Board of Governors of the Federal Reserve System

The November 1998 Senior Loan Officer Opinion Survey on Bank Lending Practices

The November 1998 Senior Loan Officer Opinion Survey on Bank Lending Practices focused primarily on changes over the past three months in the supply and demand for bank loans to businesses and households. Additional questions concerned interbank lending and potential risks arising from business customers' year-2000 difficulties.

The survey results suggest a broad tightening of business lending practices. Citing increased concern over the economic outlook, a large share of the participants indicated that they had firmed standards and terms on loans to large and middle-market businesses and on commercial real estate loans. Unlike recent surveys, some banks also reported having tightened standards and terms on loans to small businesses. Respondents stated that demand for business and commercial real estate loans had increased, boosted somewhat by customers having difficulty raising funds in the securities markets.

The survey found little evidence of any changes in lending practices on loans to households. A few banks said they had become more willing to make consumer installment loans, while moderate percentages said they had tightened standards on credit cards and on other consumer loans. Terms on these loans reportedly were unchanged.

The responses to the questions on interbank lending show that many banks had reduced the amount they were willing to lend to certain financial institutions and some banks had required shorter maturities, more collateral, or higher premiums on interbank loans. Nearly all those restricting their interbank lending had applied the adjustments to selected individual banks, many banks had restricted terms to Japanese institutions generally, and a few had done so for European institutions generally.

The respondents reported having made good headway in assessing risks arising from year-2000 problems of their customers. Most of the banks noted that the large majority of their important business customers were satisfactorily approaching year-2000 preparedness.

Lending to Businesses
(Table 1, questions 1-14; table 2, questions 1-13)

More than one-third, on net, of the domestic banks said that over the past three months they had tightened *standards* on C&I loans to large and middle-market borrowers (up from one-quarter in September), and two-thirds of the foreign respondents said they had tightened (up from two-fifths). This share of the domestic respondents reporting tightened standards on these loans is the largest since 1990. Similar fractions reported that they had tightened *terms* on C&I loans to large and middle-market customers, with many having raised the spreads of loan rates over the banks' cost of funds and the premiums charged on riskier loans. Of those that had tightened standards or terms on loans to large and middle-market firms, about two-fifths said the tightening had applied predominantly to large firms, about 10 percent said predominantly to middle-market firms, and the remainder said policies toward both groups of firms had been tightened about equally. The largest domestic respondents--those with more than $15 billion in assets--more commonly reported having tightened standards and terms for these loans than did the smaller respondents, perhaps in part because larger banks are more likely to compete as a source of funds with the capital markets--where borrowing conditions have deteriorated in recent months. About 15 percent, on net, of the domestic respondents had tightened standards and terms on loans to small businesses; the respondents had reported no change in standards or terms, on net, on these loans in September.

A less favorable or more uncertain economic outlook was the most commonly cited reason for having tightened standards and terms on C&I loans. Many banks also pointed (in decreasing order of frequency) to a worsening of industry-specific problems, a reduced tolerance for risk, and less aggressive competition from other banks and nonbank lenders. Both the September and November surveys asked about changes in lending practices since August, so banks that reported tightening on both surveys did not necessarily tighten between September and November. However, a special question on the November survey found that large shares of the domestic and foreign respondents had tightened their standards and terms for C&I loans since September.

In contrast to September, when many of the banks had said demand for C&I loans had fallen, responses to the November survey show an increase in demand for these loans. About one quarter, on net, of the domestic respondents had experienced greater demand from large and middle-market firms, and 10 percent, on net, had experienced increased demand from smaller firms. About 15 percent, on net, of the foreign banks reported stronger demand. The respondents pointed to shifts from other sources of credit--a response that had not commonly been cited in the past--as the primary cause of the increased demand. Specifically, about three-quarters of the sum of the largest domestic and the foreign respondents said substitution from the bond market, and half said substitution from the commercial paper market, had boosted loan demand. Few of the smaller domestic respondents reported having experienced such substitution.

Nearly half of the domestic and foreign respondents had tightened standards on commercial real estate loans over the past three months. About half of the respondents had widened loan rate spreads, and smaller fractions had tightened other terms, including loan-to-cost ratios, debt-service coverage ratios, requirements for take-out financing, and maximum loan sizes. Most commonly the respondents said they had tightened because of a worsening of the economic outlook, but many also pointed to disruption in the commercial mortgage-backed securities market and to increased concern about the reliability of take-out financing. More respondents had experienced decreased demand for these loans than had experienced increased demand. Nevertheless, many respondents said the decline in issuance of commercial mortgage-backed securities had led to increased demand at their bank by borrowers encountering difficulty getting credit elsewhere.

