

Table 1

SENIOR LOAN OFFICER OPINION SURVEY ON BANK LENDING PRACTICES  
AT SELECTED LARGE BANKS IN THE UNITED STATES  
(Status of policy as of August 1997)

(Number of banks and percentage of banks answering question)  
(By volume of total domestic assets, in \$billions, as of March 31, 1997<sup>1</sup>)

**Questions 1-7 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 5-7 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.**

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?

a. Standards for large and middle-market firms (annual sales of more than \$50 million)

|                              | All Respondents |              | \$15.0 and over |              | Under \$15.0 |              |
|------------------------------|-----------------|--------------|-----------------|--------------|--------------|--------------|
|                              | Banks           | Pct          | Banks           | Pct          | Banks        | Pct          |
| Tightened considerably       | 0               | 0.0          | 0               | 0.0          | 0            | 0.0          |
| Tightened somewhat           | 3               | 5.8          | 1               | 3.6          | 2            | 8.3          |
| Remained basically unchanged | 43              | 82.7         | 21              | 75.0         | 22           | 91.7         |
| Eased somewhat               | 6               | 11.5         | 6               | 21.4         | 0            | 0.0          |
| Eased considerably           | 0               | 0.0          | 0               | 0.0          | 0            | 0.0          |
| <b>Total</b>                 | <b>52</b>       | <b>100.0</b> | <b>28</b>       | <b>100.0</b> | <b>24</b>    | <b>100.0</b> |

b. Standards for small firms (annual sales of less than \$50 million)

|                              | All Respondents |              | \$15.0 and over |              | Under \$15.0 |              |
|------------------------------|-----------------|--------------|-----------------|--------------|--------------|--------------|
|                              | Banks           | Pct          | Banks           | Pct          | Banks        | Pct          |
| Tightened considerably       | 1               | 2.0          | 1               | 3.8          | 0            | 0.0          |
| Tightened somewhat           | 2               | 3.9          | 1               | 3.8          | 1            | 4.0          |
| Remained basically unchanged | 44              | 86.3         | 21              | 80.8         | 23           | 92.0         |
| Eased somewhat               | 4               | 7.8          | 3               | 11.5         | 1            | 4.0          |
| Eased considerably           | 0               | 0.0          | 0               | 0.0          | 0            | 0.0          |
| <b>Total</b>                 | <b>51</b>       | <b>100.0</b> | <b>26</b>       | <b>100.0</b> | <b>25</b>    | <b>100.0</b> |

1. As of March 31, 1997, 31 respondents had domestic assets of \$15 billion or more; combined assets of these banks totaled \$1.3 trillion, compared to \$1.49 trillion for the entire panel of 54 banks, and \$4.0 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 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 | \$15.0 and over | Under \$15.0 |
|--|-----------------|-----------------|--------------|
|  | Mean            | Mean            | Mean         |
| Maximum size of credit lines                         | 3.08            | 3.07            | 3.08         |
| Costs of credit lines                                | 3.31            | 3.46            | 3.13         |
| Spreads of loan rates over your bank's cost of funds | 3.38            | 3.57            | 3.17         |
| Loan covenants                                       | 3.17            | 3.18            | 3.17         |
| Collateralization requirements                       | 3.06            | 3.04            | 3.08         |
| Other  | 3.04            | 3.07            | 3.00         |
| Number of banks responding                           | 52              | 28              | 24           |

3. For applications for C&I loans or credit lines--other than those to be used to finance mergers and acquisitions--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 (tightened considerably) and 5 (eased considerably) as in question 2.)

|  | All Respondents | \$15.0 and over | Under \$15.0 |
|--|-----------------|-----------------|--------------|
|  | Mean            | Mean            | Mean         |
| Maximum size of credit lines                         | 3.06            | 3.12            | 3.00         |
| Costs of credit lines                                | 3.24            | 3.35            | 3.12         |
| Spreads of loan rates over your bank's cost of funds | 3.25            | 3.38            | 3.12         |
| Loan covenants                                       | 3.12            | 3.15            | 3.08         |
| Collateralization requirements                       | 3.02            | 3.04            | 3.00         |
| Other  | 3.06            | 3.08            | 3.04         |
| Number of banks responding                           | 51              | 26              | 25           |

