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 January 2000[1])

Questions 1-6 *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, questions 4 and 5 deal with changes in demand over the same period, and question 6 asks about recent increases in delinquency rates on C&I 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.*

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	1	4.8
Tightened somewhat	5	23.8
Remained basically unchanged	15	71.4
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	21	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	2.81
Costs of credit lines	2.67
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.67
Premiums charged on riskier loans	2.57
Loan covenants	2.76
Collateralization requirements	2.86
Other	2.95
Total	21

1. As of September 30, 1999, the 21 respondents had combined assets of $215 billion, compared to $741 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 and 2), how important have been the following possible reasons for the change? (Please respond to either A, 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	1.44
A less favorable or more uncertain economic outlook	1.78
A worsening of industry-specific problems	1.78
Less aggressive competition from other commercial banks	1.56
Less aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.56
A reduced tolerance for risk	1.89
Decreased liquidity in the secondary market for these loans	1.56
Other	1.22
Number of banks responding	9

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	2.00
A more favorable or less uncertain economic outlook	1.50
An improvement in industry-specific problems	1.00
More aggressive competition from other commercial banks	2.50
More aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.00
An increased tolerance for risk	1.00
Increased liquidity in the secondary market for these loans	1.50
Other	1.00
Number of banks responding	2

4. How has demand for C&I loans (actual disbursements of funds as opposed to requests for new or increased lines of credit) changed over the past three months (apart from normal seasonal variation)?

	All Respondents	
	Banks	Pct
Substantially stronger	0	0.0
Moderately stronger	1	4.8
About the same	15	71.4
Moderately weaker	5	23.8
Substantially weaker	0	0.0
Total	21	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	1.00
Customer accounts receivable financing needs increased	2.00
Customer investment in plant or equipment increased	2.00
Customer internally generated funds decreased	1.00
Customer borrowing shifted from other sources to your bank because these other sources became less attractive	2.00
Customer merger or acquisition financing increased	2.00
Customer liquidity needs increased	2.00
Other	1.00
Number of banks responding	1

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

	All Respondents
	Mean
Customer inventory financing needs decreased	1.40
Customer accounts receivable financing needs decreased	1.20
Customer investment in plant or equipment decreased	1.40
Customer internally generated funds increased	1.40
Customer borrowing shifted from your bank to other sources because these other sources became more attractive	1.40
Customer merger or acquisition financing decreased	1.20
Customer liquidity needs decreased	1.40
Other	2.00
Number of banks responding	5

6. Delinquency rates on C&I loans have been rising gradually since early 1998. Although they remain at low levels, this upward trend has occurred during a period of exceptional economic growth and strong business profits. If delinquency rates on C&I loans at your bank have increased, what factors were important reasons? (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

	All Respondents
	Mean
Problems that developed in a limited number of specific industries	2.06
A general easing of lending standards and terms between 1994 and 1998	1.65
A general seasoning of your bank’s loan portfolio	1.06
By 1998, delinquency rates had fallen to abnormally low levels and have been returning to a more normal long-run level	1.53
Other	1.39
Number of banks responding	18

Questions 7 and 8 *ask about* ***commercial real estate loans*** *at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 7 deals with changes in your bank's standards over the last three months, and question 8 deals with changes in demand over the same period. If your bank's lending standards or terms have not changed over the periods described, 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 periods described, 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.*

7. 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	0	0.0
Tightened somewhat	1	7.7
Remained basically unchanged	12	92.3
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	13	100.0

8. 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	16.7
About the same	6	50.0
Moderately weaker	3	25.0
Substantially weaker	1	8.3
Total	12	100.0

Question 9 *asks for the reasons behind the recent strength in* ***loans to securities brokers and dealers****.*

9. Bank lending to securities brokers and dealers in the form of reverse RP transactions was extremely strong during the November-December period. If your bank increased its activity in this market over this period, what factors were important? (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

	All Respondents
	Mean
Broker-dealers' funding needs were extremely heavy	1.88
Your bank took advantage of attractive lending opportunities that developed when other institutional lenders in the RP market pulled back	1.50
Broker-dealers found the cost of issuing commercial paper increasing, particularly at maturities extending over year-end	1.63
Your bank enjoyed unusually low costs to fund its RP lending	1.00
Your bank found reverse RPs to be an attractive way to deploy increased deposits in Treasury tax and loan accounts	1.00
Your bank has decided to alter its portfolio strategy and increase the share of assets allocated to reverse RP transactions	1.13
Other	1.63
Number of banks responding	8

Questions 10-13 *ask about demand for business credit related to the century date change.*

10. In the weeks and months leading up to and the period immediately following the year-end, how much credit has your bank extended to *nonfinancial* firms that was used to meet Year 2000 (Y2K) related needs? (Please include draws under regular lines of credit, as well as Y2K contingency lines.)

	All Respondents	
	Banks	Pct
A substantial amount	0	0.0
A moderate amount	1	4.8
A negligible amount	20	95.2
Total	21	100.0

11. If your bank extended at least a moderate amount of funding to *nonfinancial* firms for Y2K-related needs (answer 1 or 2 to question 10), which of the following are important reasons for these borrowings? (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

	All Respondents
	Mean
To fund precautionary buildups of inventories	1.00
To fund precautionary buildups of liquidity	2.00
To fill funding gaps caused by delays in rolling over commercial paper	2.00
To fill funding gaps caused by delays in collection of receivables	1.00
Other	3.00
Number of banks responding	1

12. How much credit has your bank extended to *financial* firms that was used to meet Y2K-related needs? (Please include draws under regular lines of credit, as well as Y2K contingency lines.)

	All Respondents	
	Banks	Pct
A substantial amount	0	0.0
A moderate amount	1	5.0
A negligible amount	19	95.0
Total	20	100.0

13. If your bank extended at least a moderate amount of credit to *financial* firms for Y2K-related needs (answer 1 or 2 to question 12), which of the following were important recipients of these funds? (Please select all that apply.)

	All Respondents	
	Banks	Pct
Insurance companies	0	0.0
Finance companies	0	0.0
Mutual funds	0	0.0
Securities dealers and brokerages	1	100.0
REITs	0	0.0
Domestic banks	0	0.0
Branches and agencies of foreign banks	0	0.0
Credit unions	0	0.0
Savings and loans institutions	0	0.0
Mortgage banks	0	0.0
Government sponsored enterprises	0	0.0
Other	0	0.0
Number of banks responding	1	100.0

Question 14 *relates to balance sheet changes around year-end attributable toY2K effects.*

14. How was your bank's position as a net demander or supplier of funds affected by credit demands and deposit (or other liabilities) flows related to Y2K effects? In the days or weeks around year-end, your bank experienced: (Please choose one.)

	All Respondents	
	Banks	Pct
Substantial need for funds to meet Y2K-related credit demands and/or deposit outflows	0	0.0
Moderate need for funds to meet Y2K-related credit demands and/or deposit outflows	1	4.8
No unusual funding pressures, as Y2K-related credit demands about matched Y2K-related net deposit inflows	7	33.3
Moderate excess funds to invest, owing to Y2K-related deposit inflows	3	14.3
Substantial excess funds to invest, owing to Y2K-related deposit inflows	0	0.0
No unusual funding pressures, as neither credit demands nor deposit flows were materially affected by Y2K-related effects	10	47.6
Total	21	100.0