Lending to Households
(Table 1, questions 15-23)

About 5 percent of the banks said their willingness to make consumer installment loans had increased over the past three months, about the same as in September; no banks said their willingness to make these loans had decreased. Fifteen percent had tightened standards on credit card loans and 10 percent had tightened standards on other consumer loans. Few banks reported any change in terms on consumer loans of either type. About 10 percent of respondents, on net, had experienced weaker demand for consumer loans. Almost all of the banks said that disruption in the market for asset-backed securities had not affected their balance sheets or lending practices with respect to household lending.

Few banks indicated a change in standards for home mortgages. More than half reported that demand for these loans had strengthened, with many stating that demand for mortgages had strengthened substantially. Although the question specifically asked about demand for mortgages to purchase homes, the responses may reflect, in part, the recent high level of mortgage refinancing activity.

Interbank Lending
(Table 1, questions 27 and 28; table 2, questions 17 and 18)

Many reports in recent months have indicated that increasing concern about the financial health of counterparties had led to changes in banks' interbank lending policies, the subject of special questions on the November survey. Nearly two-thirds of the domestic and half of the foreign respondents had taken steps to restrict their interbank lending during the past three months. About half had reduced the amount they were willing to lend to some or all institutions, and about a third had stopped lending entirely to certain institutions. Significant percentages also had cut back maturities on term loans, stopped making term loans altogether, required greater interest-rate premiums, or increased the amount or restricted the types of collateral required when entering into repurchase agreements. Of those banks that changed their interbank lending policies, most had applied the restrictions to selected institutions they considered less creditworthy. Many also had adopted a more restrictive posture toward Japanese institutions generally and a few toward European institutions generally. Only two had restricted their lending to domestic money center banks generally.

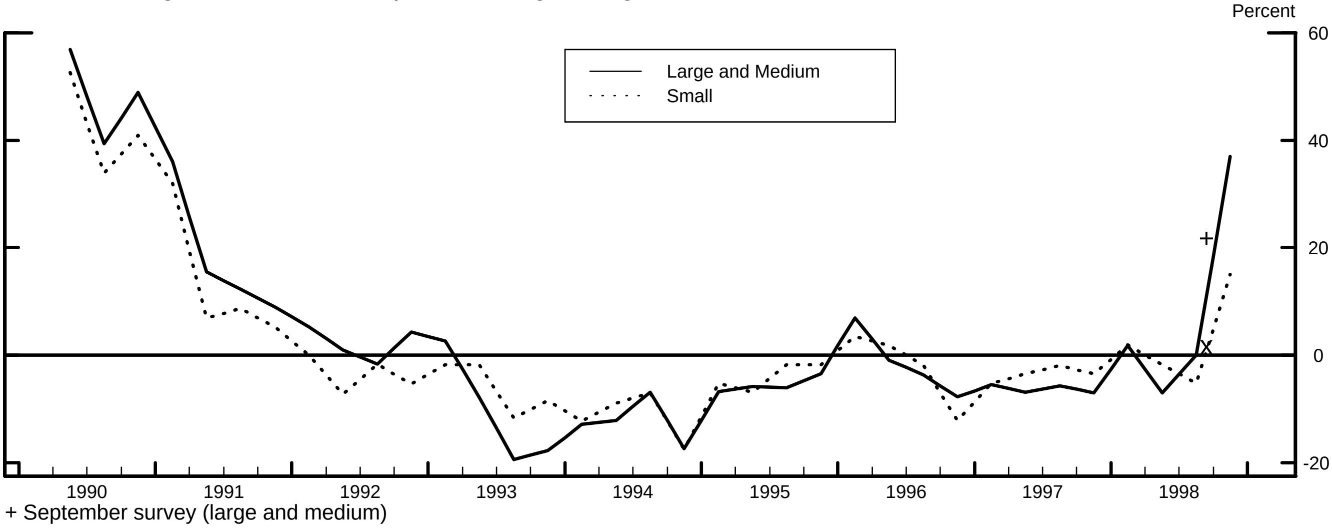
Year 2000 Risks

(Table 1, questions 24-26; table 2, questions 14-16)

Additional special questions asked respondents about the management of risks resulting from the possible year-2000 problems of their customers. The results show significant progress in the respondents' evaluation of these problems since the May 1998 survey, which had included similar questions. Half of both the domestic and the foreign respondents reported that they had evaluated the year-2000 preparedness of more than 90 percent of the business customers that account for a material proportion of their loans. None of the respondents had evaluated less than 25 percent. In May, less than half of domestic respondents and less than one-fourth of the foreign respondents had evaluated even 25 percent of their customers. Virtually all of the respondents found that less than 15 percent of their material business customers were not making satisfactory progress toward achieving year-2000 preparedness. Likely for this reason, nearly all the survey participants had downgraded less than 3 percent of their material business customers for inadequate preparedness.

