed, but a considerable net fraction of domestic institutions indicated that they had experienced weaker demand for consumer loans over the previous three months.

C&I Lending

(Table 1, questions 1-16; Table 2, questions 1-16)

In the October survey, domestic institutions reported that credit standards on C&I loans to large and middle-market firms were unchanged, on net, over the past three months. On balance, however, domestic respondents indicated that they had further eased terms on C&I loans to such firms over the same period. Almost one-third of respondents—a somewhat smaller net fraction than in the July survey—noted that they had trimmed spreads of loan rates over their cost of funds over the past three months, while nearly one-fifth of banks—about the same net percentage as in the previous survey—reported that they had reduced the costs of credit lines. About 15 percent of domestic respondents, on net, indicated that they had eased loan covenants.

Credit standards on C&I loans to small firms were also reportedly little changed, on net, in the October survey. However, one-third of domestic institutions, on balance, indicated that they had trimmed spreads of loan rates over their cost of funds over the previous three months, and nearly one-fifth of respondents noted that they had reduced the costs of credit lines.

At U.S. branches and agencies of foreign banks, only two institutions reported that they had eased their standards on C&I loans during the survey period. Considerable net fractions of these institutions, however, indicated that they had trimmed spreads of loan rates over their cost of funds and reduced the cost of credit lines.

All domestic and foreign respondents that reported having eased their lending standards or terms in the October survey pointed to more-aggressive competition from other banks or nonbank lenders as the most important reason for having done so. Notable net fractions of domestic institutions also cited increased liquidity in the secondary market for these loans, a more favorable or less uncertain economic outlook, and a reduction in defaults by borrowers in public debt markets as reasons for having eased credit standards or terms on C&I loans.

At domestic banks, demand for C&I loans from large and middle-market firms was reportedly little changed, on balance, in the October survey. About 15 percent of these institutions, on net, indicated that they had experienced weaker demand for such loans from small firms over the previous three months. At U.S. branches and agencies of foreign banks, nearly one-fifth of respondents, on balance, reported that they had seen weaker demand for C&I loans over the same period. All of the domestic institutions that experienced weaker demand for C&I loans attributed the softening, in part, to borrowers' decreased needs to finance investment in plant or equipment. Considerable fractions of respondents also cited borrowers' decreased financing needs for inventories and accounts receivable, as well as increases in customers' internally generated funds, as reasons for weaker loan demand. Among domestic banks that saw stronger demand for C&I loans, three-fourths pointed to a rise in merger and acquisition (M&A) activity as a reason for stronger loan demand, while two-thirds cited borrowers' increased needs to finance inventories.

Regarding future business, about 10 percent of domestic institutions, on net, and nearly 20 percent of foreign respondents reported that the number of inquiries from potential business borrowers had decreased moderately over the previous three months.

The October survey included a set of special questions about the extent to which the recent strength in C&I lending has reflected a surge in loans to fund M&A activity.¹ Holdings of C&I loans originated for M&A-related purposes were generally small for the respondent banks.² About one-half of domestic institutions indicated that M&A-related C&I loans

¹ The number of domestic banks that responded to these special questions varied from ten to fifty-four depending on the question. According to second-quarter Call Reports, these respondents accounted for between 12 percent and 56 percent of all C&I loans on the books of domestic commercial banks as of June 30, 2006. The number of foreign institutions that responded to these special questions varied from two to seventeen depending on the question. As of June 30, 2006, the foreign respondents accounted for between 10 percent and 48 percent of all C&I loans on the books of U.S. branches and agencies of foreign banks.

² In the survey, M&A-related C&I loans were defined as those made to finance leveraged buyouts and other

accounted for less than 5 percent of the loans currently on their books, and roughly one-third of banks noted that such loans accounted for between 5 percent and 10 percent of their loans. The remainder of banks—except for one institution—reported a share that was between 11 percent and 30 percent.³ On average, those banks with larger C&I loan portfolios had higher M&A loan concentrations. As a result, when the responses are weighted by the dollar volume of C&I loans at the end of the second quarter, banks that reported an M&A share of less than 5 percent accounted for only about one-third of all C&I loans on the books of banks responding to this special question. At U.S. branches and agencies of foreign banks, more than one-half of respondents indicated that the share of M&A-related C&I loans was 10 percent or less, while almost one-third noted that the share was between 11 percent and 20 percent. The remainder of foreign banks reported a share that was between 21 percent and 40 percent. In contrast to the domestic banks, foreign banks with larger C&I loan portfolios had somewhat smaller M&A loan concentration on average: Foreign institutions that reported an M&A share of 10 percent or less accounted for 65 percent of all C&I loans on the books of respondent institutions.

Nearly one-half of domestic respondents and 60 percent of foreign respondents, on balance, reported that the share of M&A-related C&I loans on their books had increased over the past twelve months. These institutions accounted for 70 percent and about 85 percent, respectively, of loans outstanding at the end of the second quarter.

Among the domestic institutions that experienced an increase in the share of M&A-related C&I loans over the past twelve months, about one-third indicated that this increase reflected to a moderate extent a shift of funding for M&A activity to banks as a result of a reduction in the relative attractiveness of bond finance. Eighty percent of these institutions pointed to relatively more favorable nonprice terms as a reason for the shift of M&A financing out of the bond market, while 60 percent pointed to relatively more favorable pricing in the loan market. Only two of the foreign respondents that experienced an increase in the share of M&A-related C&I loans pointed to a shift of funding for M&A activity from the bond market to banks as a reason for the increase.

Domestic respondents generally reported that the share of M&A-related C&I loans on their books that were used to finance leveraged buyouts was fairly small. Roughly three-fourths of institutions indicated that this share was less than or equal to 10 percent, and only about one-tenth of domestic banks reported that this share was between 51 percent and 75 percent.⁴ These fractions are roughly similar if the responses are weighted by the

M&A activity.

