Board of Governors of the Federal Reserve System

The January 2001 Senior Loan Officer Opinion Survey on Bank Lending Practices

The January 2001 Senior Loan Officer Opinion Survey on Bank Lending Practices focused on changes in the supply of and demand for bank loans to businesses and households over the past three months. Supplementary questions addressed the effect on borrowers of the reported tightening of lending standards and terms on C&I loans over the past year, changes in terms on commercial real estate loans over the past twelve months, banks' expectations about changes in standards on consumer loans over the next year, and banks' leasing operations. Loan officers from fifty-seven large domestic banks and twenty-four U.S. branches and agencies of foreign banks participated in the survey.

The number of domestic and foreign banking institutions that reported tightening standards and terms on C&I loans over the past three months rose further in January. Significant fractions of both domestic and foreign institutions also tightened standards for commercial real estate loans. In general, banks indicated that the most important reasons for tightening standards and terms were a worsening economic outlook and a reduced tolerance for risk. On net, a substantial fraction of respondents reported weaker demand over the past three months for both C&I loans and commercial real estate loans.

Lending conditions also firmed noticeably on the consumer side. A much larger fraction of domestic banks than in the November survey reported tightening standards and terms on non-credit-card consumer loans. On net, about 15 percent of banks indicated that they anticipate some tightening in their standards and terms on all types of consumer loans before the end of 2001, assuming that the economy grows at a sustainable rate. In addition, 35 percent, on net, indicated that demand for all types of consumer loans had weakened somewhat in the last three months. However, almost all domestic banks reported no change in standards for residential mortgage loans, and, on net, demand for residential mortgages was also unchanged.

Lending to Businesses

(Table 1, questions 1-12; Table 2, questions 1-12)

The net percentage of domestic and foreign respondents that tightened standards during the last quarter was even higher than the elevated level in the November survey. Almost 60 percent of domestic banks reported tightening their standards on C&I loans to large and middle-market firms over the past three months, and 45 percent reported tightening standards to small firms over the same period. As in the November survey, about 80 percent of branches and agencies of foreign banks reported tightening standards for customers seeking C&I loans.

Large fractions of domestic banks reported tightening each of the loan terms listed in the survey. Almost three-quarters reported charging higher premiums on riskier loans to large and middle-market firms, including 21 percent that said they increased these premiums considerably. None of the domestic banks reported lowering premiums on riskier loans. About half of respondents, on net, indicated that they had tightened loan covenants and raised the cost of credit lines for large and middle-market firms over the past three months. Nearly 60 percent of domestic banks, on net, increased the spreads of loan rates over their cost of funds for these borrowers as well. Overall, somewhat smaller fractions of domestic banks tightened terms on C&I loans to small firms. Still, premiums on riskier loans to small firms increased at almost 60 percent of domestic banks, and 42 percent of respondents tightened loan covenants for small firms.

Two-thirds of the branches and agencies of foreign banks reported charging somewhat higher premiums on riskier loans, and an additional 17 percent increased these premiums considerably. Three-fourths of foreign institutions increased spreads of loan rates over their cost of funds, and 58 percent indicated a general strengthening of loan covenants. None of the foreign respondents reported easing any of the terms listed in the survey.

Most of the domestic and foreign respondents that had tightened standards or terms on C&I loans cited a less favorable or more uncertain economic outlook, a worsening of industry-specific problems, and a reduced tolerance for risk as reasons for changing their lending policies. About three-fourths of domestic and foreign institutions that had tightened standards and terms on commercial credits over the past three months also mentioned an increase in defaults by below-investment-grade borrowers as important, and many cited decreased liquidity in the secondary market for C&I loans as well.

The January survey included a special question to determine how banks' business customers responded to the general tightening of lending standards and terms that has been reported over the past year. Domestic banks indicated that about two-thirds of their customers borrowed as planned despite the stricter lending policies; at foreign institutions, the fraction of businesses that borrowed as planned was about 50 percent. Of those customers that did not borrow as much as planned, both domestic and foreign respondents noted that more than half were able to finance their spending plans either by borrowing elsewhere or by using internal liquid assets. Well under one-fifth of customers reduced spending plans, and only a handful canceled their plans altogether.

On net, about half of domestic banks reported decreased demand for C&I loans from large and middle-market firms, and 30 percent, on net, reported moderately weaker demand from small firms over the same period. Most of the domestic banks that reported weaker loan demand cited a decline in customer demand for credit to finance capital expenditures and reduced demand for financing mergers and acquisitions. A shortage of internally generated funds and increased need for inventory financing were cited as important reasons by the few domestic banks that experienced increased demand. Two large banks noted that they received increased demand from customers that had switched to bank loans from the commercial paper market.

On net, about 20 percent of foreign branches and agencies saw weaker demand over the past three months. A decline in customers' need for merger and acquisition financing was cited as an important reason by most of the foreign respondents that saw demand decrease, and a majority also mentioned that their customers had reduced spending on plant and equipment. Each of the four foreign institutions that saw increased demand for C&I loans reported that customers shifted to bank loans because either the commercial paper market or other credit sources became less attractive.

More than 40 percent of domestic banks tightened standards on commercial real estate loans over the past three months, up from 26 percent in the November survey. The fraction of branches and agencies that tightened standards on these loans in the current survey, about 30 percent, was little changed from November. On net, almost 30 percent of domestic respondents and 15 percent of foreign respondents reported weaker demand for commercial real estate loans, in a few cases substantially weaker.