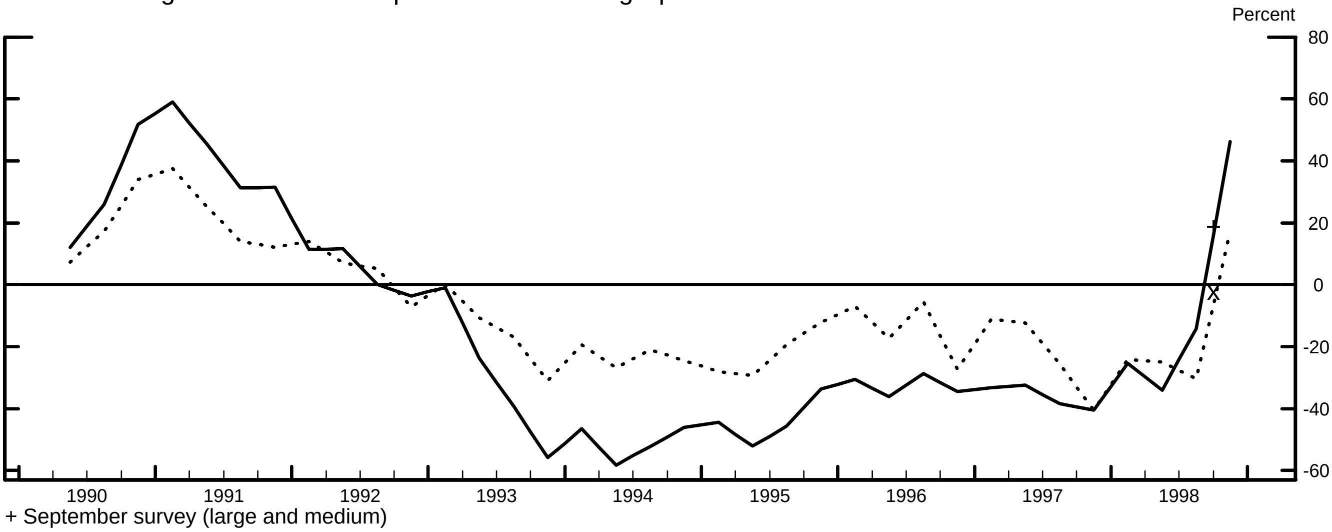
Measures of Supply and Demand for C&I Loans, by Size of Firm Seeking Loan

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



+ September survey (large and medium)
x September survey (small)

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



+ September survey (large and medium)
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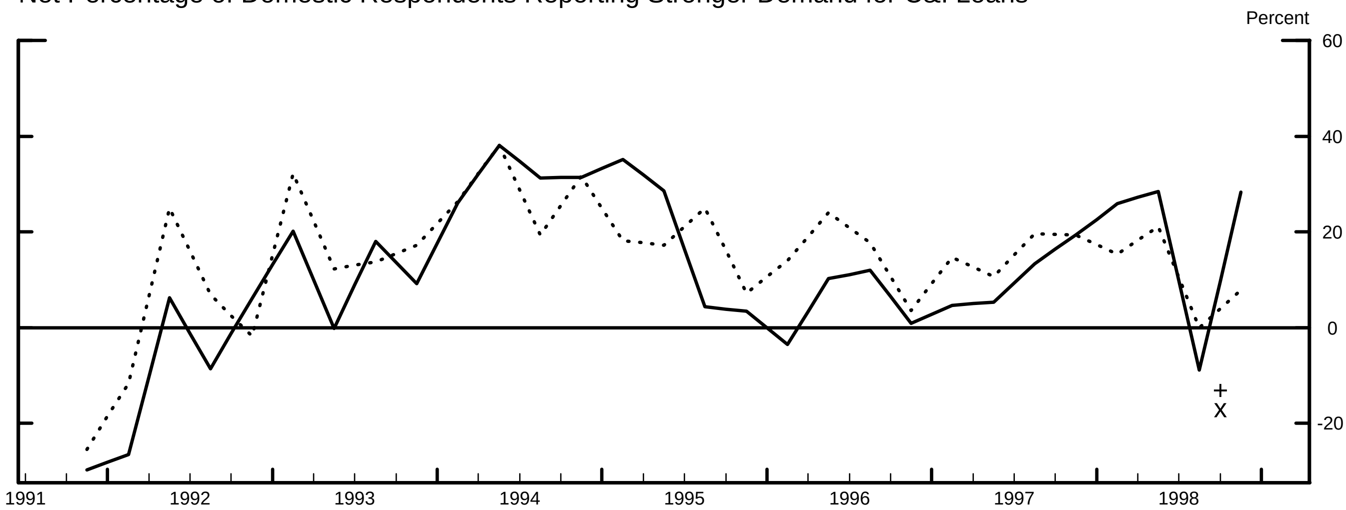
Net Percentage of Domestic Respondents Reporting Stronger Demand for C&I Loans