³ A similar question regarding the share of C&I loans on banks' books that were merger related was asked in the late 1980s and early 1990s, when M&A activity was strong. On average, the fraction of institutions that reported shares of 10 percent or less was smaller than in the current survey, while the fraction of banks that indicated shares between 11 percent and 20 percent was significantly larger.

⁴ In the late 1980s and early 1990s, the share of merger-related C&I loans used to finance leveraged buyouts was reportedly considerably higher. Banks that indicated a share of less than 20 percent accounted for as

respondents' C&I loans. The shares of C&I loans accounted for by leveraged buyouts were larger on average at the U.S. branches and agencies of foreign banks. Nonetheless, about one-half of the foreign respondents reported that the share was less than or equal to 10 percent, and nearly one-third of respondents indicated that the share was between 11 percent and 50 percent.⁵ On average, foreign respondents with larger C&I loan portfolios had somewhat larger fractions of their M&A-related loans devoted to leveraged buyouts.

Domestic respondents generally reported that the share of M&A-related C&I loans on their books that were bridge loans was quite small: Ninety percent of domestic institutions reported that this share was less than or equal to 10 percent.⁶ Again, these shares were higher at U.S. branches and agencies of foreign banks, where about two-thirds of respondents indicated that the share of such loans was 10 percent or less, while nearly one-third of respondents noted that this share was between 11 percent and 50 percent.

On balance, about 15 percent of domestic institutions reported that they had tightened credit standards for approving applications for M&A-related C&I loans or credit lines over the past twelve months. These respondents, however, indicated that they had eased some terms on such loans or credit lines over the same period: Nearly one-third of domestic respondents, on net, indicated that they had trimmed spreads of loan rates over their cost of funds, and 15 percent noted that they had reduced the costs of credit lines. In contrast to their domestic counterparts, about one-fourth of the foreign institutions reported that they had eased credit standards for approving applications for M&A-related C&I loans or credit lines over the past twelve months. Significant net fractions of foreign respondents also indicated that they had increased the maximum size of loans or credit lines, reduced the costs of credit lines, and eased loan covenants.

About one-fourth of domestic respondents indicated that they anticipate that the quality of M&A-related C&I loans currently on their books will deteriorate over the next twelve months, and the rest expect that loan quality will likely stabilize around current levels. A somewhat larger net fraction of domestic respondents—about 35 percent—reported that they expect the quality of their C&I loans that were not used to finance M&A activity to deteriorate over the same period.⁷ However, when the responses to these two special

little as 5 percent of all respondents in February 1989 and for as much as 40 percent in March 1991. Banks that indicated a share of more than 80 percent accounted for as little as 15 percent of all respondents in March 1991 and for as much as 30 percent in February 1988.

⁵ Two foreign respondents noted that the share of M&A-related C&I loans on their books that were used to finance leveraged buyouts was more than 75 percent. These institutions, however, accounted for only 1 percent of all C&I loans on the books of the foreign banks that responded to this special question.

⁶ In the survey, bridge loans were defined as those loans that banks expected to be paid down with funds raised in capital markets within the next twelve months.

⁷ In the late 1980s and early 1990s, banks that had charged off merger-related C&I loans were asked to compare the chargeoff rate on such loans with that on comparably seasoned C&I loans that were not merger related. In the survey conducted in February 1987, a considerable net fraction of banks—about 75 percent—reported that the chargeoff rate on merger-related C&I loans was somewhat or much lower than that on other

questions are weighted by the dollar volume of C&I loans at the end of the second quarter, the institutions that anticipate a deterioration in the credit quality accounted for about 45 percent and 35 percent, respectively, of all C&I loans held by respondent banks. At foreign institutions, 35 percent of respondents indicated that they anticipate that the quality of M&A-related C&I loans currently on their books will deteriorate over the next twelve months, while 30 percent indicated that they expect that the quality of their C&I loans that were not used to finance M&A activity will deteriorate over the same period. These shares are broadly similar if the responses are weighted by the respondents' C&I loans outstanding.

Commercial Real Estate Lending

(Table 1, questions 17-18; Table 2, questions 17-18)

Nearly 40 percent of domestic institutions—a notably larger net fraction than in the July survey—indicated that they had tightened lending standards on commercial real estate loans over the previous three months. More than one-fourth of domestic respondents—also a larger net percentage than in the previous survey—reported that they had experienced weaker demand for such loans over the same period. By contrast, both lending standards and demand for commercial real estate loans at foreign institutions were little changed in the October survey.

Lending to Households

(Table 1, questions 19-26)

Domestic banks reported that credit standards on residential mortgage loans were little changed, on net, over the past three months. Demand for residential mortgage loans weakened further in the October survey: Sixty percent of domestic institutions—roughly the same net fraction as in the July survey—noted that demand for such loans had weakened over the previous three months.

