

Table 1

SENIOR LOAN OFFICER OPINION SURVEY ON BANK LENDING PRACTICES
AT SELECTED LARGE BANKS IN THE UNITED STATES¹
(Status of policy as of April 2004)

Questions 1-6 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. Question 6 asks about changes in prospective demand for C&I loans at your bank, as indicated by the volume of recent inquiries about the availability of new credit lines or existing credit lines. 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 \$50 million or more):

	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	0	0.0	0	0.0	0	0.0
Remained basically unchanged	43	76.8	23	69.7	20	87.0
Eased somewhat	13	23.2	10	30.3	3	13.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	56	100.0	33	100.0	23	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	0	0.0	0	0.0	0	0.0
Tightened somewhat	0	0.0	0	0.0	0	0.0
Remained basically unchanged	45	80.4	23	69.7	22	95.7
Eased somewhat	11	19.6	10	30.3	1	4.3
Eased considerably	0	0.0	0	0.0	0	0.0
Total	56	100.0	33	100.0	23	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 December 31, 2003. The combined assets of the 33 large banks totaled \$3.61 trillion, compared to \$3.86 trillion for the entire panel of 56 banks, and \$6.66 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 \$50 million or more):

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Maximum size of credit lines	3.18	3.21	3.13
Costs of credit lines	3.23	3.36	3.04
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.39	3.48	3.26
Premiums charged on riskier loans	3.09	3.21	2.91
Loan covenants	3.23	3.33	3.09
Collateralization requirements	3.09	3.12	3.04
Other	3.05	3.09	3.00
Number of banks responding	56	33	23

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	3.19	3.25	3.09
Costs of credit lines	3.17	3.25	3.05
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.26	3.31	3.18
Premiums charged on riskier loans	3.02	3.13	2.86
Loan covenants	3.19	3.31	3.00
Collateralization requirements	3.02	3.06	2.95
Other	3.00	3.00	3.00
Number of banks responding	54	32	22

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	1.33	1.00	1.50
Less favorable or more uncertain economic outlook	1.44	1.67	1.33
Worsening of industry-specific problems	1.22	1.00	1.33
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.00	1.00	1.00
Reduced tolerance for risk	1.56	1.67	1.50
Decreased liquidity in the secondary market for these loans	1.00	1.00	1.00
Increase in defaults by borrowers in public debt markets	1.00	1.00	1.00
Other	1.11	1.00	1.17
Number of banks responding	9	3	6

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	1.14	1.21	1.00
More favorable or less uncertain economic outlook	1.66	1.79	1.40
Improvement in industry-specific problems	1.52	1.68	1.20
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	2.14	2.21	2.00
Increased tolerance for risk	1.48	1.68	1.10
Increased liquidity in the secondary market for these loans	1.17	1.26	1.00
Reduction in defaults by borrowers in public debt markets	1.28	1.42	1.00
Other	1.03	1.05	1.00
Number of banks responding	29	19	10

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	1	1.8	1	3.0	0	0.0
Moderately stronger	21	37.5	13	39.4	8	34.8
About the same	28	50.0	16	48.5	12	52.2
Moderately weaker	6	10.7	3	9.1	3	13.0
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	56	100.0	33	100.0	23	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	1	1.8	0	0.0	1	4.5
Moderately stronger	23	41.8	17	51.5	6	27.3
About the same	28	50.9	15	45.5	13	59.1
Moderately weaker	3	5.5	1	3.0	2	9.1
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	55	100.0	33	100.0	22	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	1.86	1.89	1.78
Customer accounts receivable financing needs increased	1.86	1.84	1.89
Customer investment in plant or equipment increased	1.86	1.79	2.00
Customer internally generated funds decreased	1.29	1.37	1.11
Customer merger or acquisition financing needs increased	1.57	1.74	1.22
Customer borrowing shifted to your bank from other bank or nonbank credit sources because these other sources became less attractive	1.68	1.84	1.33
Other	1.00	1.00	1.00
Number of banks responding	28	19	9

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	1.38	1.50	1.25
Customer accounts receivable financing needs decreased	1.38	1.50	1.25
Customer investment in plant or equipment decreased	1.50	1.50	1.50
Customer internally generated funds increased	1.75	2.00	1.50
Customer merger or acquisition financing needs decreased	1.38	1.50	1.25
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	1.75	1.75	1.75
Other	1.00	1.00	1.00
Number of banks responding	8	4	4

6. At your bank, how has the number of inquiries from potential business borrowers regarding the availability and terms of new credit lines or increases in existing lines changed over the past three months? (Please consider only inquiries for additional C&I lines as opposed to the refinancing of existing loans.)