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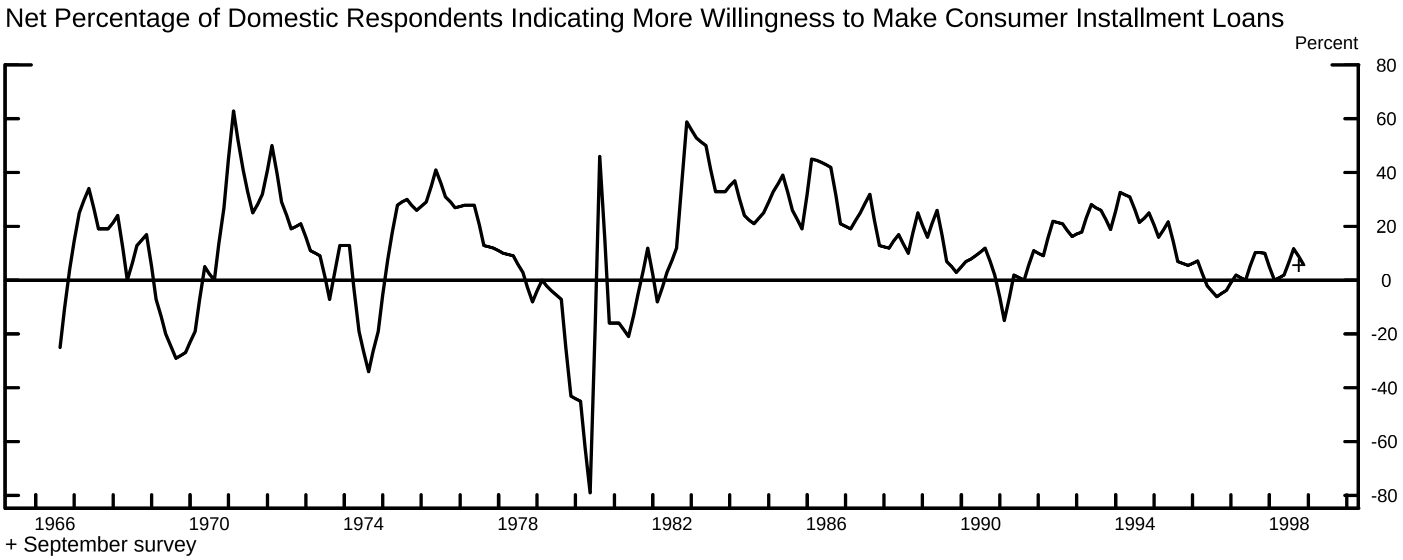
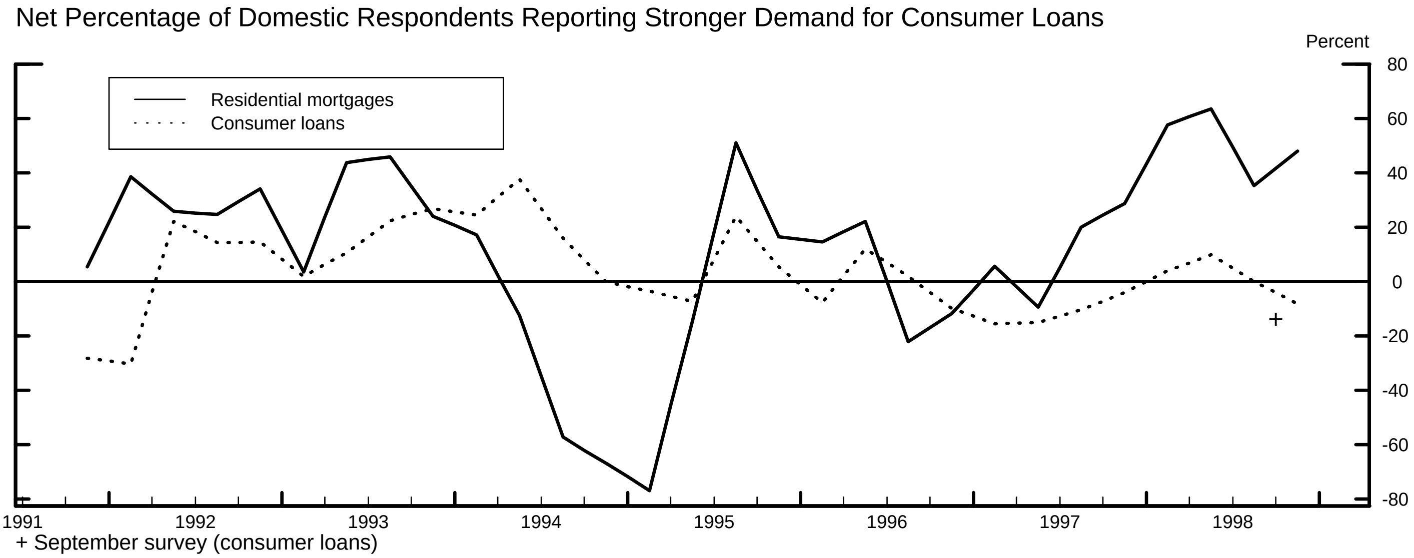
Measures of Supply and Demand for Loans to Households