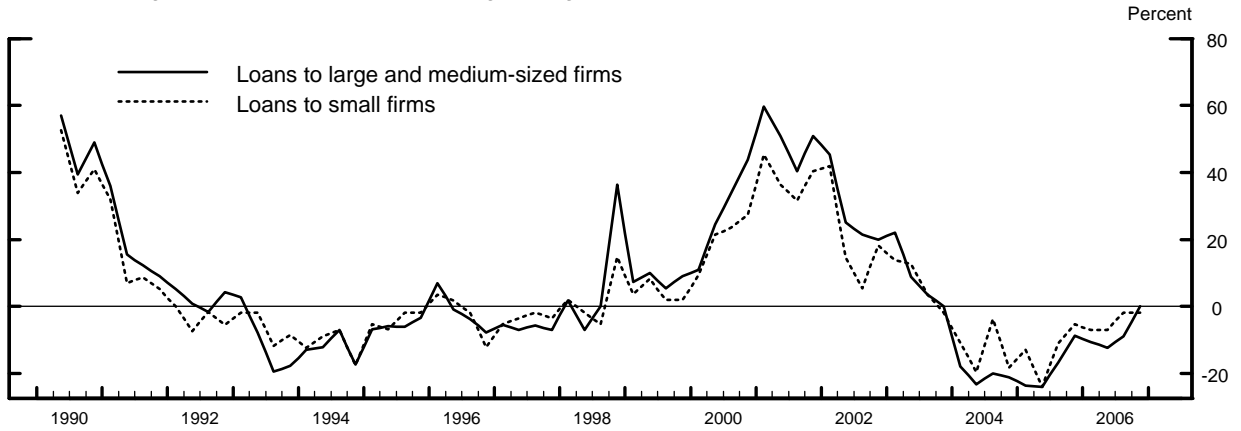
Domestic respondents indicated that their willingness to make consumer installment loans was about unchanged in the October survey. On net, standards and terms on credit card and non-credit-card consumer loans changed little over the past three months.

comparable C&I loans. The net fraction of banks giving a similar answer declined notably over subsequent surveys. In March 1991, about 20 percent of respondents, on net, indicated that the chargeoff rate on merger-related C&I loans was somewhat or much higher than the chargeoff rate on comparably seasoned C&I loans that were not merger related.

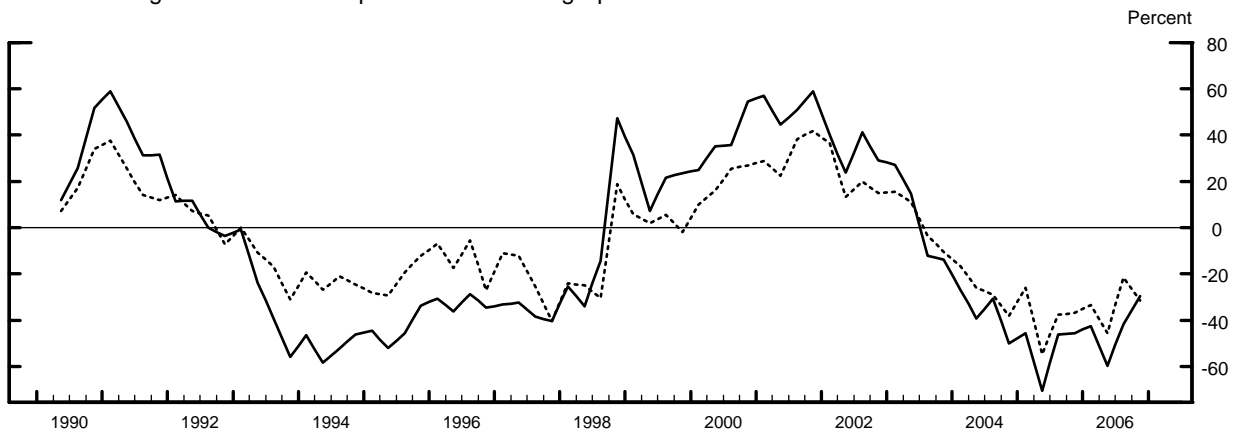
About 45 percent of domestic respondents reported that they had experienced weaker demand for consumer loans, a somewhat larger net fraction than in the July survey.

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

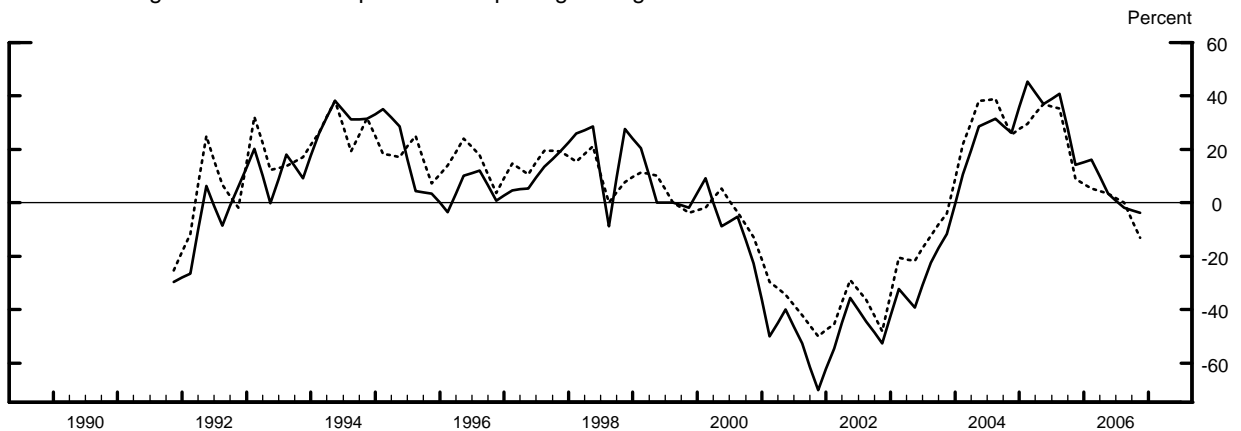
Net Percentage of Domestic Respondents Tightening Standards for C&I Loans