In response to a special question, significant fractions of both foreign and domestic respondents indicated that they had tightened terms on commercial real estate loans over the past year. Most strikingly, about half of the domestic banks increased spreads of loan rates over their cost of funds, and about 40 percent demanded higher debt-service coverage ratios. More than 50 percent of the foreign institutions increased spreads over their cost of funds. Significant fractions of foreign institutions also tightened their requirements for take-out financing, demanded higher loan-to-value ratios, and raised debt-service coverage ratios.

A less favorable economic outlook was the most important reason for tightening terms on commercial real estate loans at both domestic and foreign institutions. Foreign respondents also expressed significant concern about the availability of take-out financing, followed closely by a reduced tolerance for risk. The latter was the second most important reason in the minds of domestic banks that tightened terms. Interestingly, for both domestic and foreign institutions, the number of respondents mentioning a worsening of the outlook for commercial real estate in the market where they operate as an important factor was slightly smaller than the number mentioning general economic weakness.

Lending to Households
(Table 1, questions 13-21)

Over the past three months, domestic banks' credit standards for approving residential mortgage loans were largely unchanged. Changes in demand for residential mortgages were quite disparate across respondents, with 30 percent reporting stronger demand and an equal fraction reporting weakness. By contrast, about 33 percent of banks, on net, reported weaker demand for home mortgages in the November survey.

A few domestic banks indicated that they were less willing to make consumer installment loans than they were three months ago, and more than 10 percent of banks tightened standards on credit card loans. For other types of consumer loans, almost 20 percent of domestic banks reported tighter standards, and about 25 percent increased spreads. Relative to recent surveys, this represents a significant increase in the number of banks tightening standards and terms for non-credit-card consumer loans. About 15 percent of banks, on net, expect to tighten their standards and terms on all types of consumer loans before the end of 2001, even if the economy expands at a sustainable rate. In addition, almost 35 percent of domestic banks, on net, reported that demand for all types of consumer loans had weakened over the past three months, compared with only 13 percent that observed weaker demand in the November survey.

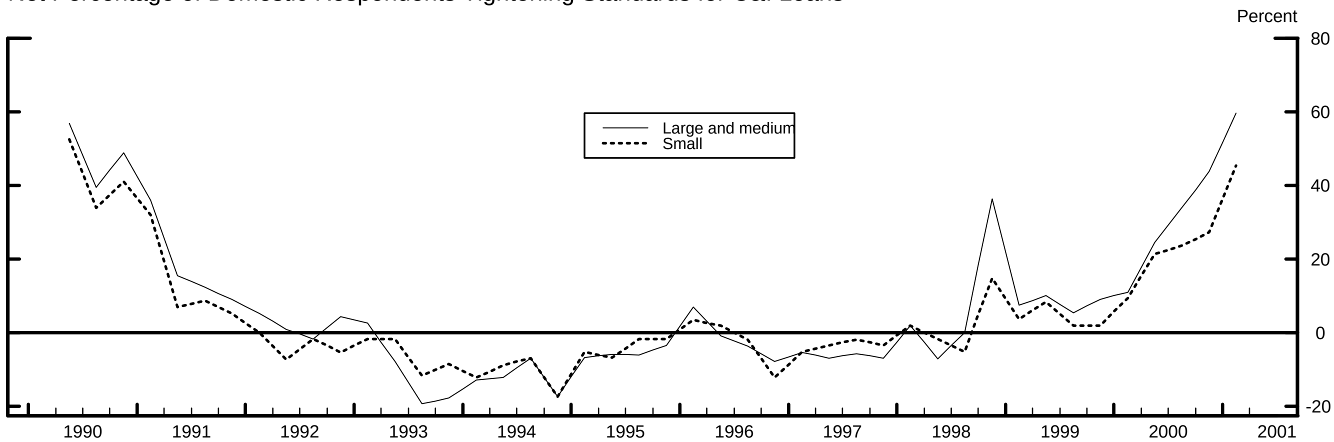
Leasing Activities at Domestic Banks
(Table 1, questions 22-24)

Lease financing has been expanding rapidly at domestic commercial banks since the late 1990s. The January survey asked three special questions designed to elicit information on the composition of leases at banks and on the reasons that leases have grown over that period. Banks reported that more than 60 percent of their leases are made to nonfinancial corporations, and they also noted that this category was the primary area of growth in lease financing over the past several years.