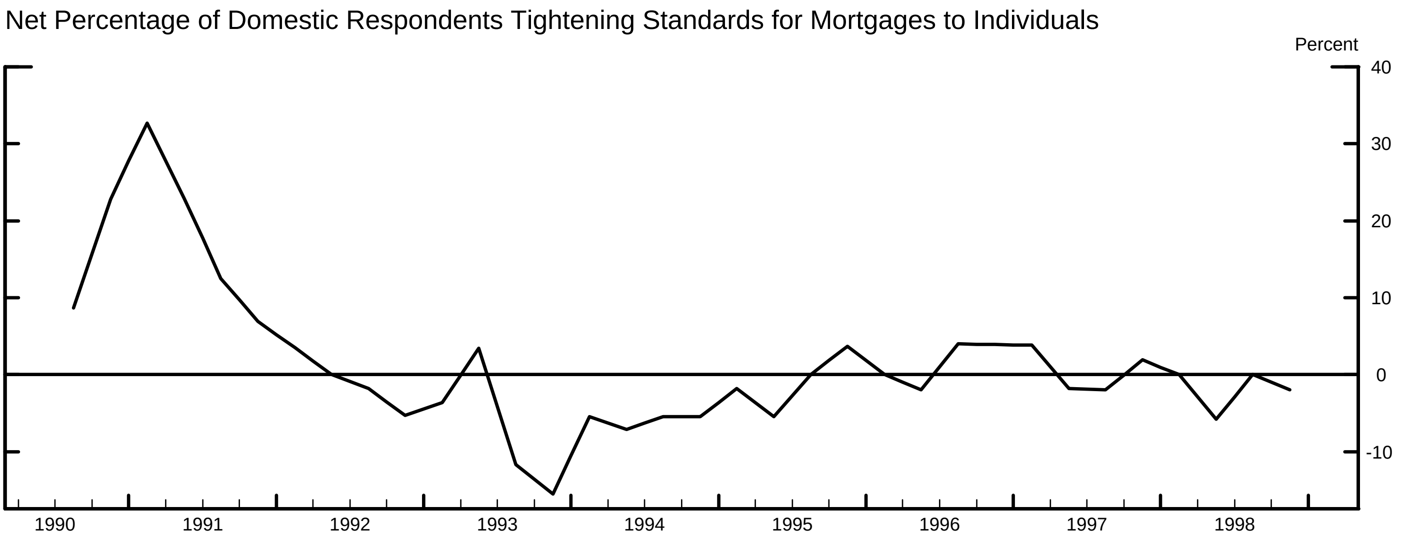


Table 1

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

(Number of banks and percentage of banks answering question)
(By volume of total domestic assets as of June 30, 1998[1])

Questions 1-9 *ask about* ***commercial and industrial loans*** *at your bank: Questions 1-4 deal with changes in your bank's lending policies over the past three months, and questions 5-8 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 9 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--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 more than $50 million)

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	21	38.9	18	50.0	3	16.7
Remained basically unchanged	32	59.3	18	50.0	14	77.8
Eased somewhat	1	1.9	0	0.0	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	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	10	18.9	7	20.6	3	15.8
Remained basically unchanged	41	77.4	26	76.5	15	78.9
Eased somewhat	2	3.8	1	2.9	1	5.3
Eased considerably	0	0.0	0	0.0	0	0.0
Total	53	100.0	34	100.0	19	100.0

1. As of June 30, 1998, thirty-six respondents had domestic assets of $15 billion or more; combined assets of these banks totaled $1.86 trillion, compared to $2.01 trillion for the entire panel of fifty-five banks, and $4.40 trillion for all domestically chartered, federally insured commercial banks. The sample is selected from among the largest banks in each Federal Reserve District. Large banks are those with total domestic assets over $15 billion.