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

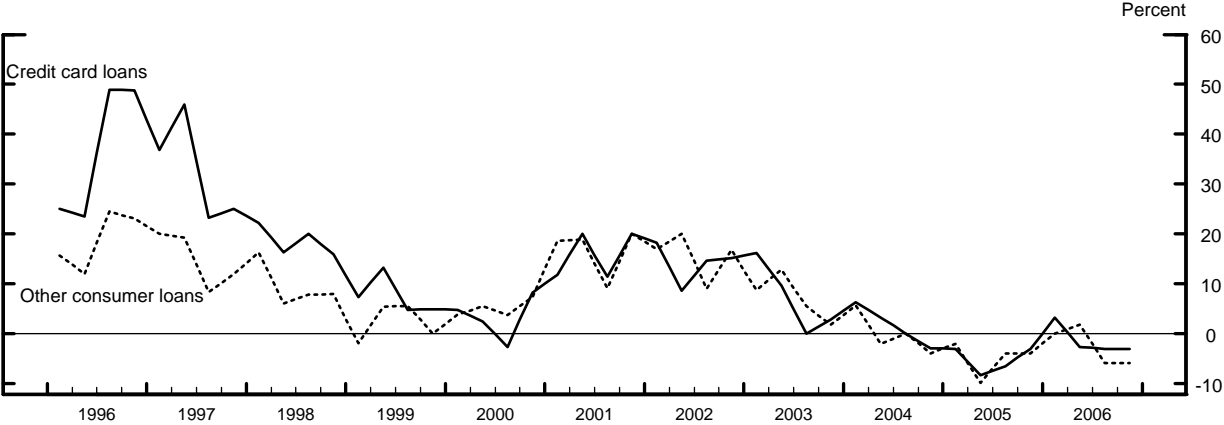


Net Percentage of Domestic Respondents Reporting Stronger Demand for C&I Loans

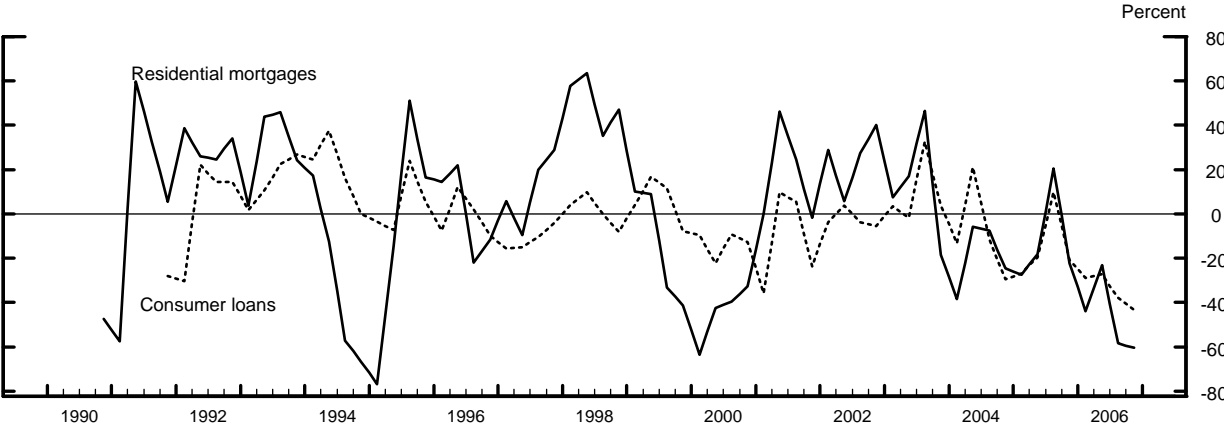


Measures of Supply and Demand for Loans to Households

Net Percentage of Domestic Respondents Tightening Standards for Consumer Loans



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



Net Percentage of Domestic Respondents Tightening Standards for Mortgages to Individuals

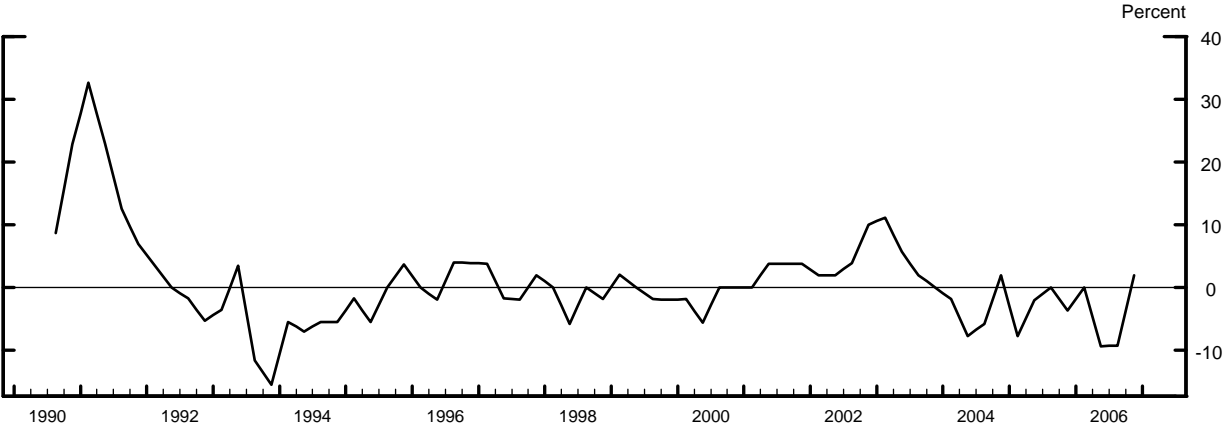


Table 1

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

(Status of policy as of October 2006)

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	4	7.4	1	2.8	3	16.7
Remained basically unchanged	46	85.2	32	88.9	14	77.8
Eased somewhat	4	7.4	3	8.3	1	5.6
Eased considerably	0	0.0	0	0.0	0	0.0
Total	54	100.0	36	100.0	18	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	1	1.9	0	0.0	1	5.3
Remained basically unchanged	51	94.4	34	97.1	17	89.5
Eased somewhat	2	3.7	1	2.9	1	5.3
Eased considerably	0	0.0	0	0.0	0	0.0
Total	54	100.0	35	100.0	19	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	3.07	3.14	2.95
Maximum maturity of loans or credit lines	3.06	3.00	3.16
Costs of credit lines	3.15	3.23	3.00
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened; narrower spreads=eased)	3.30	3.31	3.26
Premiums charged on riskier loans	3.02	3.09	2.89
Loan covenants	3.13	3.23	2.95
Collateralization requirements	3.06	3.11	2.95
Other (please specify)	0.00	0.00	0.00
Number of banks responding	54	35	19