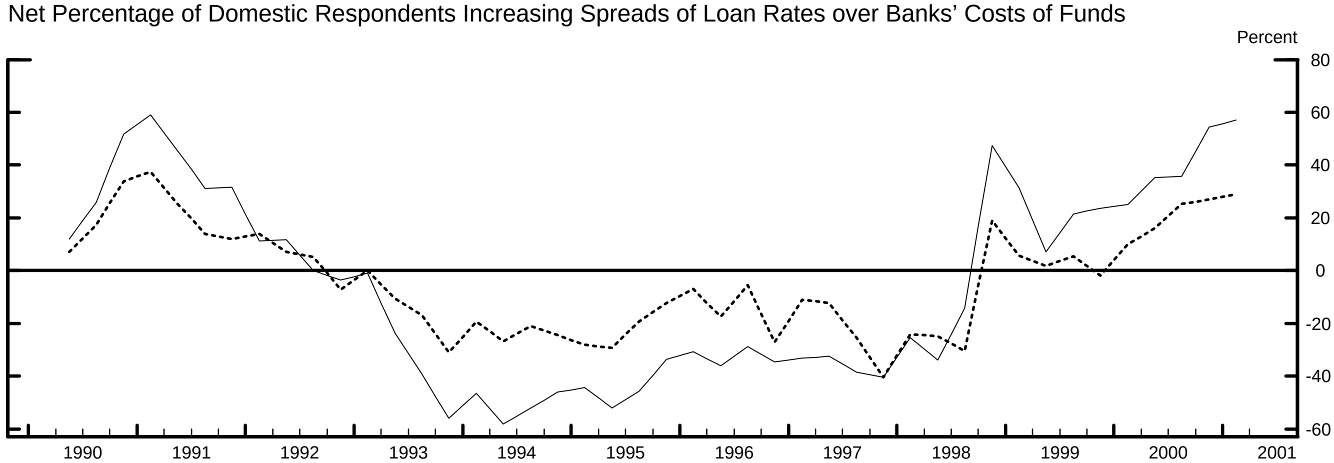
The rise in lease financing has accompanied rapid expansion in the types of capital investment for which lease financing is commonly used. Acquisitions of leases from third parties and a more competitive leasing market were also mentioned as important factors in the growth of these assets at domestic banks. Almost a third of the leases held by banks are consumer leases, which several respondents noted are primarily auto leases. However, two domestic banks indicated that they are exiting consumer leasing.

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

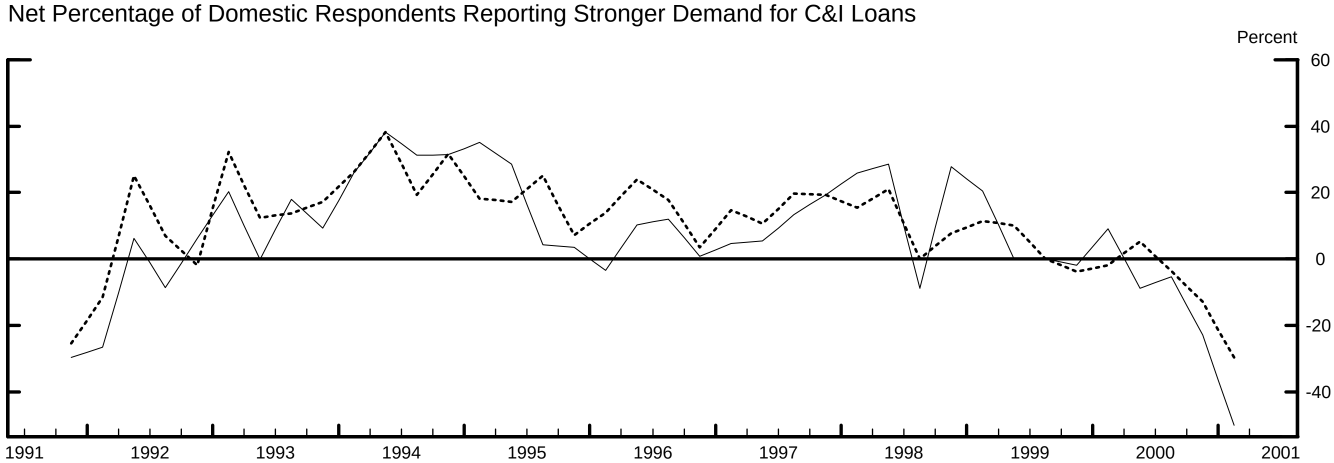
Net Percentage of Domestic Respondents Tightening Standards for C&I Loans



