Table 2

Senior Loan Officer Opinion Survey on Bank Lending Practices at Selected Branches and Agencies of Foreign Banks in the United States ¹

(Status of Policy as of October 2022)

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 increases in existing 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 - changed?

	All Respondents	
	Banks	Percent
Tightened considerably	1	5.3
Tightened somewhat	2	10.5
Remained basically unchanged	16	84.2
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	19	100

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?

a. Maximum size of credit lines

	All Resp	All Respondents	
	Banks	Percent	
Tightened considerably	0	0.0	
Tightened somewhat	3	20.0	
Remained basically unchanged	12	80.0	
Eased somewhat	0	0.0	
Eased considerably	0	0.0	
Total	15	100	

b. Maximum maturity of loans or credit lines

	All Respondents	
	Banks	Percent
Tightened considerably	0	0.0
Tightened somewhat	1	6.7
Remained basically unchanged	14	93.3
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	15	100

c. Costs of credit lines

	All Respondents	
	Banks	Percent
Tightened considerably	0	0.0
Tightened somewhat	8	50.0
Remained basically unchanged	8	50.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	16	100

d. Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)

	All Respondents	
	Banks	Percent
Tightened considerably	1	5.9
Tightened somewhat	9	52.9
Remained basically unchanged	6	35.3
Eased somewhat	1	5.9
Eased considerably	0	0.0
Total	17	100

e. Premiums charged on riskier loans

	All Respondents	
	Banks	Percent
Tightened considerably	3	20.0
Tightened somewhat	5	33.3
Remained basically unchanged	7	46.7
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	15	100

f. Loan covenants

	All Respondents	
	Banks	Percent
Tightened considerably	0	0.0
Tightened somewhat	2	13.3
Remained basically unchanged	13	86.7
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	15	100

g. Collateralization requirements

	All Respondents	
	Banks	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	14	100.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	14	100

h. Use of interest rate floors (more use=tightened, less use=eased)

	All Resp	All Respondents	
	Banks	Percent	
Tightened considerably	0	0.0	
Tightened somewhat	3	21.4	
Remained basically unchanged	11	78.6	
Eased somewhat	0	0.0	
Eased considerably	0	0.0	
Total	14	100	

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

a. Deterioration in your bank's current or expected capital position

	All Respondents	
	Banks	Percent
Not Important	7	87.5
Somewhat Important	1	12.5
Very Important	0	0.0
Total	8	100

b. Less favorable or more uncertain economic outlook

	All Respondents	
	Banks	Percent
Not Important	0	0.0
Somewhat Important	5	50.0
Very Important	5	50.0
Total	10	100

c. Worsening of industry-specific problems. (please specify industries)

	All Respondents	
	Banks	Percent
Not Important	6	75.0
Somewhat Important	1	12.5
Very Important	1	12.5
Total	8	100

d. Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)

	All Respondents	
	Banks	Percent
Not Important	6	75.0
Somewhat Important	2	25.0
Very Important	0	0.0
Total	8	100

e. Reduced tolerance for risk

	All Respondents	
	Banks	Percent
Not Important	3	37.5
Somewhat Important	5	62.5
Very Important	0	0.0
Total	8	100

f. Decreased liquidity in the secondary market for these loans

	All Resp	All Respondents	
	Banks	Percent	
Not Important	7	77.8	
Somewhat Important	2	22.2	
Very Important	0	0.0	
Total	9	100	

g. Deterioration in your bank's current or expected liquidity position

	All Respondents	
	Banks	Percent
Not Important	8	88.9
Somewhat Important	1	11.1
Very Important	0	0.0
Total	9	100

h. Increased concerns about the effects of legislative changes, supervisory actions, or accounting standards

	All Respondents	
	Banks	Percent
Not Important	8	100.0
Somewhat Important	0	0.0
Very Important	0	0.0
Total	8	100

- B. Possible reasons for easing credit standards or loan terms:
 - a. Improvement in your bank's current or expected capital position

Responses are not reported when the number of respondents is 3 or fewer.

b. More favorable or less uncertain economic outlook

Responses are not reported when the number of respondents is 3 or fewer.