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	3.07	3.14	2.95
Maximum maturity of loans or credit lines	3.07	3.03	3.16
Costs of credit lines	3.17	3.23	3.05
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened; narrower spreads=eased)	3.31	3.34	3.26
Premiums charged on riskier loans	3.00	3.00	3.00
Loan covenants	3.02	3.06	2.95
Collateralization requirements	3.04	3.09	2.95
Other (please specify)	0.00	0.00	0.00
Number of banks responding	54	35	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	Large Banks	Other Banks
	Mean	Mean	Mean
Deterioration in your bank's current or expected capital position	1.15	1.22	1.00
Less favorable or more uncertain economic outlook	1.85	1.78	2.00
Worsening of industry-specific problems (please specify industries)	1.62	1.67	1.50
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.31	1.11	1.75
Reduced tolerance for risk	1.62	1.44	2.00
Decreased liquidity in the secondary market for these loans	1.15	1.11	1.25
Increase in defaults by borrowers in public debt markets	1.08	1.11	1.00
Other (please specify)	2.00	2.00	0.00
Number of banks responding	13	9	4

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	1.04	1.06	1.00
More favorable or less uncertain economic outlook	1.24	1.28	1.14
Improvement in industry-specific problems (please specify industries)	1.04	1.06	1.00
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	2.76	2.72	2.86
Increased tolerance for risk	1.20	1.28	1.00
Increased liquidity in the secondary market for these loans	1.32	1.44	1.00
Reduction in defaults by borrowers in public debt markets	1.20	1.28	1.00
Other (please specify)	2.00	0.00	2.00
Number of banks responding	26	18	8

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	0	0.0	0	0.0	0	0.0
Moderately stronger	8	14.5	6	16.7	2	10.5
About the same	37	67.3	22	61.1	15	78.9
Moderately weaker	9	16.4	7	19.4	2	10.5
Substantially weaker	1	1.8	1	2.8	0	0.0
Total	55	100.0	36	100.0	19	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	0	0.0	0	0.0	0	0.0
Moderately stronger	6	11.1	4	11.4	2	10.5
About the same	35	64.8	21	60.0	14	73.7
Moderately weaker	13	24.1	10	28.6	3	15.8
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	54	100.0	35	100.0	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 4A or 4B), possible reasons:

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Customer inventory financing needs increased	1.67	1.67	1.67
Customer accounts receivable financing needs increased	1.58	1.56	1.67
Customer investment in plant or equipment increased	1.58	1.44	2.00
Customer internally generated funds decreased	1.00	1.00	1.00
Customer merger or acquisition financing needs increased	1.83	1.67	2.33
Customer borrowing shifted to your bank from other bank or nonbank sources because these other sources became less attractive	1.42	1.44	1.33
Other (please specify)	2.00	2.00	0.00
Number of banks responding	12	9	3

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	1.80	1.83	1.67
Customer accounts receivable financing needs decreased	1.73	1.75	1.67
Customer investment in plant or equipment decreased	2.07	2.08	2.00
Customer internally generated funds increased	1.73	1.67	2.00
Customer merger or acquisition financing needs decreased	1.47	1.58	1.00
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	1.53	1.33	2.33
Other (please specify)	3.00	3.00	0.00
Number of banks responding	15	12	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	0	0.0	0	0.0	0	0.0
The number of inquiries has increased moderately	6	10.9	4	11.1	2	10.5
The number of inquiries has stayed about the same	37	67.3	23	63.9	14	73.7
The number of inquiries has decreased moderately	12	21.8	9	25.0	3	15.8
The number of inquiries has decreased substantially	0	0.0	0	0.0	0	0.0
Total	55	100.0	36	100.0	19	100.0

Merger and acquisition (M&A) activity in the nonfinancial sector has boomed since 2005. Over the same period, C&I loans on banks' books have also expanded rapidly. **Questions 7-16** ask about the extent to which the recent strength in C&I lending reflects the surge in M&A activity.

7. About what share of the dollar volume of C&I loans currently on your bank's books was originated for M&A-related purposes? (M&A-related C&I loans include those made to finance leveraged buyouts and other M&A activity.)

	All Respondents		Large Banks		Other Banks	
	Banks	Percent	Banks	Percent	Banks	Percent
Less than 5 percent	27	50.9	14	41.2	13	68.4
Between 5 percent and 10 percent	17	32.1	12	35.3	5	26.3
Between 11 percent and 20 percent	5	9.4	4	11.8	1	5.3
Between 21 percent and 30 percent	3	5.7	3	8.8	0	0.0
Between 31 percent and 40 percent	0	0.0	0	0.0	0	0.0
More than 40 percent	1	1.9	1	2.9	0	0.0
Total	53	100.0	34	100.0	19	100.0

8. How has the share of M&A-related C&I loans on your bank's books (as reported in question 7) changed over the past twelve months?

	All Respondents		Large Banks		Other Banks	
	Banks	Percent	Banks	Percent	Banks	Percent
Increased substantially	1	1.9	1	2.9	0	0.0
Increased moderately	26	49.1	20	58.8	6	31.6
Remained basically unchanged	24	45.3	12	35.3	12	63.2
Decreased moderately	1	1.9	1	2.9	0	0.0
Decreased substantially	1	1.9	0	0.0	1	5.3
Total	53	100.0	34	100.0	19	100.0

9. If your bank has experienced an increase in the share of M&A-related C&I loans over the past twelve months (as reported in question 8), to what extent has the increase reflected a shift of funding for M&A activity to banks as a result of a reduction in the relative attractiveness of bond finance?