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

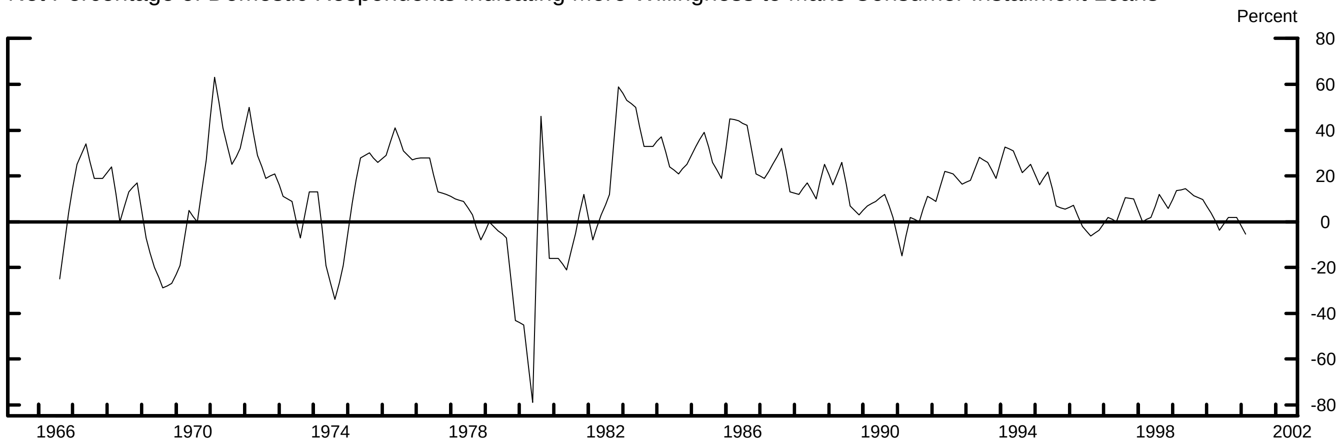


Net Percentage of Domestic Respondents Reporting Stronger Demand for C&I Loans

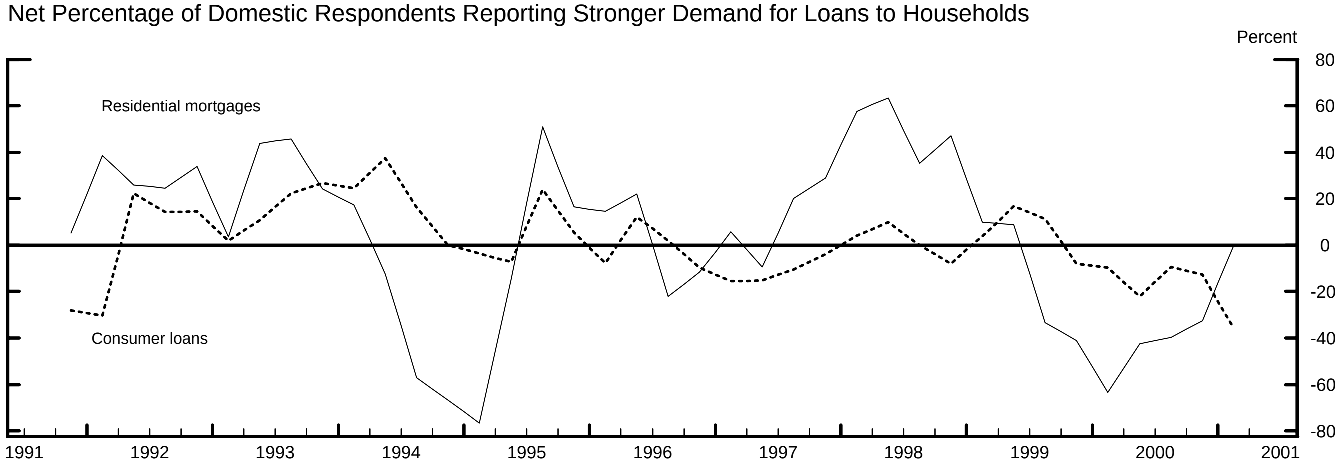


Measures of Supply and Demand for Loans to Households

Net Percentage of Domestic Respondents Indicating More Willingness to Make Consumer Installment Loans



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



Net Percentage of Domestic Respondents Tightening Standards for Mortgages to Individuals

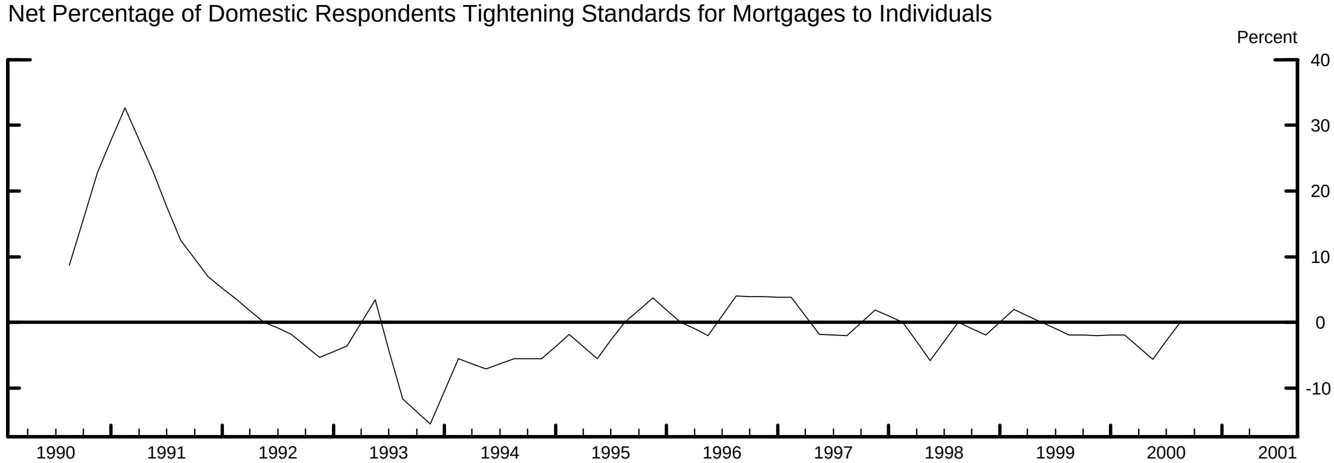


Table 1

SENIOR LOAN OFFICER OPINION SURVEY ON BANK LENDING PRACTICES
AT SELECTED LARGE BANKS IN THE UNITED STATES
(Status of policy as of January 2001[1])

Questions 1-5 *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. If your bank's lending policies have not changed over the past three months, please report them as unchanged even if the policies are either restrictive or accommodative relative to longer-term norms. If your bank's policies have tightened or eased over the past three months, please so report them regardless of how they stand relative to longer-term norms. Also, please report changes in enforcement of existing policies as changes in policies.*

1. Over the past three months, how have your bank's credit standards for approving applications for C&I loans or credit lines--other than those to be used to finance mergers and acquisitions--to large and middle-market firms and to small firms changed? If your bank defines firm size differently from the categories suggested below, please use your definitions and indicate what they are.

