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 August 1998)

(Number of banks and percentage of banks answering question[1])

Questions 1-5 *ask about* ***commercial and industrial loans*** *at your bank: Questions 1-3 deal with changes in your bank's lending policies over the past three months, and questions 4-5 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--changed?

	All Respondents	
	Banks	Pct
Tightened considerably	0	0.0
Tightened somewhat	6	26.1
Remained basically unchanged	15	65.2
Eased somewhat	2	8.7
Eased considerably	0	0.0
Total	23	100.0

2. For applications for C&I loans or credit lines--other than those to be used to finance mergers and acquisitions--that your bank currently is willing to approve, how have the terms of those loans changed over the past three months? (Please assign each term a number between 1 and 5 using the following scale: 1=tightened considerably, 2=tightened somewhat, 3=remained basically unchanged, 4=eased somewhat, 5=eased considerably.)

	All Respondents
	Mean
Maximum size of credit lines	2.71
Costs of credit lines	2.54
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.54
Loan covenants	3.00
Collateralization requirements	3.00
Other	3.00
Total	24

1. As of March 31, 1998, the twenty-four respondents had combined assets of $237 billion, compared to $768 billion for all foreign-related banking institutions in the United States. The sample is selected from among the largest foreign-related banking institutions in those Federal Reserve Districts where such institutions are common.

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

A. Possible reasons for tightening credit standards or loan terms:

	All Respondents
	Mean
A deterioration in your parent bank's current or expected capital position	1.67
A less favorable economic outlook	1.58
A worsening of industry-specific problems	1.50
Less aggressive competition from other commercial banks	1.25
Less aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.08
Reduced tolerance for risk	1.42
Other	1.45
Number of banks responding	12

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

	All Respondents
	Mean
An improvement in your parent bank's current or expected capital position	1.50
A more favorable economic outlook	1.00
An improvement in industry-specific problems	1.00
More aggressive competition from other commercial banks	1.00
More aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.00
Increased tolerance for risk	2.00
Other	1.50
Number of banks responding	2

4. How has demand for C&I loans (actual extensions of credit as opposed to undrawn lines) changed over the past three months (apart from normal seasonal variation)?

	All Respondents	
	Banks	Pct
Substantially stronger	0	0.0
Moderately stronger	4	16.7
About the same	16	66.7
Moderately weaker	4	16.7
Substantially weaker	0	0.0
Total	24	100.0

5. If demand for C&I loans has strengthened or weakened over the past three months, how important have been the following possible reasons for the change? (Please rate each possible reason using the following scale:1=not important, 2=somewhat important, 3=very important.)

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

	All Respondents
	Mean
Customer inventory financing needs increased	1.00
Customer investment in plant or equipment increased	1.25
Customer internally generated funds decreased	1.00
Customer borrowing shifted from other sources to your bank because these other sources became less attractive	1.25
Customer merger or acquisition financing increased	2.50
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	1.50
Customer investment in plant or equipment decreased	1.75
Customer internally generated funds increased	1.25
Customer borrowing shifted from your bank to other sources because these other sources became more attractive	1.75
Customer merger or acquisition financing decreased	2.50
Other	2.00
Number of banks responding	4

Questions 6-7 *ask about* ***commercial real estate loans*** *at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate: Question 6 deals with changes in your bank's credit standards over the past three months, and question 7 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.*

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

	All Respondents	
	Banks	Pct
Tightened considerably	0	0.0
Tightened somewhat	2	12.5
Remained basically unchanged	14	87.5
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	16	100.0

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

	All Respondents	
	Banks	Pct
Substantially stronger	1	6.7
Moderately stronger	2	13.3
About the same	12	80.0
Moderately weaker	0	0.0
Substantially weaker	0	0.0
Total	15	100.0

Questions 8-10 *are additional questions on* ***commercial real estate lending****.*

8. Over the past year, how has your bank changed the following terms on commercial real estate loans, including land development loans and loans backed 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
	Mean
Maximum loan size	3.15
Maximum loan maturity	2.92
Spreads of loan rates over your bank's cost of funds	2.85
Loan-to-cost ratios	2.92
Requirements for take-out financing	2.77
Debt-service coverage ratios	3.00
Number of banks responding	13

9. If your bank tightened or eased its commercial real estate lending terms over the past year (as described in question 8), how important were the following possible reasons for the change? (Please respond to either A or B or both as appropriate.) (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