4. 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 1-3), 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 | \$15.0 and over | Under \$15.0 |
|--|-----------------|-----------------|--------------|
|  | Mean            | Mean            | Mean         |
| A deterioration in your bank's current or expected capital position                                      | 1.20            | 1.20            | 1.20         |
| A less favorable economic outlook  | 1.80            | 1.40            | 2.20         |
| A worsening of industry-specific problems  | 1.60            | 1.80            | 1.40         |
| Less aggressive competition from other commercial banks  | 1.30            | 1.60            | 1.00         |
| Less aggressive competition from nonbank lenders (other financial intermediaries or the capital markets) | 1.30            | 1.60            | 1.00         |
| Reduced tolerance for risk   | 1.70            | 1.80            | 1.60         |
| Other  | 1.40            | 1.40            | 1.40         |
| Number of banks responding   | 10              | 5               | 5            |

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

|  | All Respondents | \$15.0 and over | Under \$15.0 |
|--|-----------------|-----------------|--------------|
|  | Mean            | Mean            | Mean         |
| An improvement in your bank's current or expected capital position                                       | 1.00            | 1.00            | 1.00         |
| A more favorable economic outlook  | 1.38            | 1.26            | 1.60         |
| An improvement in industry-specific problems   | 1.24            | 1.21            | 1.30         |
| More aggressive competition from other commercial banks  | 2.62            | 2.63            | 2.60         |
| More aggressive competition from nonbank lenders (other financial intermediaries or the capital markets) | 2.17            | 2.32            | 1.90         |
| Increased tolerance for risk   | 1.24            | 1.16            | 1.40         |
| Other  | 1.14            | 1.00            | 1.40         |
| Number of banks responding   | 29              | 19              | 10           |

5. For large and middle-market firms, 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 |       | \$15.0 and over |       | Under \$15.0 |       |
|------------------------|-----------------|-------|-----------------|-------|--------------|-------|
|                        | Banks           | Pct   | Banks           | Pct   | Banks        | Pct   |
| Substantially stronger | 0               | 0.0   | 0               | 0.0   | 0            | 0.0   |
| Moderately stronger    | 15              | 28.8  | 11              | 39.3  | 4            | 16.7  |
| About the same         | 29              | 55.8  | 16              | 57.1  | 13           | 54.2  |
| Moderately weaker      | 8               | 15.4  | 1               | 3.6   | 7            | 29.2  |
| Substantially weaker   | 0               | 0.0   | 0               | 0.0   | 0            | 0.0   |
| Total                  | 52              | 100.0 | 28              | 100.0 | 24           | 100.0 |

6. For small firms, 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 |              | \$15.0 and over |              | Under \$15.0 |              |
|------------------------|-----------------|--------------|-----------------|--------------|--------------|--------------|
|                        | Banks           | Pct          | Banks           | Pct          | Banks        | Pct          |
| Substantially stronger | 0               | 0.0          | 0               | 0.0          | 0            | 0.0          |
| Moderately stronger    | 15              | 29.4         | 11              | 42.3         | 4            | 16.0         |
| About the same         | 31              | 60.8         | 14              | 53.8         | 17           | 68.0         |
| Moderately weaker      | 5               | 9.8          | 1               | 3.8          | 4            | 16.0         |
| Substantially weaker   | 0               | 0.0          | 0               | 0.0          | 0            | 0.0          |
| <b>Total</b>           | <b>51</b>       | <b>100.0</b> | <b>26</b>       | <b>100.0</b> | <b>25</b>    | <b>100.0</b> |