A. Standards for large and middle-market firms (annual sales of $50 million or more)

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	3	5.3	3	9.4	0	0.0
Tightened somewhat	31	54.4	17	53.1	14	56.0
Remained basically unchanged	23	40.4	12	37.5	11	44.0
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	57	100.0	32	100.0	25	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	2	3.6	2	6.7	0	0.0
Tightened somewhat	23	41.8	13	43.3	10	40.0
Remained basically unchanged	30	54.5	15	50.0	15	60.0
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	30	100.0	25	100.0

1. The sample is selected from among the largest banks in each Federal Reserve District. In the table, large banks are defined as those with total domestic assets of $20 billion or more as of June 30, 2000. The combined assets of the 32 large banks totaled $2.53 trillion, compared to $2.77 trillion for the entire panel of 57 banks, and $5.21 trillion for all domestically chartered, federally insured commercial banks.

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	2.55	2.50	2.63
Costs of credit lines	2.48	2.25	2.79
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.39	2.13	2.75
Premiums charged on riskier loans	2.09	1.91	2.33
Loan covenants	2.43	2.38	2.50
Collateralization requirements	2.48	2.41	2.58
Other	2.98	2.97	3.00
Number of banks responding	56	32	24

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	2.83	2.83	2.83
Costs of credit lines	2.75	2.64	2.88
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.71	2.64	2.79
Premiums charged on riskier loans	2.31	2.25	2.38
Loan covenants	2.56	2.54	2.58
Collateralization requirements	2.65	2.61	2.71
Other	2.98	2.96	3.00
Number of banks responding	53	29	24

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

A. Possible reasons for tightening credit standards or loan terms

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Deterioration in your bank's current or expected capital position	1.14	1.15	1.12
Less favorable or more uncertain economic outlook	2.40	2.38	2.41
Worsening of industry-specific problems	2.16	2.31	1.94
Less aggressive competition from other banks	1.35	1.50	1.12
Less aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.19	1.23	1.12
Reduced tolerance for risk	2.05	2.12	1.94
Decreased liquidity in the secondary market for these loans	1.70	1.81	1.53
An increase in defaults by below-investment-grade borrowers in public debt markets.	1.84	2.00	1.59
Other	1.00	1.00	1.00
Number of banks responding	43	26	17

B. Possible reasons for easing credit standards or loan terms

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Improvement in your bank's current or expected capital position	1.00	1.00	0.00
More favorable or less uncertain economic outlook	1.50	1.50	0.00
Improvement in industry-specific problems	1.50	1.50	0.00
More aggressive competition from other banks	2.50	2.50	0.00
More aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	2.00	2.00	0.00
Increased tolerance for risk	1.00	1.00	0.00
Increased liquidity in the secondary market for these loans	1.00	1.00	0.00
Other	1.50	1.50	0.00
Number of banks responding	2	2	0

4. Apart from normal seasonal variation, how has demand for C&I loans changed over the past three months? (Please consider only funds actually disbursed as opposed to requests for new or increased lines of credit.)

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

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	2	3.6	1	3.1	1	4.2
About the same	24	42.9	11	34.4	13	54.2
Moderately weaker	27	48.2	18	56.3	9	37.5
Substantially weaker	3	5.4	2	6.3	1	4.2
Total	56	100.0	32	100.0	24	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	4	7.4	2	6.7	2	8.3
About the same	30	55.6	14	46.7	16	66.7
Moderately weaker	19	35.2	14	46.7	5	20.8
Substantially weaker	1	1.9	0	0.0	1	4.2
Total	54	100.0	30	100.0	24	100.0

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

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

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Customer inventory financing needs increased	1.83	1.67	2.00
Customer accounts receivable financing needs increased	1.67	1.67	1.67
Customer investment in plant or equipment increased	1.17	1.00	1.33
Customer internally generated funds decreased	2.00	1.67	2.33
Customer merger or acquisition financing needs increased	1.17	1.00	1.33
Customer borrowing shifted to your bank from the commercial paper market because of unusual year-end pressures on lower-rated commercial paper rates	1.33	1.67	1.00
Customer borrowing shifted to your bank from credit sources other than the commercial paper market because these other sources became less attractive	1.33	1.67	1.00
Other	1.00	1.00	1.00
Number of banks responding	6	3	3

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

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Customer inventory financing needs decreased	1.56	1.45	1.80
Customer accounts receivable financing needs decreased	1.59	1.55	1.70
Customer investment in plant or equipment decreased	2.22	2.18	2.30
Customer internally generated funds increased	1.28	1.32	1.20
Customer merger or acquisition financing needs decreased	2.13	2.32	1.70
Customer borrowing shifted from your bank to other credit sources because these other sources became more attractive	1.25	1.27	1.20
Other	1.03	1.05	1.00
Number of banks responding	32	22	10

Since late 1998, this survey has consistently shown many respondent banks --- in some instances a sizeable majority --- to be tightening lending standards and terms on C&I loans. ***Question 6-8*** *ask how your bank's C&I customers responded to the tightening of lending standards and terms they may have encountered at your bank over the past year.*

6. Looking back at credit requests your bank has received from its C&I customers during the *past year*, please indicate the approximate percentage of these customers that responded to tighter lending standards and terms in each of the following ways:

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Customers borrowed as planned at your bank despite tighter lending standards and terms	65.60	61.10	71.00
Customers borrowed somewhat less than planned at your bank because of tighter lending standards and terms	17.90	19.30	16.30
Customers borrowed significantly less than planned at your bank because of tighter lending standards and terms	6.10	7.18	4.79
Customers did not borrow at all at your bank because of tighter lending standards and terms	10.40	12.40	7.92
Number of banks responding	53	29	24

7. For those customers whose activities you follow closely and which either curtailed or cancelled their planned borrowing at your bank because of tighter lending standards and terms (answers (b) (c) or (d) to question 6), what is the approximate distribution of these customers across the following categories?

