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CONFIDENTIAL (FR)

SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the
Federal Open Market Committee

September 15, 1972

By the Staff
Board of Governors
of the Federal Reserve System

SUPPLEMENTAL NOTES

The Domestic Economy

Industrial production. The Board's index of industrial production rose 0.5 percent further to 114.3 (1967=100) in August, a level 8.2 percent above a year earlier. The July index has been revised up slightly to 113.7 and the June index up to 113.4. The August increase reflected widespread gains in output among final products and materials, with business equipment, defense equipment and steel especially strong. (Very confidential until release September 18 afternoon.)

Sales of new domestic-type autos in the first 10 days of September were at a 6.5 million unit annual rate, down 30 percent from the corresponding periods a month and a year earlier. The drop in sales was due in large part to the reduced level of stocks, the lowest since December 1970 after the GM strike, and to the impending sales of 1973 models at 1972 prices--few of which have been pre-sold before their introduction later this month.

Personal income in August rose \$6.9 billion to a seasonally adjusted annual rate of \$939.8 billion. This followed a gain of \$10 billion now shown for July--the magnitude of which reflected large capital losses incurred in the floods in the Northeast being charged against proprietors' and rental incomes in June. Apart from proprietors' and rental income personal income rose \$6.4 billion in August, compared to \$3.2 billion in July.

Wage and salary disbursements rose by \$5 billion, or 9.6 percent annual rate, and accounted for most of the August increase in personal income. Manufacturing payrolls rose \$2 billion, following a small decline in July. Increases in employment, hours, and hourly earnings contributed to the advance, with the latter accounting for more than half the rise.

PERSONAL INCOME
(Billions of dollars; seasonally adjusted, annual rates)

| | 1972 | | | Net Change |
|---|-------|-------|--------|-------------------------|
| | June | July | August | July 1972- Aug. 1972 |
| Total | 922.9 | 932.9 | 939.8 | 6.9 |
| Wage and salary disb. | 624.0 | 625.7 | 630.7 | 5.0 |
| Commodity-producing | 223.5 | 222.4 | 225.2 | 2.8 |
| Distributive | 151.4 | 151.9 | 152.8 | .9 |
| Services | 115.5 | 116.8 | 117.1 | .2 |
| Government | 113.6 | 134.5 | 135.7 | 1.2 |
| Proprietors' income | 71.6 | 74.3 | 74.9 | .6 |
| Rental income of persons | 21.5 | 25.8 | 25.9 | .1 |
| Other non-wage income | 241.1 | 242.6 | 244.0 | 1.4 |
| Less: Personal contributions for social insurance | 35.3 | 35.5 | 35.7 | .2 |

The Domestic Financial Situation

Capital markets. Yields on new corporate bond issues started to rise again this week after several slow-moving recent issues were freed from price restrictions, resulting in upward yield adjustments on these bonds of 6 to 10 basis points. Dealers are now in a better technical position, since syndicate inventories are at a low level and secondary positions have been reduced in recent weeks as yields on seasoned issues rose above returns on newly issued securities of comparable rating.

Data from the most recent Survey of State and Local Long-term Borrowing Anticipations and Realizations indicate that as of June 30, 1972 such government units planned to issue \$6.0 billion of long-term bonds in the third quarter. On the basis of actual sales for July and August and scheduled issues in September, it appears that long-term borrowing may be as much as \$500 million below anticipations. However, the October calendar has built up rapidly during the past week, and some of these issues may have originally been planned for the third quarter.