7. If demand for C&I loans has strengthened or weakened over the past three months (as described in questions 5 and 6), 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 or 6), possible reasons:

|   | All Respondents | \$15.0 and over | Under \$15.0 |
|---|-----------------|-----------------|--------------|
|   | Mean            | Mean            | Mean         |
| Customer inventory financing needs increased  | 1.79            | 1.71            | 2.00         |
| Customer investment in plant or equipment increased   | 1.89            | 1.79            | 2.20         |
| Customer internally generated funds decreased   | 1.26            | 1.21            | 1.40         |
| Customer borrowing shifted from other sources to your bank because these other sources became less attractive | 1.53            | 1.64            | 1.20         |
| Customer merger or acquisition financing increased  | 1.95            | 2.00            | 1.80         |
| Other   | 1.21            | 1.14            | 1.40         |
| <b>Number of banks responding</b>   | <b>19</b>       | <b>14</b>       | <b>5</b>     |

B. If weaker loan demand (answer 4 or 5 to question 5 or 6), possible reasons:

|   | All Respondents | \$15.0 and over | Under \$15.0 |
|---|-----------------|-----------------|--------------|
|   | Mean            | Mean            | Mean         |
| Customer inventory financing needs decreased  | 1.75            | 2.00            | 1.71         |
| Customer investment in plant or equipment decreased   | 1.75            | 2.00            | 1.71         |
| Customer internally generated funds increased   | 1.63            | 1.00            | 1.71         |
| Customer borrowing shifted from your bank to other sources because these other sources became more attractive | 1.88            | 1.00            | 2.00         |
| Customer merger or acquisition financing decreased  | 1.13            | 1.00            | 1.14         |
| Other   | 1.13            | 1.00            | 1.14         |
| <b>Number of banks responding</b>   | <b>8</b>        | <b>1</b>        | <b>7</b>     |

**Questions 8 and 9** ask about **commercial real estate loans** at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate: Question 8 deals with changes in your bank's credit standards over the past three months, and question 9 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. **Additional questions (18-26) on commercial real estate lending practices are at the end of the survey.**

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

|                              | All Respondents |              | \$15.0 and over |              | Under \$15.0 |              |
|------------------------------|-----------------|--------------|-----------------|--------------|--------------|--------------|
|                              | Banks           | Pct          | Banks           | Pct          | Banks        | Pct          |
| Tightened considerably       | 0               | 0.0          | 0               | 0.0          | 0            | 0.0          |
| Tightened somewhat           | 4               | 7.5          | 1               | 3.6          | 3            | 12.0         |
| Remained basically unchanged | 39              | 73.6         | 19              | 67.9         | 20           | 80.0         |
| Eased somewhat               | 10              | 18.9         | 8               | 28.6         | 2            | 8.0          |
| Eased considerably           | 0               | 0.0          | 0               | 0.0          | 0            | 0.0          |
| <b>Total</b>                 | <b>53</b>       | <b>100.0</b> | <b>28</b>       | <b>100.0</b> | <b>25</b>    | <b>100.0</b> |

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

|                        | All Respondents |              | \$15.0 and over |              | Under \$15.0 |              |
|------------------------|-----------------|--------------|-----------------|--------------|--------------|--------------|
|                        | Banks           | Pct          | Banks           | Pct          | Banks        | Pct          |
| Substantially stronger | 1               | 1.9          | 0               | 0.0          | 1            | 4.0          |
| Moderately stronger    | 13              | 24.5         | 11              | 39.3         | 2            | 8.0          |
| About the same         | 33              | 62.3         | 15              | 53.6         | 18           | 72.0         |
| Moderately weaker      | 6               | 11.3         | 2               | 7.1          | 4            | 16.0         |
| Substantially weaker   | 0               | 0.0          | 0               | 0.0          | 0            | 0.0          |
| <b>Total</b>           | <b>53</b>       | <b>100.0</b> | <b>28</b>       | <b>100.0</b> | <b>25</b>    | <b>100.0</b> |

**Questions 10 and 11** ask about **home mortgage loans** at your bank: Question 10 deals with changes in your bank's credit standards over the past three months, and question 11 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.