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Customers whose spending plans were little affected and were financed either by borrowing elsewhere or by selling liquid assets	53.70	52.80	55.00
Customers whose spending plans were cut back moderately	28.30	27.20	29.80
Customers whose spending plans were cut back significantly	11.10	12.90	8.50
Customers whose spending plans were cut back altogether	6.94	7.07	6.75
Number of banks responding	49	29	20

8. For customers who either curtailed or cancelled their spending plans because of tighter lending standards and terms at your bank (answers (b) (c) or (d) to question 7), by how much were the following customer groups affected? (Rate each possible reason using the following scale: 1=significantly affected, 2=moderately affected, 3=largely unaffected.)

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Customers seeking to finance inventories	2.40	2.50	2.25
Customers seeking to finance plant and equipment purchases	2.02	1.93	2.15
Customers seeking to lease equipment or vehicles	2.38	2.36	2.40
Customers seeking to finance mergers and acquisitions	1.69	1.57	1.85
Number of banks responding	48	28	20

Questions 9-12 *ask about* ***commercial real estate loans*** *at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 9 deals with changes in your bank's standards over the last three months. Questions 10-11 ask about changes in terms over the past year. Question 12 deals with changes in demand over the past three months. 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.*

9. 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	0	0.0	0	0.0	0	0.0
Tightened somewhat	25	44.6	12	38.7	13	52.0
Remained basically unchanged	31	55.4	19	61.3	12	48.0
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	56	100.0	31	100.0	25	100.0

10. Over the past year, how have the following terms on commercial real estate loans changed? (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	2.74	2.69	2.80
Maximum loan maturity	2.72	2.78	2.64
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.49	2.47	2.52
Loan-to-value ratios	2.81	2.88	2.72
Requirements for take-out financing	2.72	2.81	2.60
Debt-service coverage ratios	2.60	2.59	2.60
Other	2.89	2.81	3.00
Number of banks responding	57	32	25

11. If your bank has tightened or eased its terms for commercial real estate loans over the past year (as described in question 10), 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 commercial real estate loan terms:

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Less favorable economic outlook	2.40	2.50	2.26
Worsening of the condition of or the outlook for commercial real estate in the markets where your bank operates	1.91	1.92	1.89
Less aggressive competition from other commercial banks	1.33	1.38	1.26
Less aggressive competition from nonbank lenders	1.23	1.21	1.26
Reduced tolerance for risk	2.02	2.00	2.05
Increased concern about take-out financing	1.63	1.63	1.63
Less liquid market for securities collateralized by these loans	1.40	1.54	1.21
Other	1.02	1.04	1.00
Number of banks responding	43	24	19

B. Possible reasons for easing commercial real estate loan terms:

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
More favorable economic outlook	1.00	1.00	1.00
Improvement in the condition of or the outlook for commercial real estate in the markets where your bank operates	1.00	1.00	1.00
More aggressive competition from other commercial banks	2.00	2.00	2.00
More aggressive competition from nonbank lenders	2.00	2.00	2.00
Increased tolerance for risk	1.00	1.00	1.00
Reduced concern about take-out financing	1.00	1.00	1.00
More liquid market for securities collateralized by these loans	1.00	1.00	1.00
Other	1.75	1.50	2.00
Number of banks responding	4	2	2

12. Apart from normal seasonal variation, how has demand for commercial real estate loans changed over the past three months?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	6	10.7	2	6.5	4	16.0
About the same	28	50.0	18	58.1	10	40.0
Moderately weaker	20	35.7	10	32.3	10	40.0
Substantially weaker	2	3.6	1	3.2	1	4.0
Total	56	100.0	31	100.0	25	100.0

Questions 13-14 *ask about* ***residential mortgage loans*** *at your bank. Question 13 deals with changes in your bank's credit standards over the past three months, and question 14 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.*

13. 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	3.7	0	0.0
Remained basically unchanged	48	96.0	25	92.6	23	100.0
Eased somewhat	1	2.0	1	3.7	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	50	100.0	27	100.0	23	100.0

14. Apart from normal seasonal variation, how has demand for mortgages to purchase homes changed over the past three months? (Please consider only new originations as opposed to the refinancing of existing mortgages.)

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially stronger	1	2.0	0	0.0	1	4.3
Moderately stronger	14	28.0	10	37.0	4	17.4
About the same	20	40.0	8	29.6	12	52.2
Moderately weaker	14	28.0	9	33.3	5	21.7
Substantially weaker	1	2.0	0	0.0	1	4.3
Total	50	100.0	27	100.0	23	100.0

Questions 15-21 *ask about* ***consumer lending*** *at your bank. Questions 15-17 deal with changes in your bank's willingness to make, and in its credit standards for, consumer loans over the past three months. Questions 18-19 deal with changes in loan terms over the same period. Question 20 asks about potential changes in consumer lending policies at your bank through the end of 2001. Question 21 deals with changes in demand for consumer loans over the past three months. If your bank's lending policies have not changed over the past three months, please report them as unchanged even if the policies are either restrictive or accommodative relative to longer-term norms. If your bank's policies have tightened or eased over the past three months, please so report them regardless of how they stand relative to longer-term norms. Also, please report changes in enforcement of existing policies as changes in policies.*