c. Improvement in industry-specific problems (please specify industries)

Responses are not reported when the number of respondents is 3 or fewer.

d. More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)

Responses are not reported when the number of respondents is 3 or fewer.

e. Increased tolerance for risk

Responses are not reported when the number of respondents is 3 or fewer.

f. Increased liquidity in the secondary market for these loans

Responses are not reported when the number of respondents is 3 or fewer.

g. Improvement in your bank's current or expected liquidity position

Responses are not reported when the number of respondents is 3 or fewer.

h. Reduced concerns about the effects of legislative changes, supervisory actions, or accounting standards

Responses are not reported when the number of respondents is 3 or fewer.

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.)

	All Resp	All Respondents	
	Banks	Percent	
Substantially stronger	0	0.0	
Moderately stronger	1	5.6	
About the same	12	66.7	
Moderately weaker	4	22.2	
Substantially weaker	1	5.6	
Total	18	100	

- 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.)
 - A. If stronger loan demand (answer 1 or 2 to question 4), possible reasons:
 - a. Customer inventory financing needs increased

Responses are not reported when the number of respondents is 3 or fewer.

b. Customer accounts receivable financing needs increased

Responses are not reported when the number of respondents is 3 or fewer.

c. Customer investment in plant or equipment increased

Responses are not reported when the number of respondents is 3 or fewer.

d. Customer internally generated funds decreased

Responses are not reported when the number of respondents is 3 or fewer.

e. Customer merger or acquisition financing needs increased

Responses are not reported when the number of respondents is 3 or fewer.

f. Customer borrowing shifted to your bank from other bank or nonbank sources because these other sources became less attractive

Responses are not reported when the number of respondents is 3 or fewer.

g. Customer precautionary demand for cash and liquidity increased

Responses are not reported when the number of respondents is 3 or fewer.

- B. If weaker loan demand (answer 4 or 5 to guestion 4), possible reasons:
 - a. Customer inventory financing needs decreased

	All Respondents	
	Banks	Percent
Not important	3	75.0
Somewhat important	1	25.0
Very important	0	0.0
Total	4	100

b. Customer accounts receivable financing needs decreased

	All Respondents	
	Banks	Percent
Not important	3	75.0
Somewhat important	1	25.0
Very important	0	0.0
Total	4	100

c. Customer investment in plant or equipment decreased

	All Respondents	
	Banks	Percent
Not important	1	25.0
Somewhat important	3	75.0
Very important	0	0.0
Total	4	100

d. Customer internally generated funds increased

	All Respondents	
	Banks	Percent
Not important	4	80.0
Somewhat important	1	20.0
Very important	0	0.0
Total	5	100

e. Customer merger or acquisition financing needs decreased

	All Respondents	
	Banks	Percent
Not important	0	0.0
Somewhat important	0	0.0
Very important	4	100.0
Total	4	100

f. Customer borrowing shifted from your bank to other bank or nonbank sources because these other sources became more attractive

	All Respondents	
	Banks	Percent
Not important	2	50.0
Somewhat important	2	50.0
Very important	0	0.0
Total	4	100

g. Customer precautionary demand for cash and liquidity decreased

	All Respondents	
	Banks	Percent
Not important	3	75.0
Somewhat important	1	25.0
Very important	0	0.0
Total	4	100

6. At your bank, apart from normal seasonal variation, 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 or increased C&I lines as opposed to the refinancing of existing

loans.)

	All Respo	All Respondents	
	Banks	Percent	
The number of inquiries has increased substantially	0	0.0	
The number of inquiries has increased moderately	2	11.1	
The number of inquiries has stayed about the same	11	61.1	
The number of inquiries has decreased moderately	4	22.2	
The number of inquiries has decreased substantially	1	5.6	
Total	18	100	

Questions 7-8 ask about commercial real estate (CRE) loans at your bank, including construction and land development loans and loans secured by nonfarm nonresidential properties. Question 7 deals with changes in your bank's standards over the past three months. Question 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 CRE loans or credit lines changed?