10. 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 |              | \$15.0 and over |              | Under \$15.0 |              |
|------------------------------|-----------------|--------------|-----------------|--------------|--------------|--------------|
|                              | Banks           | Pct          | Banks           | Pct          | Banks        | Pct          |
| Tightened considerably       | 0               | 0.0          | 0               | 0.0          | 0            | 0.0          |
| Tightened somewhat           | 0               | 0.0          | 0               | 0.0          | 0            | 0.0          |
| Remained basically unchanged | 49              | 98.0         | 25              | 96.2         | 24           | 100.0        |
| Eased somewhat               | 1               | 2.0          | 1               | 3.8          | 0            | 0.0          |
| Eased considerably           | 0               | 0.0          | 0               | 0.0          | 0            | 0.0          |
| <b>Total</b>                 | <b>50</b>       | <b>100.0</b> | <b>26</b>       | <b>100.0</b> | <b>24</b>    | <b>100.0</b> |

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

|                        | All Respondents |              | \$15.0 and over |              | Under \$15.0 |              |
|------------------------|-----------------|--------------|-----------------|--------------|--------------|--------------|
|                        | Banks           | Pct          | Banks           | Pct          | Banks        | Pct          |
| Substantially stronger | 1               | 2.0          | 1               | 3.8          | 0            | 0.0          |
| Moderately stronger    | 17              | 34.0         | 11              | 42.3         | 6            | 25.0         |
| About the same         | 24              | 48.0         | 10              | 38.5         | 14           | 58.3         |
| Moderately weaker      | 8               | 16.0         | 4               | 15.4         | 4            | 16.7         |
| Substantially weaker   | 0               | 0.0          | 0               | 0.0          | 0            | 0.0          |
| <b>Total</b>           | <b>50</b>       | <b>100.0</b> | <b>26</b>       | <b>100.0</b> | <b>24</b>    | <b>100.0</b> |

**Questions 12-17** ask about **consumer lending** at your bank: Questions 12-14 deal with changes in your bank's willingness to make, and in its credit standards for, consumer loans over the past three months; questions 15 and 16 deal with changes in loan terms over the same period; and question 17 deals 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.

12. Please indicate your bank's willingness to make consumer installment loans now as opposed to three months ago.

|                 | All Respondents |              | \$15.0 and over |              | Under \$15.0 |              |
|-----------------|-----------------|--------------|-----------------|--------------|--------------|--------------|
|                 | Banks           | Pct          | Banks           | Pct          | Banks        | Pct          |
| Much more       | 1               | 2.1          | 1               | 4.0          | 0            | 0.0          |
| Somewhat more   | 5               | 10.4         | 2               | 8.0          | 3            | 13.0         |
| About unchanged | 40              | 83.3         | 21              | 84.0         | 19           | 82.6         |
| Somewhat less   | 2               | 4.2          | 1               | 4.0          | 1            | 4.3          |
| Much less       | 0               | 0.0          | 0               | 0.0          | 0            | 0.0          |
| <b>Total</b>    | <b>48</b>       | <b>100.0</b> | <b>25</b>       | <b>100.0</b> | <b>23</b>    | <b>100.0</b> |

13. 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 |              | \$15.0 and over |              | Under \$15.0 |              |
|------------------------------|-----------------|--------------|-----------------|--------------|--------------|--------------|
|                              | Banks           | Pct          | Banks           | Pct          | Banks        | Pct          |
| Tightened considerably       | 2               | 4.7          | 1               | 4.3          | 1            | 5.0          |
| Tightened somewhat           | 8               | 18.6         | 4               | 17.4         | 4            | 20.0         |
| Remained basically unchanged | 33              | 76.7         | 18              | 78.3         | 15           | 75.0         |
| Eased somewhat               | 0               | 0.0          | 0               | 0.0          | 0            | 0.0          |
| Eased considerably           | 0               | 0.0          | 0               | 0.0          | 0            | 0.0          |
| <b>Total</b>                 | <b>43</b>       | <b>100.0</b> | <b>23</b>       | <b>100.0</b> | <b>20</b>    | <b>100.0</b> |

