

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 September 1998)

(Number of banks and percentage of banks answering question<sup>1</sup>)

**Questions 1-7** ask about **commercial and industrial loans** at your bank: Questions 1-3 deal with changes in your bank's lending policies over the past month, and questions 4-7 deal with changes in demand over the same period. If your bank's lending policies have not changed over the past month, 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 month, 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 month, how have your bank's credit standards for approving applications for C&I loans or credit lines--other than those to be used to finance mergers and acquisitions--changed?

	All Respondents	
	Banks	Pct
Tightened considerably	1	4.5
Tightened somewhat	8	36.4
Remained basically unchanged	13	59.1
Eased somewhat	0	0.0
Eased considerably	0	0.0
<b>Total</b>	<b>22</b>	<b>100.0</b>

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 month? (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	2.43
Costs of credit lines	2.38
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.24
Loan covenants	2.90
Collateralization requirements	2.95
Other	3.00
<b>Total</b>	<b>21</b>

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1. As of March 31, 1998, the twenty-two respondents had combined assets of \$233 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 month (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	1.47
A less favorable economic outlook	2.12
A worsening of industry-specific problems	1.65
Less aggressive competition from other commercial banks	1.35
Less aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.24
Reduced tolerance for risk owing to heightened concern about your bank's foreign losses or exposures	1.41
Reduced tolerance for risk owing to other reasons	1.18
Other	1.13
Number of banks responding	17

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

(No responses.)

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

	All Respondents	
	Banks	Pct
Substantially stronger	0	0.0
Moderately stronger	3	13.6
About the same	13	59.1
Moderately weaker	5	22.7
Substantially weaker	1	4.5
Total	22	100.0

5. If demand for C&I loans has strengthened or weakened over the past month, 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	1.00
Customer internally generated funds decreased	1.00
Customer borrowing shifted from other sources to your bank because these other sources became less attractive	1.67
Customer merger or acquisition financing increased	2.00
Other	1.00
Number of banks responding	3

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 investment in plant or equipment decreased	1.50
Customer internally generated funds increased	1.00
Customer borrowing shifted from your bank to other sources because these other sources became more attractive	1.17
Customer merger or acquisition financing decreased	2.00
Other	1.50
Number of banks responding	6

6. If your bank has experienced stronger loan demand as a result of a shift to your bank from other sources of credit (answers 2 or 3 to question 5Ad), how important has been demand from firms temporarily discouraged from issuing bonds in the capital markets?

	All Respondents	
	Banks	Pct
A very important source of increased loan demand	1	50.0
A somewhat important source of increased loan demand	1	50.0
Not an important source of increased loan demand	0	0.0
<b>Total</b>	<b>2</b>	<b>100.0</b>

7. If your bank has experienced stronger loan demand as a result of credit demands diverted from the capital markets (answer 1 or 2 to question 6), what ratings do these borrowing firms' senior bonds typically carry?

	All Respondents	
	Banks	Pct
Investment grade (Baa or higher)	0	0.0
Slightly below investment grade (BB or B)	3	100.0
Lower risk grades (B- or lower)	0	0.0
<b>Total</b>	<b>3</b>	<b>0.0</b>