

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 July 2007)

*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	3	15.0
Remained basically unchanged	17	85.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	20	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	3.10
Maximum maturity of loans or credit lines	3.05
Costs of credit lines	2.95
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.95
Premiums charged on riskier loans	2.85
Loan covenants	3.00
Collateralization requirements	2.95
Other (please specify)	3.00
Number of banks responding	20

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	1.17
Less favorable or more uncertain economic outlook	1.83
Worsening of industry-specific problems (please specify industries)	1.33
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.57
Reduced tolerance for risk	1.86
Decreased liquidity in the secondary market for these loans	2.25
Increase in defaults by borrowers in public debt markets	1.20
Other (please specify)	2.00
Number of banks responding	8

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

	All Respondents
	Mean
Improvement in your bank's current or expected capital position	1.00
More favorable or less uncertain economic outlook	1.00
Improvement in industry-specific problems (please specify industries)	1.00
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	2.75
Increased tolerance for risk	1.67
Increased liquidity in the secondary market for these loans	1.67
Reduction in defaults by borrowers in public debt markets	1.33
Other (please specify)	0.00
Number of banks responding	4

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	1	5.0
Moderately stronger	3	15.0
About the same	16	80.0
Moderately weaker	0	0.0
Substantially weaker	0	0.0
Total	20	100.0

5. If demand for C&I loans has strengthened or weakened over the past three months (as described in question 4), how important have been the following possible reasons for the change? (Please 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	1.33
Customer investment in plant or equipment increased	1.67
Customer internally generated funds decreased	1.00
Customer merger or acquisition financing needs increased	2.75
Customer borrowing shifted to your bank from other bank or nonbank sources because these other sources became less attractive	1.00
Other (please specify)	3.00
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	-
Customer accounts receivable financing needs decreased	-
Customer investment in plant or equipment decreased	-
Customer internally generated funds increased	-
Customer merger or acquisition financing needs decreased	-
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	-
Other (please specify)	-
Number of banks responding	0

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	2	10.0
The number of inquiries has stayed about the same	16	80.0
The number of inquiries has decreased moderately	2	10.0
The number of inquiries has decreased substantially	0	0.0
Total	20	100.0

Questions 7-12 ask about your bank's involvement in and assessment of the outlook for the syndicated loan market.

7. Approximately what percentage of C&I loans currently on your bank's books is accounted for by syndicated loans? (Please consider only funds actually disbursed as opposed to unused lines of credit. Also, please include syndicated loans arranged by your bank, those arranged by other banks, and participations of syndicated loans that your bank has purchased.)

	All Respondents	
	Banks	Percent
My bank does not currently have any syndicated loans on its books	0	0.0
More than 0 percent and less than 5 percent	0	0.0
More than 5 percent and less than 20 percent	1	5.0
More than 20 percent and less than 35 percent	0	0.0
More than 35 percent and less than 50 percent	4	20.0
More than 50 percent and less than 75 percent	6	30.0
More than 75 percent	9	45.0
Total	20	100.0

8. Approximately what percentage of the syndicated loans currently on your bank's books (as reported in question 7) is considered leveraged? (Please consider a loan to be leveraged when the obligor's post financing leverage as measured by debt-to-assets, debt-to-equity, cash flow-to-total debt, or other such standards unique to particular industries significantly exceeds industry norms for leverage.²)

	All Respondents	
	Banks	Percent
My bank does not currently have any leveraged syndicated loans on its books	2	10.0
More than 0 percent and less than 5 percent	5	25.0
More than 5 percent and less than 20 percent	7	35.0
More than 20 percent and less than 35 percent	3	15.0
More than 35 percent and less than 50 percent	3	15.0
More than 50 percent and less than 75 percent	0	0.0
More than 75 percent	0	0.0
Total	20	100.0

9. Approximately what percentage of the syndicated loans currently on your bank's books (as reported in question 7) was originated to fund leveraged buyouts (LBOs)?

	All Respondents	
	Banks	Percent
My bank does not currently have any syndicated loans on its books that were used to fund LBOs	3	15.8
More than 0 percent and less than 5 percent	9	47.4
More than 5 percent and less than 20 percent	3	15.8
More than 20 percent and less than 35 percent	1	5.3
More than 35 percent and less than 50 percent	2	10.5
More than 50 percent and less than 75 percent	1	5.3
More than 75 percent	0	0.0
Total	19	100.0

10. Approximately what percentage of the syndicated loans currently on your bank's books (as reported in question 7) is accounted for by "bridge loans" used to fund M&A-related activity that your bank expects to be paid down with funds raised in the capital markets within the next twelve months?

	All Respondents	
	Banks	Percent
My bank does not currently have any bridge loans on its books	5	26.3
More than 0 percent and less than 5 percent	12	63.2
More than 5 percent and less than 20 percent	2	10.5
More than 20 percent and less than 35 percent	0	0.0
More than 35 percent and less than 50 percent	0	0.0
More than 50 percent and less than 75 percent	0	0.0
More than 75 percent	0	0.0
Total	19	100.0

11. News reports suggest increased use of equity bridge loans to LBO sponsors to provide financing applied toward the sponsors' equity contributions in buyouts. These loans are subsequently paid down with funds raised in equity sales. Approximately what percentage of the syndicated loans currently on your bank's books (as reported in question 7) is accounted for by such *equity* bridge loans?

	All Respondents	
	Banks	Percent
My bank does not currently have any equity bridge loans on its books	13	65.0
More than 0 percent and less than 5 percent	7	35.0
More than 5 percent and less than 20 percent	0	0.0
More than 20 percent and less than 35 percent	0	0.0
More than 35 percent and less than 50 percent	0	0.0
More than 50 percent and less than 75 percent	0	0.0
More than 75 percent	0	0.0
Total	20	100.0

12. The leveraged loan pipeline has reportedly been very substantial in recent months. In light of the high volume of new credits coming to market, which of the following modifications of syndicated lending standards and terms does your bank expect to occur? (Please assign to *each* item a number using the following scale: 1=unlikely to occur, 2=likely to occur, 3=very likely to occur.)

	All Respondents
	Mean
Tighter lending standards	2.22
Increased number of covenants and/or more stringent covenants	2.28
Wider loan rate spreads	2.28
Reduced size of the loan portions of deals	1.65
Introduction of call protection or original issue discount	1.71
Other (please specify)	1.00
Number of banks responding	18

Questions 13-14 ask about commercial real estate loans at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 13 deals with changes in your bank's standards over the last three months. Question 14 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.

13. 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	1	5.9
Tightened somewhat	6	35.3
Remained basically unchanged	9	52.9
Eased somewhat	1	5.9
Eased considerably	0	0.0
Total	17	100.0

14. 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	0	0.0
About the same	13	76.5
Moderately weaker	1	5.9
Substantially weaker	3	17.6
Total	17	100.0

1. As of March 31, 2007, the 20 respondents had combined assets of \$943 billion, compared to \$1.63 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.

2. For more information on leveraged loans, please refer to:
www.federalreserve.gov/boarddocs/srletters/2001/sr0109.htm .