14. 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 |              | \$15.0 and over |              | Under \$15.0 |              |
|------------------------------|-----------------|--------------|-----------------|--------------|--------------|--------------|
|                              | Banks           | Pct          | Banks           | Pct          | Banks        | Pct          |
| Tightened considerably       | 0               | 0.0          | 0               | 0.0          | 0            | 0.0          |
| Tightened somewhat           | 9               | 18.8         | 5               | 20.0         | 4            | 17.4         |
| Remained basically unchanged | 34              | 70.8         | 16              | 64.0         | 18           | 78.3         |
| Eased somewhat               | 5               | 10.4         | 4               | 16.0         | 1            | 4.3          |
| Eased considerably           | 0               | 0.0          | 0               | 0.0          | 0            | 0.0          |
| <b>Total</b>                 | <b>48</b>       | <b>100.0</b> | <b>25</b>       | <b>100.0</b> | <b>23</b>    | <b>100.0</b> |

15. 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 | \$15.0 and over | Under \$15.0 |
|--|-----------------|-----------------|--------------|
|  | Mean            | Mean            | Mean         |
| Credit limits  | 2.76            | 2.70            | 2.83         |
| Spreads of interest rates charged on outstanding balances over your bank's cost of funds | 2.93            | 2.91            | 2.94         |
| Minimum percentage of outstanding balances required to be repaid each month              | 3.02            | 3.04            | 3.00         |
| Other  | 2.95            | 2.91            | 3.00         |
| Number of banks responding   | 41              | 23              | 18           |

16. 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 15.)

|  | All Respondents | \$15.0 and over | Under \$15.0 |
|--|-----------------|-----------------|--------------|
|  | Mean            | Mean            | Mean         |
| Maximum maturity                                     | 3.04            | 3.04            | 3.05         |
| Spreads of loan rates over your bank's cost of funds | 2.93            | 2.92            | 2.95         |
| Minimum required down payment                        | 3.04            | 3.00            | 3.10         |
| Other  | 2.93            | 2.92            | 2.95         |
| Number of banks responding                           | 46              | 25              | 21           |

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

|                        | All Respondents |       | \$15.0 and over |       | Under \$15.0 |       |
|------------------------|-----------------|-------|-----------------|-------|--------------|-------|
|                        | Banks           | Pct   | Banks           | Pct   | Banks        | Pct   |
| Substantially stronger | 0               | 0.0   | 0               | 0.0   | 0            | 0.0   |
| Moderately stronger    | 5               | 10.4  | 4               | 16.0  | 1            | 4.3   |
| About the same         | 33              | 68.8  | 17              | 68.0  | 16           | 69.6  |
| Moderately weaker      | 10              | 20.8  | 4               | 16.0  | 6            | 26.1  |
| Substantially weaker   | 0               | 0.0   | 0               | 0.0   | 0            | 0.0   |
| Total                  | 48              | 100.0 | 25              | 100.0 | 23           | 100.0 |

**Questions 18-26 are additional questions on commercial real estate lending.**

18. Over the past three months, how has your bank changed the following terms on commercial real estate loans, including construction and land development loans and loans secured by nonfarm nonresidential real estate? (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 | \$15.0 and over | Under \$15.0 |
|--|-----------------|-----------------|--------------|
|  | Mean            | Mean            | Mean         |
| Maximum loan size                                    | 3.13            | 3.18            | 3.08         |
| Maximum loan maturity                                | 3.10            | 3.14            | 3.04         |
| Spreads of loan rates over your bank's cost of funds | 3.38            | 3.39            | 3.38         |
| Loan-to-value ratios                                 | 3.04            | 3.04            | 3.04         |
| Requirements for take-out financing                  | 3.02            | 3.04            | 3.00         |
| Pre-leasing or pre-sale requirements                 | 3.12            | 3.14            | 3.08         |
| Debt-service coverage ratios                         | 2.98            | 3.00            | 2.96         |
| Other  | 3.04            | 3.07            | 3.00         |
| Number of banks responding                           | 52              | 28              | 24           |