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 more than $50 million)

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Maximum size of credit lines	2.81	2.78	2.89
Costs of credit lines	2.57	2.36	3.00
Spreads of loan rates over your bank’s cost of funds (wider spreads=tightened,narrower spreads=eased)	2.44	2.19	2.94
The premium charged on riskier loans	2.24	2.03	2.67
Loan covenants	2.80	2.69	3.00
Collateralization requirements	2.76	2.72	2.83
Other (please specify)	3.00	3.00	3.00
Number of banks responding	54	36	18

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	2.98	2.97	3.00
Costs of credit lines	2.94	2.88	3.05
Spreads of loan rates over your bank’s cost of funds(wider spreads=tightened,narrower spreads=eased)	2.83	2.76	2.95
The premium charged on riskier loans	2.67	2.61	2.79
Loan covenants	2.88	2.88	2.89
Collateralization requirements	2.92	2.94	2.89
Other	3.00	3.00	3.00
Number of banks responding	52	33	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 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	Large Banks	Other Banks
	Mean	Mean	Mean
A deterioration in your bank's current or expected capital position	1.14	1.15	1.10
A less favorable or more uncertain economic outlook	2.22	2.22	2.20
A worsening of industry-specific problems	1.81	1.81	1.80
Less aggressive competition from other banks	1.46	1.63	1.00
Less aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.43	1.56	1.10
A reduced tolerance for risk	1.73	1.78	1.60
Increased concern about regulatory scrutiny	1.22	1.22	1.20
Other	1.03	1.04	1.00
Number of banks responding	37	27	10

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

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
An improvement in your bank's current or expected capital position	1.14	1.33	1.00
A more favorable or less uncertain economic outlook	1.29	1.33	1.25
An improvement in industry-specific problems	1.14	1.33	1.00
More aggressive competition from other banks	2.00	1.33	2.50
More aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.71	1.33	2.00
An increased tolerance for risk	1.43	1.33	1.50
Decreased concern about regulatory scrutiny	1.14	1.33	1.00
Other	1.29	1.29	1.50
Number of banks responding	7	3	4

4. If your bank tightened standards or terms on C&I loans to large and middle-market firms (as described in questions 1A and 2A), for which group were standards or terms predominantly tightened? (Please define large firms as those with annual sales of more than $250 million, or use your bank's definition and indicate what it is.)

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Large firms	14	38.9	13	46.4	1	12.5
Middle-market firms	3	8.3	0	0.0	3	37.5
Tightening approximately equivalent for both groups	19	52.8	15	53.6	4	50.0
Total	36	100.0	28	100.0	8	100.0

5. 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)?

A. Demand for C&I loans from large and middle-market firms (annual sales of more than $50 million)

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	20	37.7	18	51.4	2	11.1
About the same	28	52.8	12	34.3	16	88.9
Moderately weaker	4	7.5	4	11.4	0	0.0
Substantially weaker	1	1.9	1	2.9	0	0.0
Total	53	100.0	35	100.0	18	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	Pct	Banks	Pct	Banks	Pct
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	11	21.6	8	25.0	3	15.8
About the same	33	64.7	19	59.4	14	73.7
Moderately weaker	7	13.7	5	15.6	2	10.5
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	51	100.0	32	100.0	19	100.0

6. If demand for C&I loans has strengthened or weakened over the past three months (as described in questions 5), 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. If stronger loan demand (answer 1 or 2 to question 5 A or B), possible reasons:

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Customer inventory financing needs increased	1.31	1.32	1.25
Customer investment in plant or equipment increased	1.38	1.36	1.50
Customer internally generated funds decreased	1.35	1.32	1.50
Customer borrowing shifted from other sources to your bank because these other sources became less attractive	2.31	2.23	2.75
Customer merger or acquisition financing increased	1.50	1.50	1.50
Other	1.12	1.05	1.50
Number of banks responding	26	22	4

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

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Customer inventory financing needs decreased	1.43	1.50	1.00
Customer investment in plant or equipment decreased	1.50	1.67	1.00
Customer internally generated funds increased	1.00	1.00	1.00
Customer borrowing shifted from your bank to other sources because these other sources became more attractive	1.50	1.50	1.50
Customer merger or acquisition financing decreased	1.50	1.67	1.00
Other	1.63	1.33	2.50
Number of banks responding	8	6	2

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 bond market?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially	8	14.8	8	22.9	0	0.0
Somewhat	21	38.9	17	48.6	4	21.1
Little or not at all	25	46.3	10	28.6	15	78.9
Total	54	100.0	35	100.0	19	100.0

8. 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		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially	3	5.6	3	8.6	0	0.0
Somewhat	11	20.4	11	31.4	0	0.0
Little or not at all	40	74.1	21	60.0	19	100.0
Total	54	100.0	35	100.0	19	100.0

9. 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		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	18	33.3	13	37.1	5	26.3
Remained basically unchanged	35	64.8	22	62.9	13	68.4
Eased somewhat	1	1.9	0	0.0	1	5.3
Eased considerably	0	0.0	0	0.0	0	0.0
Total	54	100.0	35	100.0	19	100.0

***Questions 10-14** ask about **commercial real estate loans** at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate: Questions 10-12 deal with changes in your bank's lending policies over the past three months, and question 13 deals with changes in demand over the same period. Question 14 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.*

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

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	1	1.8	1	2.8	0	0.0
Tightened somewhat	25	45.5	15	41.7	10	52.6
Remained basically unchanged	29	52.7	20	55.6	9	47.4
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	55	100.0	36	100.0	19	100.0

