

Table 1

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

(Number of banks and percentage of banks answering question)  
(By volume of total domestic assets, in \$billions, as of June 30, 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	1	1.8	1	2.9	0	0.0
Remained basically unchanged	51	89.5	30	88.2	21	91.3
Eased somewhat	5	8.8	3	8.8	2	8.7
Eased considerably	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>57</b>	<b>100.0</b>	<b>34</b>	<b>100.0</b>	<b>23</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	0	0.0	0	0.0	0	0.0
Tightened somewhat	2	3.5	2	6.1	0	0.0
Remained basically unchanged	51	89.5	28	84.8	23	95.8
Eased somewhat	4	7.0	3	9.1	1	4.2
Eased considerably	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>57</b>	<b>100.0</b>	<b>33</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>

1. As of June 30, 1997, 34 respondents had domestic assets of \$15 billion or more; combined assets of these banks totaled \$1.62 trillion, compared to \$1.79 trillion for the entire panel of 58 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	3.11	3.15	3.04
Costs of credit lines	3.25	3.24	3.26
Spreads of loan rates over your bank's cost of funds	3.42	3.41	3.43
Loan covenants	3.16	3.15	3.17
Collateralization requirements	3.05	3.03	3.09
Other	3.00	3.00	3.00
Number of banks responding	57	34	23

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	3.04	3.06	3.00
Costs of credit lines	3.26	3.30	3.21
Spreads of loan rates over your bank's cost of funds	3.42	3.36	3.50
Loan covenants	3.12	3.09	3.17
Collateralization requirements	3.04	3.03	3.04
Other	3.00	3.00	3.00
Number of banks responding	57	33	24

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	1.00	1.00	1.00
A less favorable economic outlook	1.75	1.80	1.67
A worsening of industry-specific problems	1.38	1.60	1.00
Less aggressive competition from other commercial banks	1.25	1.40	1.00
Less aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.25	1.40	1.00
Reduced tolerance for risk	2.00	2.20	1.67
Other	1.50	1.80	1.00
Number of banks responding	8	5	3

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	1.07	1.11	1.00
A more favorable economic outlook	1.17	1.17	1.18
An improvement in industry-specific problems	1.10	1.11	1.09
More aggressive competition from other commercial banks	2.66	2.72	2.55
More aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	2.38	2.39	2.36
Increased tolerance for risk	1.21	1.17	1.27
Other	1.07	1.11	1.00
Number of banks responding	29	18	11

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	2	3.5	1	2.9	1	4.3
Moderately stronger	17	29.8	7	20.6	10	43.5
About the same	30	52.6	23	67.6	7	30.4
Moderately weaker	8	14.0	3	8.8	5	21.7
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	57	100.0	34	100.0	23	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	1	1.8	0	0.0	1	4.2
Moderately stronger	17	29.8	6	18.2	11	45.8
About the same	32	56.1	25	75.8	7	29.2
Moderately weaker	7	12.3	2	6.1	5	20.8
Substantially weaker	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>57</b>	<b>100.0</b>	<b>33</b>	<b>100.0</b>	<b>24</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	1.71	1.82	1.62
Customer investment in plant or equipment increased	2.08	2.00	2.15
Customer internally generated funds decreased	1.21	1.09	1.31
Customer borrowing shifted from other sources to your bank because these other sources became less attractive	1.33	1.27	1.38
Customer merger or acquisition financing increased	2.00	2.18	1.85
Other	1.08	1.09	1.08
<b>Number of banks responding</b>	<b>24</b>	<b>11</b>	<b>13</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	1.30	1.00	1.50
Customer investment in plant or equipment decreased	1.60	2.00	1.33
Customer internally generated funds increased	1.70	1.75	1.67
Customer borrowing shifted from your bank to other sources because these other sources became more attractive	1.30	1.25	1.33
Customer merger or acquisition financing decreased	1.20	1.50	1.00
Other	1.30	1.00	1.50
<b>Number of banks responding</b>	<b>10</b>	<b>4</b>	<b>6</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.