19. If your bank has tightened or eased its standards or terms on commercial real estate loans over the past three months (as described in questions 8 and 18), 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 | \$15.0 and over | Under \$15.0 |
|---|-----------------|-----------------|--------------|
|   | Mean            | Mean            | Mean         |
| A less favorable economic outlook   | 1.50            | 1.00            | 1.60         |
| A worsening of the condition of or the outlook for commercial real estate | 1.67            | 2.00            | 1.60         |
| A reduced confidence in take-out financing arrangements                   | 1.50            | 1.00            | 1.60         |
| Less aggressive competition from other commercial banks                   | 1.33            | 1.00            | 1.40         |
| Less aggressive competition from nonbank lenders                          | 1.33            | 1.00            | 1.40         |
| Other   | 1.50            | 1.00            | 1.60         |
| Number of banks responding  | 6               | 1               | 5            |

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

|   | All Respondents | \$15.0 and over | Under \$15.0 |
|---|-----------------|-----------------|--------------|
|   | Mean            | Mean            | Mean         |
| A more favorable economic outlook   | 1.33            | 1.33            | 1.33         |
| An improvement in the condition of or the outlook for commercial real estate                            | 1.50            | 1.56            | 1.42         |
| An increased confidence in take-out financing arrangements  | 1.33            | 1.33            | 1.33         |
| More aggressive competition from other commercial banks   | 2.53            | 2.44            | 2.67         |
| More aggressive competition from nonbank lenders  | 2.03            | 1.94            | 2.17         |
| A more developed market for securities collateralized by these loans has increased the loans' liquidity | 1.53            | 1.61            | 1.42         |
| Other   | 1.17            | 1.17            | 1.17         |
| Number of banks responding  | 30              | 18              | 12           |

**Commercial mortgage-backed securities** have grown rapidly in recent years. Questions 20-26 ask about these securities.

20. Does your bank hold any commercial mortgage-backed securities?

|              | All Respondents |              | \$15.0 and over |              | Under \$15.0 |              |
|--------------|-----------------|--------------|-----------------|--------------|--------------|--------------|
|              | Banks           | Pct          | Banks           | Pct          | Banks        | Pct          |
| Yes          | 14              | 27.5         | 11              | 39.3         | 3            | 13.0         |
| No           | 37              | 72.5         | 17              | 60.7         | 20           | 87.0         |
| <b>Total</b> | <b>51</b>       | <b>100.0</b> | <b>28</b>       | <b>100.0</b> | <b>23</b>    | <b>100.0</b> |

21. Does your bank securitize commercial mortgages? (If not, please skip questions 22 to 26.)

|                 | All Respondents |              | \$15.0 and over |              | Under \$15.0 |              |
|-----------------|-----------------|--------------|-----------------|--------------|--------------|--------------|
|                 | Banks           | Pct          | Banks           | Pct          | Banks        | Pct          |
| Yes, frequently | 9               | 18.4         | 8               | 29.6         | 1            | 4.5          |
| Yes, rarely     | 4               | 8.2          | 3               | 11.1         | 1            | 4.5          |
| No              | 36              | 73.5         | 16              | 59.3         | 20           | 90.9         |
| <b>Total</b>    | <b>49</b>       | <b>100.0</b> | <b>27</b>       | <b>100.0</b> | <b>22</b>    | <b>100.0</b> |

22. Many banks originate commercial mortgages for sale and distribution through a conduit program jointly sponsored with an investment bank. Does your bank participate in a conduit program for securitizing commercial mortgages?