15. 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 willing	0	0.0	0	0.0	0	0.0
Somewhat more willing	1	1.9	1	3.4	0	0.0
About unchanged	49	90.7	26	89.7	23	92.0
Somewhat less willing	4	7.4	2	6.9	2	8.0
Much less willing	0	0.0	0	0.0	0	0.0
Total	54	100.0	29	100.0	25	100.0

16. 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	4	11.8	2	12.5	2	11.1
Remained basically unchanged	30	88.2	14	87.5	16	88.9
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	34	100.0	16	100.0	18	100.0

17. 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	1	1.9	1	3.4	0	0.0
Tightened somewhat	11	20.4	6	20.7	5	20.0
Remained basically unchanged	40	74.1	20	69.0	20	80.0
Eased somewhat	2	3.7	2	6.9	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	54	100.0	29	100.0	25	100.0

18. 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	2.91	2.94	2.88
Spreads of interest rates charged on outstanding balances over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.94	2.88	3.00
Minimum percent of outstanding balances required to be repaid each month	3.03	3.06	3.00
Other	3.00	3.00	3.00
Number of banks responding	33	17	16

19. Over the past three months, how has your bank changed the following terms on consumer loans other than credit card loans? (Please assign each term a number between 1 and 5 using the following scale: 1=tightened considerably, 2=tightened somewhat, 3=remained basically unchanged, 4=eased somewhat, 5=eased considerably.)

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Maximum maturity	3.02	3.04	3.00
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.73	2.75	2.71
Minimum required down payment	2.87	2.82	2.92
Other	2.92	3.00	2.83
Number of banks responding	52	28	24

20. From now through the end of the year, how would you expect standards and terms on consumer credit card and other loans at your bank to change, assuming that the economy expands at a sustainable rate over this period?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Tighten considerably	0	0.0	0	0.0	0	0.0
Tighten somewhat	10	20.0	4	15.4	6	25.0
Remain basically unchanged	38	76.0	20	76.9	18	75.0
Ease somewhat	2	4.0	2	7.7	0	0.0
Ease considerably	0	0.0	0	0.0	0	0.0
Total	50	100.0	26	100.0	24	100.0

21. Apart from normal seasonal variation, how has demand for consumer loans of all types changed over the past three months?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	3	5.7	1	3.6	2	8.0
About the same	28	52.8	15	53.6	13	52.0
Moderately weaker	20	37.7	11	39.3	9	36.0
Substantially weaker	2	3.8	1	3.6	1	4.0
Total	53	100.0	28	100.0	25	100.0

Lease financing has been expanding rapidly at commercial banks since the late 1990s. ***Questions 22-24*** *ask about sources of growth in your bank's leases in recent years and possible reasons for the relatively rapid growth. (In answering, please limit your responses to leasing activities at your bank, including its subsidiaries. Your answers should not reflect leasing activities that may exist at affiliated nonbank subsidiaries of your bank's holding company.)*

22. What is the approximate distribution of outstanding leases at your bank across the following customer categories?[2]

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Consumer leases	32.20	31.40	41.30
Leases to nonfinancial corporations	61.10	61.80	53.60
Leases to financial corporations	6.65	6.78	5.11
Number of banks responding	47	28	19

23. If leases have grown as a share of your bank's loan and lease portfolio over the last few years, what has been the contribution of the following customer categories? (Please rate each possible category using the following scale: 1=not important, 2=somewhat important, 3=very important.)[2]

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Consumer leases	1.58	1.51	2.19
Leases to nonfinancial corporations	2.48	2.44	2.76
Leases to financial corporations	1.31	1.33	1.16
Leases have not grown as a share of your bank's lease and loan portfolio	1.00	1.00	1.02
Number of banks responding	39	22	17

24. If leases have grown as a share of your bank's loan and lease portfolio over the last few years, what have been the most important factors explaining their relatively rapid growth? (Please rate each possible factor using the following scale: 1=not important, 2=somewhat important, 3=very important.)[2]

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Rapid growth in types of business capital investment for which lease financing is commonly used	2.19	2.20	2.14
Rapid growth in types of consumer expenditures that may be financed by leasing	1.41	1.38	1.65
A more competitive leasing market, which has increased the attractiveness of leasing as opposed to borrowing	1.66	1.63	1.88
Acquisitions of leasing assets by your bank through purchases from third parties or from transfers from affiliated nonbank subsidiaries of your bank's holding company	1.73	1.78	1.30
Leases have not grown as a share of your bank's lease and loan portfolio	1.11	1.13	1.00
Other	1.41	1.45	1.12
Number of banks responding	38	22	16

2. Responses weighted by amount of leases outstanding at respondent banks as of September 30, 2000.

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 2001[1])

Questions 1-5 *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. 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	2	8.3
Tightened somewhat	18	75.0
Remained basically unchanged	4	16.7
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	24	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	2.46
Costs of credit lines	2.33
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.21
Premiums charged on riskier loans	2.00
Loan covenants	2.38
Collateralization requirements	2.50
Other	3.00
Total	24

1. As of June 30, 2000, the 24 respondents had combined assets of $277 billion, compared to $808 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 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	1.43
Less favorable or more uncertain economic outlook	2.52
Worsening of industry-specific problems	2.65
Less aggressive competition from other commercial banks	1.22
Less aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.09
Reduced tolerance for risk	2.26
Decreased liquidity in the secondary market for these loans	1.91
Increase in defaults by below-investment-grade borrowers in public debt markets.	2.17
Other	1.04
Number of banks responding	23