11. 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	Large Banks	Other Banks
	Mean	Mean	Mean
Maximum loan size	2.72	2.69	2.78
Maximum loan maturity	2.83	2.86	2.78
Spreads of loan rates over your bank's cost of funds	2.30	2.11	2.67
Loan-to-cost ratios	2.65	2.61	2.72
Requirements for take-out financing	2.74	2.69	2.83
Debt-service coverage ratios	2.69	2.69	2.67
Other	2.83	2.83	2.83
Number of banks responding	54	36	18

12. 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 10 and 11), 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 lending standards or terms:

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
A less favorable or more uncertain economic outlook	2.20	2.24	2.10
A worsening of the condition of or the outlook for the commercial real estate markets in which your bank operates	1.54	1.52	1.60
Less aggressive competition from other commercial banks	1.23	1.32	1.00
Less aggressive competition from nonbank sources of finance	1.49	1.64	1.10
A reduced tolerance for risk	1.46	1.44	1.50
Increased concern about regulatory scrutiny	1.20	1.20	1.20
Disruption in the the commercial mortgage backed securities market	2.06	2.24	1.60
Increased concern about the reliability of take-out financing	1.86	2.04	1.40
Other	1.06	1.00	1.20
Number of banks responding	35	25	10

B. Possible reasons for easing lending standards or terms:

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
A more favorable or less uncertain economic outlook	1.00	1.00	1.00
An improvement in the condition of or the outlook for commercial real estate in the markets in which your bank operates	1.00	1.00	1.00
More aggressive competition from other commercial banks	3.00	3.00	3.00
More aggressive competition from nonbank sources of finance	2.00	1.00	3.00
An increased tolerance for risk	1.00	1.00	1.00
Decreased concern about regulatory scrutiny	1.00	1.00	1.00
Other	2.00	3.00	1.00
Number of banks responding	2	1	1

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

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially stronger	1	1.8	1	2.8	0	0.0
Moderately stronger	7	12.7	5	13.9	2	10.5
About the same	38	69.1	24	66.7	14	73.7
Moderately weaker	9	16.4	6	16.7	3	15.8
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	55	100.0	36	100.0	19	100.0

14. 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	Large Banks	Other Banks
	Mean	Mean	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	1.24	1.36	1.00
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	1.22	1.33	1.00
Your bank has experienced increased demand for commercial real estate loans from borrowers encountering difficulty getting credit elsewhere	1.54	1.67	1.28
Other	1.09	1.14	1.00
Number of banks responding	54	36	18

Questions 15 and 16 *ask about* ***home mortgage loans*** *at your bank: Question 15 deals with changes in your bank's credit standards over the past three months, and question 16 deals with changes in demand over the same period. If your bank's credit standards have not changed over the past three months, 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 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.*

15. 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	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	1	2.0	1	3.1	0	0.0
Remained basically unchanged	47	94.0	30	93.8	17	94.4
Eased somewhat	2	4.0	1	3.1	1	5.6
Eased considerably	0	0.0	0	0.0	0	0.0
Total	50	100.0	32	100.0	18	100.0

16. Over the past three months, how has demand for mortgages to purchase homes changed (apart from normal seasonal variation)?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially stronger	4	8.0	4	12.5	0	0.0
Moderately stronger	23	46.0	13	40.6	10	55.6
About the same	20	40.0	13	40.6	7	38.9
Moderately weaker	3	6.0	2	6.3	1	5.6
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	50	100.0	32	100.0	18	100.0

Questions 17-23 *ask about* ***consumer lending*** *at your bank: Questions 17-19 deal with changes in your bank's willingness to make, and in its credit standards for, consumer loans over the past three months; questions 20 and 21 deal with changes in loan terms over the same period; and question 22 deals with changes in demand over the same period. Question 23 deals with the effects of reduced issuance of securities backed by consumer loans. 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.*

17. 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	Pct	Banks	Pct	Banks	Pct
Much more	0	0.0	0	0.0	0	0.0
Somewhat more	3	5.9	3	9.4	0	0.0
About unchanged	48	94.1	29	90.6	19	100.0
Somewhat less	0	0.0	0	0.0	0	0.0
Much less	0	0.0	0	0.0	0	0.0
Total	51	100.0	32	100.0	19	100.0

18. 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	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	7	16.3	6	20.7	1	7.1
Remained basically unchanged	36	83.7	23	79.3	13	92.9
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	43	100.0	29	100.0	14	100.0

19. 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	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	4	8.2	4	13.3	0	0.0
Remained basically unchanged	45	91.8	26	86.7	19	100.0
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	49	100.0	30	100.0	19	100.0

20. Over the past three months, how has your bank changed the following terms 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	2.97	2.96	3.00
Spreads of interest rates charged on outstanding balances over your bank's cost of funds	2.95	2.88	3.08
Minimum percent of outstanding balances required to be repaid each month	3.00	3.00	3.00
Other	3.00	3.00	3.00
Number of banks responding	38	25	13

21. Over the past three months, how has your bank changed the following terms on consumer loans excluding credit card loans? (Please assign each term a number between 1 (tightened considerably) and 5 (eased considerably) as in question 20.)