	All Resp	All Respondents	
	Banks	Percent	
Tightened considerably	0	0.0	
Tightened somewhat	3	23.1	
Remained basically unchanged	10	76.9	
Eased somewhat	0	0.0	
Eased considerably	0	0.0	
Total	13	100	

For this question, 4 respondents answered "My bank does not originate CRE loans."

8. Apart from normal seasonal variation, how has demand for CRE loans or credit lines changed over the past three months? (Please consider the number of requests for new spot loans, for disbursement of funds under existing loan commitments, and for new or increased credit lines.)

	All Respondents	
	Banks	Percent
Substantially stronger	0	0.0
Moderately stronger	0	0.0
About the same	5	38.5
Moderately weaker	7	53.8
Substantially weaker	1	7.7
Total	13	100

Questions 9-11 ask about your bank's assessment on the likelihood and severity of a recession anytime during the next twelve months. For this question, please consider the definition of a recession as set by the NBER's Business Cycle Dating Committee: "A significant decline in economic activity that is spread across the economy and that lasts more than a few months." Question 9 asks about your bank's assessment of the likelihood of a recession to occur anytime during the next twelve months. Question 10 asks about your bank's expectation regarding the severity of a recession, should one occur. Question 11 asks how your bank expects its lending standards across the two major loan categories to change, should a recession occur in the next twelve months.

9. What is your bank's assessment of the probability of a recession happening anytime during the next twelve months?

	All Respondents	
	Banks	Percent
Greater than or equal to 80%	3	15.8
Greater than or equal to 60% but less than 80%	6	31.6
Greater than or equal to 40% but less than 60%	6	31.6
Greater than or equal to 20% but less than 40%	3	15.8
Less than 20%	1	5.3
Total	19	100

Question 10 asks your bank to compare the likely severity of a recession, should one occur anytime during the next twelve months, to the severity of the past nine U.S. recessions that occurred between 1957 and 2009. Please consider the following categories for a recession: "severe", "moderate", and "mild", as defined in Durdu et al (2017)². According to their measures, the average changes in real GDP in the past nine recessions were -3.4%, -1.1%, and -0.6% for severe, moderate, and mild categories, respectively, and the average changes in the unemployment rate were 3.6, 1.8, and 1.1 percentage points, respectively.

10. Given the average values for changes in real GDP **and** in unemployment over the past nine recessions how would your bank characterize the likely severity of a recession, should one occur anytime during the next twelve months? Should a recession occur in the next twelve months, I would expect it to be:

	All Respondents	
	Banks	Percent
Severe	0	0.0
Moderate	14	73.7
Mild	5	26.3
Total	19	100

Question 11 asks how your bank's lending standards across the two major loan categories would change, should a recession occur anytime in the next twelve months.

- 11. Assuming a recession occurs anytime in the next twelve months, how do you expect your bank's lending standards to change for the following loan categories?
 - A. Should a recession occur, my bank's lending standards over the next twelve months for **commercial and industrial (C&I) loans** would likely:

	All Resp	All Respondents	
	Banks	Percent	
Tighten substantially	1	5.3	
Tighten somewhat	12	63.2	
Remain basically unchanged	6	31.6	
Ease somewhat	0	0.0	
Ease substantially	0	0.0	
Total	19	100	

B. Should a recession occur, my bank's lending standards over the next twelve months for **loans secured by commercial real estate (CRE)** would likely:

	All Respondents	
	Banks	Percent
Tighten substantially	1	7.7
Tighten somewhat	9	69.2
Remain basically unchanged	3	23.1
Ease somewhat	0	0.0
Ease substantially	0	0.0
Total	13	100

For this question, 4 respondents answered "My bank does not originate CRE loans"

^{1.} As of June 30, 2022, the 18 respondents had combined assets of \$1.5 trillion, compared to \$2.9 trillion 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. Return to text

^{2.} Bora Durdu, Rochelle Edge, and Daniel Schwindt (2017). "Measuring the Severity of Stress-Test Scenarios," FEDS Notes. Washington: Board of Governors of the Federal Reserve System, May 5, 2017, https://doi.org/10.17016/2380-7172.1970. See the last three rows of Table 3. Return to text

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