|              | All Respondents |              | \$15.0 and over |              | Under \$15.0 |              |
|--------------|-----------------|--------------|-----------------|--------------|--------------|--------------|
|              | Banks           | Pct          | Banks           | Pct          | Banks        | Pct          |
| Yes          | 12              | 80.0         | 11              | 91.7         | 1            | 33.3         |
| No           | 3               | 20.0         | 1               | 8.3          | 2            | 66.7         |
| <b>Total</b> | <b>15</b>       | <b>100.0</b> | <b>12</b>       | <b>100.0</b> | <b>3</b>     | <b>100.0</b> |

23. Does your bank retain special servicing responsibilities (the servicing or workout of nonperforming loans) for the commercial mortgages it securitizes?

|                        | All Respondents |              | \$15.0 and over |              | Under \$15.0 |              |
|------------------------|-----------------|--------------|-----------------|--------------|--------------|--------------|
|                        | Banks           | Pct          | Banks           | Pct          | Banks        | Pct          |
| Yes, usually or always | 3               | 23.1         | 2               | 18.2         | 1            | 50.0         |
| Sometimes              | 2               | 15.4         | 2               | 18.2         | 0            | 0.0          |
| Rarely or never        | 8               | 61.5         | 7               | 63.6         | 1            | 50.0         |
| <b>Total</b>           | <b>13</b>       | <b>100.0</b> | <b>11</b>       | <b>100.0</b> | <b>2</b>     | <b>100.0</b> |

24. Does your bank retain servicing responsibilities other than or in addition to special servicing for the commercial mortgages it securitizes?

|                        | All Respondents |              | \$15.0 and over |              | Under \$15.0 |              |
|------------------------|-----------------|--------------|-----------------|--------------|--------------|--------------|
|                        | Banks           | Pct          | Banks           | Pct          | Banks        | Pct          |
| Yes, usually or always | 3               | 23.1         | 3               | 27.3         | 0            | 0.0          |
| Sometimes              | 3               | 23.1         | 2               | 18.2         | 1            | 50.0         |
| Rarely or never        | 7               | 53.8         | 6               | 54.5         | 1            | 50.0         |
| <b>Total</b>           | <b>13</b>       | <b>100.0</b> | <b>11</b>       | <b>100.0</b> | <b>2</b>     | <b>100.0</b> |

25. With respect to commercial mortgage-backed securities for which your bank contributes mortgages, does your bank retain any junior classes of these securities (such as first loss or other subordinated classes) as a means of providing credit enhancements for the more senior classes of securities?

|                        | All Respondents |              | \$15.0 and over |              | Under \$15.0 |              |
|------------------------|-----------------|--------------|-----------------|--------------|--------------|--------------|
|                        | Banks           | Pct          | Banks           | Pct          | Banks        | Pct          |
| Yes, usually or always | 1               | 7.7          | 1               | 9.1          | 0            | 0.0          |
| Sometimes              | 1               | 7.7          | 1               | 9.1          | 0            | 0.0          |
| Rarely or never        | 11              | 84.6         | 9               | 81.8         | 2            | 100.0        |
| <b>Total</b>           | <b>13</b>       | <b>100.0</b> | <b>11</b>       | <b>100.0</b> | <b>2</b>     | <b>100.0</b> |

26. With respect to commercial mortgage-backed securities for which your bank contributes mortgages, does your bank retain any senior classes of these securities for investment purposes?

|                        | All Respondents |              | \$15.0 and over |              | Under \$15.0 |              |
|------------------------|-----------------|--------------|-----------------|--------------|--------------|--------------|
|                        | Banks           | Pct          | Banks           | Pct          | Banks        | Pct          |
| Yes, usually or always | 1               | 7.7          | 1               | 9.1          | 0            | 0.0          |
| Sometimes              | 1               | 7.7          | 1               | 9.1          | 0            | 0.0          |
| Rarely or never        | 11              | 84.6         | 9               | 81.8         | 2            | 100.0        |
| <b>Total</b>           | <b>13</b>       | <b>100.0</b> | <b>11</b>       | <b>100.0</b> | <b>2</b>     | <b>100.0</b> |