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	7.0	1	2.9	3	13.0
Remained basically unchanged	44	77.2	26	76.5	18	78.3
Eased somewhat	9	15.8	7	20.6	2	8.7
Eased considerably	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>57</b>	<b>100.0</b>	<b>34</b>	<b>100.0</b>	<b>23</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	1.8	1	2.9	0	0.0
Moderately stronger	27	47.4	19	55.9	8	34.8
About the same	22	38.6	11	32.4	11	47.8
Moderately weaker	7	12.3	3	8.8	4	17.4
Substantially weaker	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>57</b>	<b>100.0</b>	<b>34</b>	<b>100.0</b>	<b>23</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	2	3.8	2	6.7	0	0.0
Remained basically unchanged	49	94.2	28	93.3	21	95.5
Eased somewhat	1	1.9	0	0.0	1	4.5
Eased considerably	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>52</b>	<b>100.0</b>	<b>30</b>	<b>100.0</b>	<b>22</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	2	3.8	2	6.7	0	0.0
Moderately stronger	17	32.7	9	30.0	8	36.4
About the same	29	55.8	16	53.3	13	59.1
Moderately weaker	4	7.7	3	10.0	1	4.5
Substantially weaker	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>52</b>	<b>100.0</b>	<b>30</b>	<b>100.0</b>	<b>22</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	0	0.0	0	0.0	0	0.0
Somewhat more	8	16.0	3	10.7	5	22.7
About unchanged	39	78.0	24	85.7	15	68.2
Somewhat less	3	6.0	1	3.6	2	9.1
Much less	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>50</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>	<b>22</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	0	0.0	0	0.0	0	0.0
Tightened somewhat	11	25.0	8	29.6	3	17.6
Remained basically unchanged	33	75.0	19	70.4	14	82.4
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>44</b>	<b>100.0</b>	<b>27</b>	<b>100.0</b>	<b>17</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	18.0	4	14.3	5	22.7
Remained basically unchanged	38	76.0	22	78.6	16	72.7
Eased somewhat	3	6.0	2	7.1	1	4.5
Eased considerably	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>50</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>	<b>22</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	2.73	2.63	2.88
Spreads of interest rates charged on outstanding balances over your bank's cost of funds	2.89	2.89	2.88
Minimum percentage of outstanding balances required to be repaid each month	3.02	3.04	3.00
Other	2.93	2.96	2.88
Number of banks responding	44	27	17

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	3.08	3.07	3.10
Spreads of loan rates over your bank's cost of funds	3.08	3.04	3.14
Minimum required down payment	3.02	3.04	3.00
Other	2.98	3.00	2.95
Number of banks responding	49	28	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	8	16.0	3	10.7	5	22.7
About the same	32	64.0	17	60.7	15	68.2
Moderately weaker	10	20.0	8	28.6	2	9.1
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	50	100.0	28	100.0	22	100.0

**Questions 18-20** ask about **Collateralized Loan Obligations (CLOs)** backed by bank commercial and industrial loans other than those guaranteed by the Small Business Administration.

18. Has your bank established, or is it planning to establish, a program to issue CLOs backed by commercial and industrial loans other than those guaranteed by the Small Business Administration?

	All Respondents		\$15.0 and over		Under \$15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Our bank has such a program	4	6.9	3	8.8	1	4.2
Our bank does not have such a program yet, but is planning to establish one within the next year	3	5.2	3	8.8	0	0.0
Our bank does not have such a program, but is considering establishing one	18	31.0	14	41.2	4	16.7
Our bank does not have such a program and does not intend to establish one in the foreseeable future	33	56.9	14	41.2	19	79.2
<b>Total</b>	<b>58</b>	<b>100.0</b>	<b>34</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>

19. If you bank either has a CLO program or is planning to establish one within the next year (answer 1 or 2 to question 18), approximately what is the dollar volume of loans you expect will be securitized over the coming year?

	All Respondents	\$15.0 and over	Under \$15.0
	Mean \$billions	Mean \$billions	Mean \$billions
Dollar volume of loans expected to be securitized over the coming year	2.24	2.60	0.08
Number of banks responding	7	6	1

20. To what do you attribute the recent surge in interest in CLOs backed by business loans? (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

	All Respondents	\$15.0 and over	Under \$15.0
	Mean	Mean	Mean
An increased desire by banks to deploy capital efficiently by moving relatively high quality business loans off their balance sheets	2.20	2.27	2.07
Aside from capital costs, funding loans using CLOs is less costly, given current market interest rates, than is funding them on balance sheet	1.89	1.73	2.21
The continued development of the asset-backed security market has reduced the cost of packaging and selling loans, making CLOs more attractive	1.95	1.93	2.00
Other	1.25	1.33	1.07
Number of banks responding	44	30	14