	All Respondents		Large Banks		Other Banks	
	Banks	Percent	Banks	Percent	Banks	Percent
To a substantial extent	0	0.0	0	0.0	0	0.0
To a moderate extent	10	35.7	9	42.9	1	14.3
To an insignificant extent or not at all	18	64.3	12	57.1	6	85.7
Total	28	100.0	21	100.0	7	100.0

10. If demand for C&I loans at your bank has been strengthened by a shift of M&A financing out of the bond market (as described in question 9), how important have been the following possible 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
Relatively more favorable pricing in the loan market	1.70	1.67	2.00
Relatively more favorable nonprice terms (including the maximum size and maturity of loans or credit lines, loan covenants, and collateralization requirements) in the loan market	1.90	1.89	2.00
Other (please specify)	2.25	2.25	0.00
Number of banks responding	10	9	1

11. About what share of the dollar volume of M&A-related C&I loans currently on your bank's books was used to finance leveraged buyouts?

	All Respondents		Large Banks		Other Banks	
	Banks	Percent	Banks	Percent	Banks	Percent
Less than or equal to 10 percent	40	76.9	24	70.6	16	88.9
Between 11 percent and 20 percent	1	1.9	1	2.9	0	0.0
Between 21 percent and 30 percent	3	5.8	3	8.8	0	0.0
Between 31 percent and 50 percent	2	3.8	2	5.9	0	0.0
Between 51 percent and 75 percent	6	11.5	4	11.8	2	11.1
More than 75 percent	0	0.0	0	0.0	0	0.0
Total	52	100.0	34	100.0	18	100.0

12. About what share of the dollar volume of M&A-related C&I loans currently on your bank's books is accounted for by "bridge loans" that your bank expects to be paid down with funds raised in capital markets within the next twelve months?

	All Respondents		Large Banks		Other Banks	
	Banks	Percent	Banks	Percent	Banks	Percent
Less than or equal to 10 percent	49	90.7	30	85.7	19	100.0
Between 11 percent and 20 percent	3	5.6	3	8.6	0	0.0
Between 21 percent and 30 percent	0	0.0	0	0.0	0	0.0
Between 31 percent and 50 percent	0	0.0	0	0.0	0	0.0
Between 51 percent and 75 percent	0	0.0	0	0.0	0	0.0
More than 75 percent	2	3.7	2	5.7	0	0.0
Total	54	100.0	35	100.0	19	100.0

13. How have your bank's credit standards for approving applications for M&A-related C&I loans or credit lines changed over the past twelve months?

	All Respondents		Large Banks		Other Banks	
	Banks	Percent	Banks	Percent	Banks	Percent
Tightened considerably	1	1.9	1	2.9	0	0.0
Tightened somewhat	9	17.3	6	17.1	3	17.6
Remained basically unchanged	39	75.0	26	74.3	13	76.5
Eased somewhat	3	5.8	2	5.7	1	5.9
Eased considerably	0	0.0	0	0.0	0	0.0
Total	52	100.0	35	100.0	17	100.0

14. For applications for M&A-related C&I loans or credit lines that your bank currently is willing to approve, how have the terms of those loans changed over the past twelve 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	Large Banks	Other Banks
	Mean	Mean	Mean
Maximum size of loans or credit lines	3.02	3.09	2.88
Maximum maturity of loans or credit lines	3.12	3.06	3.24
Costs of credit lines	3.13	3.14	3.12
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened; narrower spreads=eased)	3.29	3.34	3.18
Premiums charged on riskier loans	3.06	3.09	3.00
Loan covenants	3.08	3.11	3.00
Collateralization requirements	3.06	3.06	3.06
Other (please specify)	3.00	3.00	0.00
Number of banks responding	52	35	17

15. What is your bank's outlook over the next twelve months for delinquencies and chargeoffs on *M&A-related C&I* loans currently on your bank's books, assuming that economic activity progresses in line with consensus forecasts?

	All Respondents		Large Banks		Other Banks	
	Banks	Percent	Banks	Percent	Banks	Percent
Loan quality is likely to improve substantially	0	0.0	0	0.0	0	0.0
Loan quality is likely to improve somewhat	0	0.0	0	0.0	0	0.0
Loan quality is likely to stabilize around current levels	38	73.1	23	65.7	15	88.2
Loan quality is likely to deteriorate somewhat	13	25.0	11	31.4	2	11.8
Loan quality is likely to deteriorate substantially	1	1.9	1	2.9	0	0.0
Total	52	100.0	35	100.0	17	100.0

16. What is your bank's outlook over the next twelve months for delinquencies and chargeoffs on C&I loans currently on your bank's books that were *not used to finance M&A activity*, assuming that economic activity progresses in line with consensus forecasts?

	All Respondents		Large Banks		Other Banks	
	Banks	Percent	Banks	Percent	Banks	Percent
Loan quality is likely to improve substantially	0	0.0	0	0.0	0	0.0
Loan quality is likely to improve somewhat	1	1.9	1	2.9	0	0.0
Loan quality is likely to stabilize around current levels	32	61.5	20	57.1	12	70.6
Loan quality is likely to deteriorate somewhat	19	36.5	14	40.0	5	29.4
Loan quality is likely to deteriorate substantially	0	0.0	0	0.0	0	0.0
Total	52	100.0	35	100.0	17	100.0

Questions 17-18 ask about commercial real estate loans at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 17 deals with changes in your bank's standards over the last three months. Question 18 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.

