

Table 2

SENIOR LOAN OFFICER OPINION SURVEY ON BANK LENDING PRACTICES
AT SELECTED BRANCHES AND AGENCIES OF FOREIGN BANKS IN THE UNITED STATES
(Status of policy as of November 1998)

(Number of banks and percentage of banks answering question¹)

Questions 1-8 ask about **commercial and industrial loans** at your bank: Questions 1-3 deal with changes in your bank's lending policies over the past three months, and questions 4-7 deal with changes in demand over the same period. If your bank's lending policies have not changed over the past three months, please report them as unchanged even if the policies are either restrictive or accommodative relative to longer-term norms. If your bank's policies have tightened or eased over the past three months, please so report them regardless of how they stand relative to longer-term norms. Also, please report changes in enforcement of existing policies as changes in policies. Question 8 deals with changes in your bank's lending policies since mid-September when the Federal Reserve conducted a special Senior Loan Officer Opinion Survey.

1. Over the past three months, how have your bank's credit standards for approving applications for C&I loans or credit lines--other than those to be used to finance mergers and acquisitions--changed?

	All Respondents	
	Banks	Pct
Tightened considerably	6	26.1
Tightened somewhat	9	39.1
Remained basically unchanged	8	34.8
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	23	100.0

2. For applications for C&I loans or credit lines--other than those to be used to finance mergers and acquisitions--that your bank currently is willing to approve, how have the terms of those loans changed over the past three months? (Please assign each term a number between 1 and 5 using the following scale: 1=tightened considerably, 2=tightened somewhat, 3=remained basically unchanged, 4=eased somewhat, 5=eased considerably.)

	All Respondents
	Mean
Maximum size of credit lines	2.13
Costs of credit lines	2.04
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	1.61
The premium charged on riskier loans	1.78
Loan covenants	2.61
Collateralization requirements	2.52
Other	3.00
Total	23

1. As of June 30, 1998, the twenty-three respondents had combined assets of \$232 billion, compared to \$797 billion for all foreign-related banking institutions in the United States. The sample is selected from among the largest foreign-related banking institutions in those Federal Reserve Districts where such institutions are common.

3. If your bank has tightened or eased its credit standards or its terms for C&I loans or credit lines over the past three months (as described in questions 1-2), how important have been the following possible reasons for the change? (Please respond to either A or B or both as appropriate.) (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

A. Possible reasons for tightening credit standards or loan terms:

	All Respondents
	Mean
A deterioration in your parent bank's current or expected capital position	1.55
A less favorable or more uncertain economic outlook	2.32
A worsening of industry-specific problems	1.77
Less aggressive competition from other commercial banks	1.45
Less aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.36
A Reduced tolerance for risk	1.77
Increased concern about regulatory scrutiny	1.05
Other	1.33
Number of banks responding	22

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

	All Respondents
	Mean
An improvement in your parent bank's current or expected capital position	1.00
A more favorable or less uncertain economic outlook	1.00
An improvement in industry-specific problems	1.00
More aggressive competition from other commercial banks	1.00
More aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.00
An increased tolerance for risk	1.00
Decreased concern about regulatory scrutiny	1.00
Other	2.00
Number of banks responding	1

4. How has demand for C&I loans (actual extensions of credit as opposed to undrawn lines) changed over the past three months (apart from normal seasonal variation)?

	All Respondents	
	Banks	Pct
Substantially stronger	0	0.0
Moderately stronger	9	39.1
About the same	8	34.8
Moderately weaker	6	26.1
Substantially weaker	0	0.0
Total	23	100.0

5. If demand for C&I loans has strengthened or weakened over the past three months, 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	1.27
Customer investment in plant or equipment increased	1.09
Customer internally generated funds decreased	1.18
Customer borrowing shifted from other sources to your bank because these other sources became less attractive	2.55
Customer merger or acquisition financing increased	1.36
Other	1.09
Number of banks responding	11

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

	All Respondents
	Mean
Customer inventory financing needs decreased	1.50
Customer investment in plant or equipment decreased	2.25
Customer internally generated funds increased	1.25
Customer borrowing shifted from your bank to other sources because these other sources became more attractive	1.25
Customer merger or acquisition financing decreased	2.00
Other	1.00
Number of banks responding	4

6. Over the past three months, to what extent has demand for C&I loans at your bank been strengthened by customers that have turned to your bank because of an inhospitable bond market?

	All Respondents	
	Banks	Pct
Substantially	6	26.1
Somewhat	14	60.9
Little or not at all	3	13.0
Total	23	100.0

7. Over the past three months, to what extent has demand for C&I loans at your bank been strengthened by customers that have turned to your bank because of an inhospitable commercial paper market?

	All Respondents	
	Banks	Pct
Substantially	3	13.0
Somewhat	14	60.9
Little or not at all	6	26.1
Total	23	100.0

8. How have your bank's credit standards and terms on C&I loans changed since mid-September (when the Federal Reserve conducted a special Senior Loan Officer Survey of Bank Lending Practices)?

	All Respondents	
	Banks	Pct
Tightened considerably	3	13.0
Tightened somewhat	10	43.5
Remained basically unchanged	10	43.5
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	23	100.0

Questions 9-13 ask about **commercial real estate loans** at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate: Questions 9-11 deal with changes in your bank's lending policies over the past three months, and question 12 deals with changes in demand over the same period. Question 13 deals with the effects of reduced issuance of commercial mortgage-backed securities. 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 standards as changes in standards.