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Maximum maturity	3.02	2.97	3.11
Spreads of loan rates over your bank's cost of funds	2.96	2.90	3.06
Minimum required down payment	3.00	3.00	3.00
Other	3.00	3.00	3.00
Number of banks responding	49	31	18

22. Over the past three months, how has demand for consumer loans of all types changed (apart from normal seasonal variation)?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	4	8.2	4	13.3	0	0.0
About the same	37	75.5	20	66.7	17	89.5
Moderately weaker	8	16.3	6	20.0	2	10.5
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	49	100.0	30	100.0	19	100.0

23. Over the past month or so it has reportedly become more difficult to issue securities backed by either consumer or home equity loans (asset-backed securities). How has this development affected your bank's consumer lending? (Please rate each possible effect using the following scale: 1=not significant, 2=moderately significant, 3=very significant.)

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Consumer or home equity 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	1.06	1.10	1.00
In order to avoid an increase in consumer or home equity loans on your bank's books, your bank has trimmed its originations of these loans	1.00	1.00	1.00
Your bank has experienced increased demand for consumer or home equity loans from borrowers encountering difficulty getting credit elsewhere	1.02	1.03	1.00
Other	1.04	1.07	1.00
Number of banks responding	47	29	18

Questions 24-26 *ask about how your bank is managing risks resulting from any* ***year-2000 problems*** *of its customers.*

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

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Less than 25 percent	0	0.0	0	0.0	0	0.0
At least 25 percent but less than 75 percent	8	14.8	5	13.9	3	16.7
At least 75 percent but less than 90 percent	20	37.0	11	30.6	9	50.0
At least 90 percent	26	48.1	20	55.6	6	33.3
Total	54	100.0	36	100.0	18	100.0

25. 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		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Less than 5 percent	27	50.0	20	57.1	7	36.8
At least 5 percent but less than 15 percent	22	40.7	13	37.1	9	47.4
At least 15 percent but less than 25 percent	5	9.3	2	5.7	3	15.8
At least 25 percent but less than 50 percent	0	0.0	0	0.0	0	0.0
At least 50 percent	0	0.0	0	0.0	0	0.0
Total	54	100.0	35	100.0	19	100.0

26. 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		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Less than 1 percent	43	81.1	29	82.9	14	77.8
At least 1 percent but less than 3 percent	8	15.1	6	17.1	2	11.1
At least 3 percent but less than 5 percent	2	3.8	0	0.0	2	11.1
At least 5 percent but less than 10 percent	0	0.0	0	0.0	0	0.0
At least 10 percent	0	0.0	0	0.0	0	0.0
Total	53	100.0	35	100.0	18	100.0

Questions 27 and 28 *concern* ***interbank lending****, including lending in the federal funds, eurodollar, and repo markets.*

27. 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		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Stopped lending to some or all institutions	18	50.0	15	51.7	3	42.9
Reduced the amount it is willing to lend to some or all institutions	27	75.0	22	75.9	5	71.4
Cut back the maturities of or stopped making term loans to some or all institutions	14	38.9	12	41.4	2	28.6
Required a greater premium to lend to some or all institutions	11	30.6	11	37.9	0	0.0
Restricted the acceptable types of collateral required of some or all institutions when entering into repurchase agreements	2	5.6	2	6.9	0	0.0
Increased the amount of collateral required of some or all institutions when entering into repurchase agreements (increased the "haircut")	8	22.2	7	24.1	1	14.3
Other	1	2.8	0	0.0	1	14.3
Total number responding (percent of entire panel)	36	65.5	29	80.6	7	36.8

28. If your bank has made any of the changes listed in question 27, 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 27 were applied generally across institutions, leave this question blank.

	All Respondents		Large Banks		Other Banks	
	Banks	Pct of those responding to question 27	Banks	Pct of those responding to question 27	Banks	Pct of those responding to question 27
Selected institutions (individual institutions your bank considers less creditworthy)	27	75.0	23	79.3	4	57.1
European institutions generally	4	11.1	4	13.8	0	0.0
Japanese institutions generally	19	52.8	18	62.1	1	14.3
Domestic money center banks generally	2	5.6	1	3.4	1	14.3
Other broad classes of institutions (please specify)	9	25.0	8	27.6	1	14.3
Total number responding	35	97.2	29	100.0	6	85.7

Optional: **Question 29** requests feedback on any issues you judge to be important but that are not addressed on this survey.

29. 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.

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 question[1])

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.