17. 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	1.8	0	0.0	1	5.3
Tightened somewhat	22	40.0	15	41.7	7	36.8
Remained basically unchanged	29	52.7	19	52.8	10	52.6
Eased somewhat	3	5.5	2	5.6	1	5.3
Eased considerably	0	0.0	0	0.0	0	0.0
Total	55	100.0	36	100.0	19	100.0

18. 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	0	0.0	0	0.0	0	0.0
Moderately stronger	3	5.5	2	5.6	1	5.3
About the same	34	61.8	23	63.9	11	57.9
Moderately weaker	17	30.9	11	30.6	6	31.6
Substantially weaker	1	1.8	0	0.0	1	5.3
Total	55	100.0	36	100.0	19	100.0

Questions 19-20 ask about **residential mortgage loans** at your bank. Question 19 deals with changes in your bank's credit standards over the past three months, and question 20 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.

19. 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	3	5.7	3	8.3	0	0.0
Remained basically unchanged	48	90.6	31	86.1	17	100.0
Eased somewhat	2	3.8	2	5.6	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	53	100.0	36	100.0	17	100.0

20. Apart from normal seasonal variation, how has demand from individuals 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	1	1.9	1	2.8	0	0.0
About the same	19	35.8	10	27.8	9	52.9
Moderately weaker	30	56.6	22	61.1	8	47.1
Substantially weaker	3	5.7	3	8.3	0	0.0
Total	53	100.0	36	100.0	17	100.0

Questions 21-26 ask about **consumer lending** at your bank. Question 21 deals with changes in your bank's willingness to make consumer loans over the past three months. Questions 22-25 deal with changes in credit standards and loan terms over the same period. Question 26 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.

21. 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	2	3.8	2	5.9	0	0.0
About unchanged	50	94.3	31	91.2	19	100.0
Somewhat less willing	1	1.9	1	2.9	0	0.0
Much less willing	0	0.0	0	0.0	0	0.0
Total	53	100.0	34	100.0	19	100.0

22. 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	1	2.9	1	5.6	0	0.0
Remained basically unchanged	31	91.2	15	83.3	16	100.0
Eased somewhat	2	5.9	2	11.1	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	34	100.0	18	100.0	16	100.0

23. 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	1	3.0	0	0.0
Remained basically unchanged	46	90.2	28	84.8	18	100.0
Eased somewhat	4	7.8	4	12.1	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	51	100.0	33	100.0	18	100.0

24. 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	3.10	3.16	3.00
Spreads of interest rates charged on outstanding balances over your bank's cost of funds (wider spreads=tightened; narrower spreads=eased)	3.03	3.00	3.08
Minimum percent of outstanding balances required to be repaid each month	2.97	2.95	3.00
Minimum required credit score (increased score=tightened; reduced score=eased)	3.00	3.00	3.00
The extent to which loans are granted to some customers that do not meet credit scoring thresholds (decreased=tightened; increased=eased)	2.97	2.95	3.00
Other (please specify)	3.00	3.00	0.00
Number of banks responding	31	19	12

25. 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	3.09	3.06	3.16
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened; narrower spreads=eased)	2.98	3.03	2.89
Minimum required downpayment	3.04	3.06	3.00
Minimum required credit score (increased score=tightened; reduced score=eased)	3.06	3.06	3.05
The extent to which loans are granted to some customers that do not meet credit scoring thresholds (decreased=tightened; increased=eased)	3.00	3.00	3.00
Other (please specify)	3.33	3.00	4.00
Number of banks responding	53	34	19

26. 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	1	1.9	1	2.9	0	0.0
About the same	28	52.8	16	47.1	12	63.2
Moderately weaker	24	45.3	17	50.0	7	36.8
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	53	100.0	34	100.0	19	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 June 30, 2006. The combined assets of the 36 large banks totaled \$4.88 trillion, compared to \$5.08 trillion for the entire panel of 55 banks, and \$8.24 trillion for all domestically chartered, federally insured commercial banks.

Table 2

**Senior Loan Officer Opinion Survey on Bank Lending Practices
at Selected Branches and Agencies of Foreign Banks in the United States ¹**

(Status of policy as of October 2006)

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	0	0.0
Remained basically unchanged	15	88.2
Eased somewhat	2	11.8
Eased considerably	0	0.0
Total	17	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	3.12
Maximum maturity of loans or credit lines	3.06
Costs of credit lines	3.35
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened; narrower spreads=eased)	3.41
Premiums charged on riskier loans	3.18
Loan covenants	3.12
Collateralization requirements	3.06
Other (please specify)	3.00
Number of banks responding	17

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	1.00
Less favorable or more uncertain economic outlook	1.50
Worsening of industry-specific problems (please specify industries)	1.50
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.50
Reduced tolerance for risk	1.00
Decreased liquidity in the secondary market for these loans	1.50
Increase in defaults by borrowers in public debt markets	1.00
Other (please specify)	3.00
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	1.33
More favorable or less uncertain economic outlook	1.50
Improvement in industry-specific problems (please specify industries)	1.33
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	2.71
Increased tolerance for risk	1.86
Increased liquidity in the secondary market for these loans	1.71
Reduction in defaults by borrowers in public debt markets	1.33
Other (please specify)	2.00
Number of banks responding	7

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	0	0.0
About the same	14	82.4
Moderately weaker	3	17.6
Substantially weaker	0	0.0
Total	17	100.0

5. If demand for C&I loans has strengthened or weakened over the past three months (as described in question 4), how important have been the following possible reasons for the change? (Please rate *each* possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

a. If stronger loan demand (answer 1 or 2 to question 4), possible reasons:

	All Respondents
	Mean
Customer inventory financing needs increased	!5aa1m.m!
Customer accounts receivable financing needs increased	!5ab1m.m!
Customer investment in plant or equipment increased	!5ac1m.m!
Customer internally generated funds decreased	!5ad1m.m!
Customer merger or acquisition financing needs increased	!5ae1m.m!
Customer borrowing shifted to your bank from other bank or nonbank sources because these other sources became less attractive	!5af1m.m!
Other (please specify)	!5ag1m.m!
Number of banks responding	!5at1b!