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

	All Respondents	
	Banks	Pct
Tightened considerably	2	12.5
Tightened somewhat	5	31.3
Remained basically unchanged	9	56.3
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	16	100.0

10. Over the past three months, how has your bank changed the following terms on commercial real estate 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
	Mean
Maximum loan size	2.60
Maximum loan maturity	3.00
Spreads of loan rates over your bank's cost of funds	2.27
Loan-to-cost ratios	2.67
Requirements for take-out financing	2.87
Debt-service coverage ratios	2.53
Other	3.00
Number of banks responding	15

11. If your bank tightened or eased its credit standards or its terms for commercial real estate loans over the past three months (as described in questions 9 and 10), how important were the following possible reasons for the change? (Please respond to either A or B or both as appropriate.) (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

A. Possible reasons for tightening credit standards or loan terms:

	All Respondents
	Mean
A less favorable or more uncertain economic outlook	2.25
A worsening of the condition of or the outlook for the commercial real estate markets in which your bank operates	1.88
Less aggressive competition from other banks	1.50
Less aggressive competition from nonbank sources of finance	1.50
A reduced tolerance for risk	2.13
Increased concern about regulatory scrutiny	1.38
Disruption in the the commercial mortgage backed securities market	2.00
Increased concern about the reliability of take-out financing	2.00
Other	1.25
Number of banks responding	8

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

	All Respondents
	Mean
A more favorable or less uncertain economic outlook	1.00
An improvement in the condition of or the outlook for commercial real estate in the markets in which your bank operates	2.00
More aggressive competition from other banks	1.00
More aggressive competition from nonbank sources of finance	1.00
An increased tolerance for risk	3.00
Decreased concern about regulatory scrutiny	1.00
Other	1.00
Number of banks responding	1

12. Over the past three months, how has demand for commercial real estate loans changed (apart from normal seasonal variation)?

	All Respondents	
	Banks	Pct
Substantially stronger	0	0.0
Moderately stronger	2	14.3
About the same	6	42.9
Moderately weaker	6	42.9
Substantially weaker	0	0.0
Total	14	100.0

13. Over the past month or so there has been a widely reported decline in the issuance of securities backed by commercial mortgages. How has this development affected your bank's commercial real estate lending operations? (Please rate each possible effect using the following scale: 1=not significant, 2=moderately significant, 3=very significant.)

	All Respondents
	Mean
Commercial real estate loans at your bank are growing faster than they would have, as a larger share of the loans originated by your bank are remaining on its books.	1.27
In order to avoid an increase in commercial real estate loans on your bank's books, your bank has trimmed its originations of these loans.	1.67
Your bank has experienced increased demand for commercial real estate loans from borrowers encountering difficulty getting credit elsewhere.	1.33
Other (please specify)	1.00
Number of banks responding	15

Questions 14-16 ask about how your bank is managing risks resulting from any **year-2000 problems** of its customers.

14. At this time, what percentage of your bank's material business customers has been evaluated for year-2000 preparedness?

	All Respondents	
	Banks	Pct
Less than 25 percent	0	0.0
At least 25 percent but less than 75 percent	5	22.7
At least 75 percent but less than 90 percent	6	27.3
At least 90 percent	11	50.0
Total	22	100.0

15. What percentage of your bank's material business customers that have been evaluated for year-2000 preparedness was not making satisfactory progress toward achieving year-2000 preparedness at the time of the evaluation?

	All Respondents	
	Banks	Pct
Less than 5 percent	15	68.2
At least 5 percent but less than 15 percent	6	27.3
At least 15 percent but less than 25 percent	0	0.0
At least 25 percent but less than 50 percent	0	0.0
At least 50 percent	1	4.5
Total	22	100.0

16. What percentage of your bank's material business customers (including those, if any, that have not yet been evaluated) has your bank downgraded because of the borrowers' inadequate year-2000 preparation?

	All Respondents	
	Banks	Pct
Less than 1 percent	20	95.2
At least 1 percent but less than 3 percent	1	4.8
At least 3 percent but less than 5 percent	0	0.0
At least 5 percent but less than 10 percent	0	0.0
At least 10 percent	0	0.0
Total	21	100.0

Questions 17 and 18 concern interbank lending, including lending in the federal funds, eurodollar, and repo markets.

17. Which of the following changes in its federal funds, eurodollar, or repurchase agreement lending policies has your bank made over the past three months? (Please indicate all that apply; if none apply, leave this question blank.)

	All Respondents	
	Banks	Pct
Stopped lending to some or all institutions	5	41.7
Reduced the amount it is willing to lend to some or all institutions	10	83.3
Cut back the maturities of or stopped making term loans to some or all institutions	4	33.3
Required a greater premium to lend to some or all institutions	6	50.0
Restricted the acceptable types of collateral required of some or all institutions when entering into repurchase agreements	5	41.7
Increased the amount of collateral required of some or all institutions when entering into repurchase agreements (increased the "haircut")	4	33.3
Other	0	0.0
Total number responding (percent of entire panel)	12	54.5

18. If your bank has made any of the changes listed in question 17, and if the restrictions were applied largely only to particular institutions or groups of institutions, please select from the list below the category(s) to which these adjustments primarily applied. If the restrictions listed in question 17 were applied generally across institutions, leave this question blank.

	All Respondents	
	Banks	Pct of those responding to question 27
Selected institutions (individual institutions your bank considers less creditworthy)	3	25.0
European institutions generally	0	0.0
Japanese institutions generally	6	50.0
Domestic money center banks generally	0	0.0
Other broad classes of institutions (please specify)	0	0.0
Total number responding	8	66.7

Optional: Question 19 requests feedback on any issues you judge to be important but that are not addressed on this survey.

19. Are there any recent developments in lending practices not addressed in this survey that you find particularly significant? Your response will help us stay abreast of breaking issues and in choosing questions for future surveys. There is no need to reply if you have nothing you would like to add.