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Increased substantially	1	1.8	1	3.0	0	0.0
Increased moderately	30	53.6	17	51.5	13	56.5
Stayed about the same	22	39.3	14	42.4	8	34.8
Decreased moderately	3	5.4	1	3.0	2	8.7
Decreased substantially	0	0.0	0	0.0	0	0.0
Total	56	100.0	33	100.0	23	100.0

Questions 7-8 ask about **commercial real estate loans** at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 7 deals with changes in your bank's standards over the last three months. Questions 8 deals with changes in demand. 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.

7. 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	2	3.6	1	3.0	1	4.3
Remained basically unchanged	46	82.1	24	72.7	22	95.7
Eased somewhat	8	14.3	8	24.2	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	56	100.0	33	100.0	23	100.0

8. 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	1	1.8	0	0.0	1	4.3
Moderately stronger	17	30.4	11	33.3	6	26.1
About the same	32	57.1	20	60.6	12	52.2
Moderately weaker	6	10.7	2	6.1	4	17.4
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	56	100.0	33	100.0	23	100.0

Questions 9-10 ask about **residential mortgage loans** at your bank. Question 9 deals with changes in your bank's credit standards over the past three months, and question 10 deals with changes in demand over the same period. If your bank's credit standards have not changed over the relevant period, 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 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 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	3.2	0	0.0
Remained basically unchanged	45	88.2	25	80.6	20	100.0
Eased somewhat	5	9.8	5	16.1	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	51	100.0	31	100.0	20	100.0

10. 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	1	3.2	0	0.0
Moderately stronger	8	15.7	6	19.4	2	10.0
About the same	30	58.8	17	54.8	13	65.0
Moderately weaker	9	17.6	7	22.6	2	10.0
Substantially weaker	3	5.9	0	0.0	3	15.0
Total	51	100.0	31	100.0	20	100.0

Over the past several years, the price index of repeat sales of existing homes published by the Office of Federal Housing Enterprise Oversight (OFHEO) has increased substantially and banks' holdings of residential mortgage loans have expanded rapidly. **Questions 11-14** ask about the changes in home prices in your bank's market area and their effect on your bank's mortgage loan portfolio. Questions 11-12 ask about loan-to-value ratios in your bank's residential real estate loan portfolio. Questions 13-14 ask about your bank's assessment of past and future changes in home prices in its loan markets.

11. Over the past **twelve** months, approximately what share of the dollar volume of home mortgage originations at your bank has had loan-to-value ratios in the following ranges? (Please exclude second lien mortgages and revolving home equity lines of credit. Percentages should add to 100.)

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
More than 100 percent	0.7	0.9	0.5
100 percent	1.9	2.2	1.4
95 to 99 percent	5.1	5.2	4.9
90 to 94 percent	6.3	5.6	7.3
80 to 89 percent	25.8	22.3	31.1
Less than 80 percent	60.3	63.8	54.8
Number of banks responding	48	29	19

12. Over the past **twelve** months, approximately what share of the dollar volume of second lien mortgages and home equity lines of credit originated at your bank has had a ratio of total mortgage indebtedness to home value in the following ranges? (Please include the undrawn portion of revolving home equity lines of credit. Percentages should add to 100.)