**Questions 21 and 22** ask about the **pricing** of larger commercial and industrial loans.

21. According to the Federal Reserve's quarterly Survey of Terms of Business Lending, spreads of rates on larger business loans (those over \$1 million) over market rates have widened over the past year. This result appears to be at odds with press reports and the results of past Senior Loan Officer Surveys, which suggest a narrowing of spreads on larger loans over the period. In your opinion, what factors have likely contributed to the rise in measured rate spreads? (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

	All Respondents	\$15.0 and over	Under \$15.0
	Mean	Mean	Mean
Spreads on loans of given risk have narrowed, but the average risk of new loans has increased	1.80	1.85	1.73
Loan rate spreads have increased, but all-in spreads have narrowed owing to reductions in fees or other loan costs	1.30	1.18	1.50
Other	1.39	1.50	1.23
Number of banks responding	56	34	22

22. If the average risk of new loans has increased (a response of 2 or 3 to question 21.a), to what do you attribute the increase in risk? (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

	All Respondents	\$15.0 and over	Under \$15.0
	Mean	Mean	Mean
A decision by your bank to accept increased risk in order to earn higher returns	1.61	1.64	1.57
Increased demand for loans for mergers or acquisitions	2.03	2.23	1.71
Increased demand for higher-risk loans other than those for mergers or acquisitions	1.61	1.68	1.50
Other	1.11	1.09	1.14
Number of banks responding	36	22	14

**Questions 23-27** deal with your bank's willingness to agree to concessionary terms on consumer loans as a part of a debt repayment plan reached with a borrower, often with the assistance of a credit counseling service. In recent years the number of debtors undertaking such plans with the assistance of a credit counseling service has risen substantially.

23. Is your bank willing to agree to concessionary terms (perhaps including reduced late fees, lower interest rates, or longer repayment periods) as a part of a debt repayment plan?

	All Respondents		\$15.0 and over		Under \$15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Willing to make substantial concessions	2	4.0	1	3.6	1	4.5
Willing to make some concessions	35	70.0	25	89.3	10	45.5
Willing to make only minimal concessions	9	18.0	1	3.6	8	36.4
Unwilling to make concessions	4	8.0	1	3.6	3	13.6
<b>Total</b>	<b>50</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>	<b>22</b>	<b>100.0</b>

24. Over the past three years, how has your bank's willingness to agree to concessionary terms as a part of a debt repayment plan changed?

	All Respondents		\$15.0 and over		Under \$15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Considerably more willing	2	4.0	2	7.1	0	0.0
Somewhat more willing	20	40.0	14	50.0	6	27.3
Basically unchanged	27	54.0	11	39.3	16	72.7
Somewhat less willing	1	2.0	1	3.6	0	0.0
Considerably less willing	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>50</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>	<b>22</b>	<b>100.0</b>

25. Over the past year, what fraction of the dollar volume of your bank's consumer loan outstandings would you estimate was restructured on concessionary terms as a part of a debt repayment plan?

	All Respondents		\$15.0 and over		Under \$15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Zero	4	8.0	1	3.6	3	13.6
Less than 1 percent	28	56.0	17	60.7	11	50.0
1-3 percent	17	34.0	9	32.1	8	36.4
3-5 percent	1	2.0	1	3.6	0	0.0
5 percent or more	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>50</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>	<b>22</b>	<b>100.0</b>

26. Over the past three years, how has this fraction changed?

	All Respondents		\$15.0 and over		Under \$15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Increased considerably	0	0.0	0	0.0	0	0.0
Increased somewhat	25	50.0	16	57.1	9	40.9
Basically unchanged	23	46.0	10	35.7	13	59.1
Decreased somewhat	2	4.0	2	7.1	0	0.0
Decreased considerably	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>50</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>	<b>22</b>	<b>100.0</b>

27. When your bank has agreed to concessionary terms as a part of a debt repayment plan, how commonly have the arrangements been made through a credit counseling service?

	All Respondents		\$15.0 and over		Under \$15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Virtually always	0	0.0	0	0.0	0	0.0
In most cases	10	20.0	5	17.9	5	22.7
Sometimes	28	56.0	20	71.4	8	36.4
Rarely or never	8	16.0	2	7.1	6	27.3
Our bank does not make concessions	4	8.0	1	3.6	3	13.6
<b>Total</b>	<b>50</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>	<b>22</b>	<b>100.0</b>