A. Possible reasons for tightening loan terms:

	All Respondents
	Mean
A less favorable economic outlook	1.67
A 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	2.00
Less aggressive competition from nonbank lenders	1.67
Other	1.67
Number of banks responding	3

B. Possible reasons for easing loan terms:

	All Respondents
	Mean
A more favorable economic outlook	1.67
An improvement in the condition of or the outlook for commercial real estate in the markets where your bank operates	2.33
More aggressive competition from other commercial banks	2.00
More aggressive competition from nonbank lenders	1.67
A more developed market for securities collateralized by these loans has increased the loans' liquidity	3.00
Other	1.00
Number of banks responding	3

10. Over the past year, how have your competitors' credit standards for or terms on commercial real estate loans changed?

	All Respondents	
	Banks	Pct
Tightened considerably	0	0.0
Tightened somewhat	1	8.3
Remained basically unchanged	2	16.7
Eased somewhat	7	58.3
Eased considerably	2	16.7
Total	12	100.0

Recently, the financial press has indicated that some U.S. branches or agencies of foreign banks have pulled back from lending in U.S. markets. These stories are consistent with the observed weak loan growth at these institutions over the past few quarters. ***Question 11*** *asks about the impact of the decreased participation of U.S. branches and agencies of foreign banks in U.S. loan markets.*

11. How has the decreased appetite of foreign branches and agencies for loans affected the rates and terms prevailing in the market for loans to large U.S. firms?

	All Respondents	
	Banks	Pct
No appreciable effect	3	13.0
Minimal effect	3	13.0
Moderate effect	15	65.2
Substantial effect	2	8.7
Total	23	100.0

Questions 12-15 *ask about the reasons for the weakness in business loans at the branches and agencies of foreign banks over recent quarters.*

12. Has the growth of business loans at your institution slowed since September 30, 1997, relative to the growth rate of the previous year.

	All Respondents	
	Banks	Pct
Yes	14	60.9
No	9	39.1
Total	23	100.0

13. If the growth of business loans at your institution has slowed since September 30,1997, relative to the growth rate of the previous year (answer 1 to question 12), how important have been the following possible reasons for the weakness? (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

	All Respondents
	Mean
Tighter lending standards and terms owing to a desire by your institution to reduce the loans on its books owing to the current or anticipated financial condition of your parent bank	2.15
The current or anticipated financial condition of your parent bank has boosted funding costs, making loans to U.S. firms unprofitable	2.00
Tighter lending standards and terms owing to increased concern by your institution about the credit quality of its customers	1.31
Demand for credit by your institution's customers declined	1.08
Other	1.46
Number of banks responding	13

14. If the weaker loan growth at your institution reflected tighter lending standards and terms owing to increased concern by your institution about the credit quality of its customers (answer 2 or 3 to question 13c), how has your concern about the following sets of customers changed? (Please rate the change in your concern using the following scale: 1=no change, 2=somewhat greater concern, 3=much greater concern.) (If your institution has not generally provided credit to a particular set of customers, please leave that response blank.)

	All Respondents
	Mean
U.S. subsidiaries or affiliates of foreign firms with ties to your parent bank	1.50
Other U.S. subsidiaries or affiliates of firms headquartered in the country in which your parent bank is based	1.75
Other foreign firms	1.75
U.S. firms with operations in emerging economies affected by the economic problems in Asia	1.75
Other U.S. firms	1.25
Number of banks responding	4

15. If lending at your institution declined because demand for credit by your institution's customers declined, (answer 2 or 3 to quetion 13d), how has demand by the following sets of customers changed? (Please rate the change in demand using the following scale: 1=no change, 2=somewhat weaker demand, 3=much weaker demand.) (If your institution has not generally provided credit to a particular set of customers, please leave that response blank.)

	All Respondents
	Mean
U.S. subsidiaries or affiliates of foreign firms with ties to your parent bank	1.00
Other U.S. subsidiaries or affiliates of firms headquartered in the country in which your parent bank is based	1.00
Other foreign firms	1.00
U.S. firms with operations in emerging economies effected by the economic problems in Asia	1.00
Other	1.50
Number of banks responding	2

Optional: ***Question 16*** *requests feedback on any issues you judge to be important but that are not addressed on this survey.*

16. Are there any recent developments in lending practices not addressed in this survey that you find particularly significant? Your response will help us stay abreast of breaking issues and in choosing questions for future surveys. There is no need to reply if you have nothing you would like to add.