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
More than 100 percent	1.0	1.5	0.1
100 percent	4.1	3.2	5.6
95 to 99 percent	5.1	5.0	5.4
90 to 94 percent	8.8	8.0	10.0
80 to 89 percent	29.6	26.2	35.0
Less than 80 percent	51.4	56.1	43.9
Number of banks responding	49	30	19

13. In the residential real estate markets served by your bank, what has been the approximate average rate of increase in home prices during the **past twelve** months?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Less than 0 (declined)	0	0.0	0	0.0	0	0.0
0 to 5 percent	15	28.8	7	22.6	8	38.1
5 to 10 percent	27	51.9	20	64.5	7	33.3
10 to 20 percent	7	13.5	3	9.7	4	19.0
More than 20 percent	3	5.8	1	3.2	2	9.5
Total	52	100.0	31	100.0	21	100.0

14. In the residential real estate markets served by your bank, what is your bank's view of the likely average rate of increase in home prices during the **next twelve** months?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Less than 0 (declined)	0	0.0	0	0.0	0	0.0
0 to 5 percent	33	63.5	20	64.5	13	61.9
5 to 10 percent	18	34.6	11	35.5	7	33.3
10 to 20 percent	1	1.9	0	0.0	1	4.8
More than 20 percent	0	0.0	0	0.0	0	0.0
Total	52	100.0	31	100.0	21	100.0

Questions 15-20 ask about **consumer lending** at your bank. Question 15 deals with changes in your bank's willingness to make consumer loans over the past three months. Questions 16-19 deal with changes in credit standards and loan terms over the same period. Question 20 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	10	19.2	7	22.6	3	14.3
About unchanged	41	78.8	24	77.4	17	81.0
Somewhat less willing	1	1.9	0	0.0	1	4.8
Much less willing	0	0.0	0	0.0	0	0.0
Total	52	100.0	31	100.0	21	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	1	3.3	1	6.3	0	0.0
Remained basically unchanged	29	96.7	15	93.8	14	100.0
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	30	100.0	16	100.0	14	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	0	0.0	0	0.0	0	0.0
Tightened somewhat	2	4.0	1	3.4	1	4.8
Remained basically unchanged	45	90.0	27	93.1	18	85.7
Eased somewhat	3	6.0	1	3.4	2	9.5
Eased considerably	0	0.0	0	0.0	0	0.0
Total	50	100.0	29	100.0	21	100.0

18. Over the past three months, how has your bank changed the following terms and conditions 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	3.07	3.00	3.14
Spreads of interest rates charged on outstanding balances over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.97	2.93	3.00
Minimum percent of outstanding balances required to be repaid each month	3.00	3.00	3.00
Minimum required credit score (increased score=tightened, reduced score=eased)	3.00	3.00	3.00
The extent to which loans are granted to some customers that do not meet credit scoring thresholds (increased=eased, decreased=tightened)	2.97	3.07	2.86
Other	3.00	3.00	3.00
Number of banks responding	29	15	14

19. Over the past three months, how has your bank changed the following terms and conditions 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	3.06	3.03	3.10
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.08	3.10	3.05
Minimum required downpayment	3.02	3.03	3.00
Minimum required credit score (increased score=tightened, reduced score=eased)	3.00	3.00	3.00
The extent to which loans are granted to some customers that do not meet credit scoring thresholds (increased=eased, decreased=tightened)	2.87	2.87	2.86
Other	3.00	3.00	3.00
Number of banks responding	52	31	21

20. 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	1	1.9	0	0.0	1	4.8
Moderately stronger	13	25.0	9	29.0	4	19.0
About the same	35	67.3	19	61.3	16	76.2
Moderately weaker	3	5.8	3	9.7	0	0.0
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	52	100.0	31	100.0	21	100.0

*With short-term interest rates at historically low levels, the yields on many bank assets are correspondingly low and the funding cost advantage of noninterest-bearing funding sources is reduced, putting pressure on bank net interest margins. At the same time, the yield curve is quite steep and risk spreads on credit instruments have narrowed considerably. Against this backdrop, **Question 21** asks how your bank has adjusted its investment and pricing behavior.*

21. Over the past **twelve** months, how has your bank adjusted the following aspects of its investment and pricing behavior? (Please assign each aspect a number between 1 and 5 using the following scale: 1=increased considerably, 2=increased somewhat, 3=remained basically unchanged, 4=decreased somewhat, 5=decreased considerably.)

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
The desired credit risk of your bank's new loans or investments	3.00	2.96	3.05
The desired interest-rate risk of your bank, as reflected in the average duration of your bank's assets relative to that of its liabilities	3.04	3.04	3.05
The fees that your bank charges borrowers and depositors	2.78	2.79	2.77
Other	3.00	3.00	3.00
Number of banks responding	50	28	22