B. Possible reasons for easing credit standards or loan terms

	All Respondents
	Mean
Improvement in your bank's current or expected capital position	0.00
More favorable or less uncertain economic outlook	0.00
Improvement in industry-specific problems	0.00
More aggressive competition from other commercial banks	0.00
More aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	0.00
Increased tolerance for risk	0.00
Increased liquidity in the secondary market for these loans	0.00
Other	0.00
Number of banks responding	0

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	Pct
Substantially stronger	0	0.0
Moderately stronger	4	16.7
About the same	11	45.8
Moderately weaker	8	33.3
Substantially weaker	1	4.2
Total	24	100.0

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

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

	All Respondents
	Mean
Customer inventory financing needs increased	1.50
Customer accounts receivable financing needs increased	1.00
Customer investment in plant or equipment increased	1.00
Customer internally generated funds decreased	2.00
Customer merger or acquisition financing needs increased	1.75
Customer borrowing shifted to your bank from the commercial paper market because of unusual year-end pressures on lower-rated commercial paper rates	2.25
Customer borrowing shifted to your bank from credit sources other than the commercial paper market because these other sources became less attractive	1.75
Other	1.00
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	1.33
Customer accounts receivable financing needs decreased	1.33
Customer investment in plant or equipment decreased	1.78
Customer internally generated funds increased	1.22
Customer merger or acquisition financing needs decreased	2.00
Customer borrowing shifted from your bank to other credit sources because these other sources became more attractive	1.22
Other	1.33
Number of banks responding	9

Since late 1998, this survey has consistently shown many respondent banks --- in some instances a sizeable majority --- to be tightening lending standards and terms on C&I loans. ***Question 6-8*** *ask how your bank's C&I customers responded to the tightening of lending standards and terms they may have encountered at your bank over the past year.*

6. Looking back at credit requests your bank has received from its C&I customers during the *past year*, please indicate the approximate percentage of these customers that responded to tighter lending standards and terms in each of the following ways:

	All Respondents
	Mean
Customers borrowed as planned at your bank despite tighter lending standards and terms	49.00
Customers borrowed somewhat less than planned at your bank because of tighter lending standards and terms	25.10
Customers borrowed significantly less than planned at your bank because of tighter lending standards and terms	11.30
Customers did not borrow at all at your bank because of tighter lending standards and terms	14.60
Total	24

7. For those customers whose activities you follow closely and which either curtailed or cancelled their planned borrowing at your bank because of tighter lending standards and terms (answers (b) (c) or (d) to question 6), what is the approximate distribution of these customers across the following categories?

	All Respondents
	Mean
Customers whose spending plans were little affected and were financed either by borrowing elsewhere or by selling liquid assets	53.60
Customers whose spending plans were cut back moderately	27.00
Customers whose spending plans were cut back significant	11.80
Customers whose spending plans were cut back altogether	7.50
Total	22

8. For customers who either curtailed or cancelled their spending plans because of tighter lending standards and terms at your bank (answers (b) (c) or (d) to question 7), by how much were the following customer groups affected? (Rate each possible reason using the following scale: 1=significantly affected, 2=moderately affected, 3=largely unaffected.)

	All Respondents
	Mean
Customers seeking to finance inventories	2.26
Customers seeking to finance plant and equipment purchases	2.05
Customers seeking to lease equipment or vehicles	2.37
Customers seeking to finance mergers and acquisitions	2.21
Total	19

***Questions 9-12** ask about **commercial real estate loans** at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 9 deals with changes in your bank's standards over the last three months. Questions 10-11 ask about changes in terms over the past year. Question 12 deals with changes in demand over the past three months. 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.*

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	14.3
Tightened somewhat	2	14.3
Remained basically unchanged	10	71.4
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	14	100.0

10. Over the *past year*, how have the following terms on commercial real estate loans changed? (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	2.69
Maximum loan maturity	2.77
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.46
Loan-to-value ratios	2.62
Requirements for take-out financing	2.54
Debt-service coverage ratios	2.62
Other	2.85
Total	13

11. If your bank has tightened or eased its terms for commercial real estate loans over the *past year* (as described in question 10), 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 commercial real estate loan terms

	All Respondents
	Mean
Less favorable economic outlook	2.29
Worsening of the condition of or the outlook for commercial real estate in the markets where your bank operates	2.00
Less aggressive competition from other commercial banks	1.29
Less aggressive competition from nonbank lenders	1.14
Reduced tolerance for risk	2.00
Increased concern about take-out financing	2.14
Less liquid market for securities collateralized by these loans	1.57
Other	1.29
Number of banks responding	7

B. Possible reasons for easing commercial real estate loan terms:

	All Respondents
	Mean
More favorable economic outlook	0.00
Improvement in the condition of or the outlook for commercial real estate in the markets where your bank operates	0.00
More aggressive competition from other commercial banks	0.00
More aggressive competition from nonbank lenders	0.00
Increased tolerance for risk	0.00
Reduced concern about take-out financing	0.00
More liquid market for securities collateralized by these loans	0.00
Other	0.00
Number of banks responding	0

12. Apart from normal seasonal variation, how has demand for commercial real estate loans changed over the past three months?

	All Respondents	
	Banks	Pct
Substantially stronger	0	0.0
Moderately stronger	3	23.1
About the same	5	38.5
Moderately weaker	4	30.8
Substantially weaker	1	7.7
Total	13	100.0