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

	All Respondents
	Mean
Customer inventory financing needs decreased	1.00
Customer accounts receivable financing needs decreased	1.00
Customer investment in plant or equipment decreased	1.00
Customer internally generated funds increased	1.50
Customer merger or acquisition financing needs decreased	1.50
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	2.00
Other (please specify)	2.00
Number of banks responding	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	
	Banks	Percent
The number of inquiries has increased substantially	0	0.0
The number of inquiries has increased moderately	0	0.0
The number of inquiries has stayed about the same	14	82.4
The number of inquiries has decreased moderately	3	17.6
The number of inquiries has decreased substantially	0	0.0
Total	17	100.0

Merger and acquisition (M&A) activity in the nonfinancial sector has boomed since 2005. Over the same period, C&I loans on banks' books have also expanded rapidly. Questions 7-16 ask about the extent to which the recent strength in C&I lending reflects the surge in M&A activity.

7. About what share of the dollar volume of C&I loans currently on your bank's books was originated for M&A-related purposes? (M&A-related C&I loans include those made to finance leveraged buyouts and other M&A activity.)

	All Respondents	
	Banks	Percent
Less than 5 percent	4	23.5
Between 5 percent and 10 percent	5	29.4
Between 11 percent and 20 percent	5	29.4
Between 21 percent and 30 percent	2	11.8
Between 31 percent and 40 percent	1	5.9
More than 40 percent	0	0.0
Total	17	100.0

8. How has the share of M&A-related C&I loans on your bank's books (as reported in question 7) changed over the past twelve months?

	All Respondents	
	Banks	Percent
Increased substantially	0	0.0
Increased moderately	11	64.7
Remained basically unchanged	5	29.4
Decreased moderately	1	5.9
Decreased substantially	0	0.0
Total	17	100.0

9. If your bank has experienced an increase in the share of M&A-related C&I loans over the past twelve months (as reported in question 8), to what extent has the increase reflected a shift of funding for M&A activity to banks as a result of a reduction in the relative attractiveness of bond finance?

	All Respondents	
	Banks	Percent
To a substantial extent	0	0.0
To a moderate extent	2	18.2
To an insignificant extent or not at all	9	81.8
Total	11	100.0

10. If demand for C&I loans at your bank has been strengthened by a shift of M&A financing out of the bond market (as described in question 9), how important have been the following possible reasons? (Please rate *each* possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

	All Respondents
	Mean
Relatively more favorable pricing in the loan market	2.00
Relatively more favorable nonprice terms (including the maximum size and maturity of loans or credit lines, loan covenants, and collateralization requirements) in the loan market	2.00
Other (please specify)	0.00
Number of banks responding	2

11. About what share of the dollar volume of M&A-related C&I loans currently on your bank's books was used to finance leveraged buyouts?

	All Respondents	
	Banks	Percent
Less than or equal to 10 percent	8	47.1
Between 11 percent and 20 percent	1	5.9
Between 21 percent and 30 percent	3	17.6
Between 31 percent and 50 percent	1	5.9
Between 51 percent and 75 percent	2	11.8
More than 75 percent	2	11.8
Total	17	100.0

12. About what share of the dollar volume of M&A-related C&I loans currently on your bank's books is accounted for by "bridge loans" that your bank expects to be paid down with funds raised in capital markets within the next twelve months?

	All Respondents	
	Banks	Percent
Less than or equal to 10 percent	11	64.7
Between 11 percent and 20 percent	3	17.6
Between 21 percent and 30 percent	1	5.9
Between 31 percent and 50 percent	1	5.9
Between 51 percent and 75 percent	0	0.0
More than 75 percent	1	5.9
Total	17	100.0

13. How have your bank's credit standards for approving applications for M&A-related C&I loans or credit lines changed over the past twelve months?

	All Respondents	
	Banks	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	13	76.5
Eased somewhat	4	23.5
Eased considerably	0	0.0
Total	17	100.0

14. For applications for M&A-related C&I loans or credit lines that your bank currently is willing to approve, how have the terms of those loans changed over the past twelve 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 loans or credit lines	3.41
Maximum maturity of loans or credit lines	3.18
Costs of credit lines	3.41
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened; narrower spreads=eased)	3.18
Premiums charged on riskier loans	3.12
Loan covenants	3.41
Collateralization requirements	3.06
Other (please specify)	3.00
Number of banks responding	17

15. What is your bank's outlook over the next twelve months for delinquencies and chargeoffs on *M&A-related C&I* loans currently on your bank's books, assuming that economic activity progresses in line with consensus forecasts?

	All Respondents	
	Banks	Percent
Loan quality is likely to improve substantially	0	0.0
Loan quality is likely to improve somewhat	0	0.0
Loan quality is likely to stabilize around current levels	11	64.7
Loan quality is likely to deteriorate somewhat	6	35.3
Loan quality is likely to deteriorate substantially	0	0.0
Total	17	100.0

16. What is your bank's outlook over the next twelve months for delinquencies and chargeoffs on *C&I* loans currently on your bank's books that were *not used to finance M&A activity*, assuming that economic activity progresses in line with consensus forecasts?

	All Respondents	
	Banks	Percent
Loan quality is likely to improve substantially	0	0.0
Loan quality is likely to improve somewhat	0	0.0
Loan quality is likely to stabilize around current levels	12	70.6
Loan quality is likely to deteriorate somewhat	5	29.4
Loan quality is likely to deteriorate substantially	0	0.0
Total	17	100.0

*Questions 17-18 ask about **commercial real estate loans** at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 17 deals with changes in your bank's standards over the last three months. Question 18 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.*

17. 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

18. 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	2	16.7
About the same	9	75.0
Moderately weaker	1	8.3
Substantially weaker	0	0.0
Total	12	100.0

1. As of June 30, 2006, the 17 respondents had combined assets of \$608 billion, compared to \$1.40 trillion 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.