INTEREST RATES

| | 1972 | | | |
|-----------------------------------|-------------|-------------|-------------|-------------|
| | Highs | Lows | Aug. 14 | Sept. 14 |
| <u>Short-Term Rates</u> | | | | |
| Federal funds (wkly. avg.) | 4.90 (8/30) | 3.18 (3/1) | 4.69 (8/9) | 4.69 (9/13) |
| 3-month | | | | |
| Treasury bills (bid) | 4.74 (9/11) | 2.99 (2/11) | 3.87 | 4.70 |
| Comm. paper (90-119 day) | 5.00 (9/14) | 3.75 (2/29) | 4.75 | 5.00 |
| Bankers' acceptances | 5.12 (9/14) | 3.83 (2/23) | 5.00 | 5.12 |
| Euro-dollars | 5.94 (3/27) | 4.62 (3/8) | 5.44 | 5.38 |
| CD's (prime NYC) | . | . | . | . |
| Most often quoted new | 5.00 (9/13) | 3.50 (2/23) | 4.62 (8/9) | 5.00 (9/13) |
| 6-month | | | | |
| Treasury bills (bid) | 5.15 (9/14) | 3.35 (1/10) | 4.44 | 5.15 |
| Comm. paper (4-6 mo.) | 5.12 (9/14) | 3.88 (3/3) | 4.75 | 5.12 |
| Federal agencies | 5.45 (9/11) | 3.79 (2/17) | 4.78 | 5.41 |
| CD's (prime NYC) | . | . | . | . |
| Most often quoted new | 5.38 (9/13) | 3.88 (2/23) | 5.00 (8/9) | 5.38 (9/13) |
| 1-year | | | | |
| Treasury bills (bid) | 5.47 (9/14) | 3.57 (1/8) | 4.74 | 5.47 |
| Federal agencies | 5.76 (9/14) | 4.32 (1/17) | 5.11 | 5.76 |
| CD's (prime NYC) | . | . | . | . |
| Most often quoted new | 5.62 (9/13) | 4.62 (1/19) | 5.38 (8/9) | 5.62 (9/13) |
| Prime municipals | 3.20 (9/14) | 2.35 (1/12) | 2.90 (8/11) | 3.20 |
| <u>Intermediate and Long-Term</u> | | | | |
| Treasury coupon issues | | | | |
| 5-years | 6.30 (9/14) | 5.47 (1/13) | 5.96 | 6.30 |
| 20-years | 6.04 (9/14) | 5.95 (1/14) | 5.93 | 6.04 |
| Corporate | | | | |
| Seasoned Aaa | 7.37 (4/24) | 7.14 (1/17) | 7.19 | 7.23 |
| Baa | 8.29 (1/3) | 8.09 (9/14) | 8.22 | 8.09 |
| New Issue Aaa | 7.42 (4/14) | 6.86 (1/14) | 7.24 (8/9) | 7.32 |
| Municipal | | | | |
| Bond Buyer Index | 5.54 (4/13) | 4.99 (1/13) | 5.24 (8/9) | 5.38 |
| Mortgage--implicit yield | | | | |
| in FNMA auction <u>1/</u> | 7.63 (9/6) | 7.54 (3/20) | 7.63 (8/9) | 7.63 (9/6) |

1/ Yield on short-term forward commitment after allowance for commitment fee and required purchase and holding of FNMA stock. Assumes discount on 30-year loan amortized over 15 years.

CORRECTIONS

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| | 1972 Proj. | 1973 Proj. | 1972 Proj. | |
|--|---------------|---------------|------------|-------|
| | | | III | IV |
| Corporate profits before tax | 96.8 | 113.6 | 100.0 | 106.0 |
| Corp. cash flow, net of div. (domestic) | 93.2 | 106.7 | 95.5 | 99.7 |
| Federal government receipts and expenditures (N.I.A. basis) | | | | |
| Receipts | 226.4 | 243.8 | 226.3 | 232.7 |
| Surplus or deficit | -24.8 | -28.9 | -17.5 | -45.5 |

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| | | | | |
|--|------|------|------|------|
| Corporate profits before tax | 16.2 | 17.4 | 29.6 | 24.0 |
| Federal government receipts and expenditures (N.I.A. basis) | | | | |
| Receipts | 13.7 | 7.7 | 1.6 | 11.3 |

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FEDERAL BUDGET AND FEDERAL SECTOR IN NATIONAL INCOME ACCOUNTS Table.

The National Income Sector figures should be as follows in billions of dollars:

| | Calendar Year 1972 <u>1/</u> | Fiscal 1973 <u>e/</u> F.R. Board | F.R.B. Staff Estimates | | | |
|-----------------|------------------------------------|--|------------------------|-------|-------|-------|
| | | | 1972 | | 1973 | |
| | | | III | IV | I | II |
| Surplus/deficit | -24.7 | -35.3 | -17.5 | -45.5 | -38.3 | -39.9 |
| Receipts | 226.5 | 231.0 | 226.3 | 232.7 | 234.2 | 230.7 |

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Industrial production increase in the third quarter 1972 should be 3.5 percent annual rate, not 7.4.

SUPPLEMENTAL APPENDIX A

QUARTERLY SURVEY OF BANK LENDING PRACTICES *

The August 15 Survey of Changes in Bank Lending Practices indicated that most banks expected some increase in loan demands over the next three months, and some banks have already tightened terms and conditions of lending. As in previous surveys, however, banks showed a greater willingness to make term and consumer installment loans -- a fact which may be connected with banks' ample holdings of liquid assets. The increased desire to make term loans, furthermore, appears to be part of a continuing bank response to the pressures exerted by customers' use of capital market financing as an alternative to bank borrowing.

More than half of the 125 respondents participating in the survey reported continued strengthening in loan demand since the date of the last survey in May. (See Table 1.) Nearly three-fourths of the participants, moreover, anticipated even stronger demand through November, and none expected a decline in lending activity.

With the pick-up in business activity, some banks had adopted firmer interest rate policies, based on the one-fourth of a percentage point increase in the prime rate during the interval covered by the current survey. A few of the banks (about 10 per cent) had also tightened balance requirements and standards of credit worthiness. In addition, about 10 per cent of the respondents indicated applications from new customers were reviewed somewhat more critically, while all loan applications were screened more closely with an eye toward the applicants value as a depositor or source of collateral business.

Segregation of responses by size of banks reflected stronger loan demands experienced at smaller banks (with less than \$1 billion in deposits). (See Table 2.) A greater proportion of smaller banks raised interest rates in lending to businesses and nonbank financial institutions. These banks were more critical of the borrower's potential value as a source of collateral business when reviewing applications for loans; balance requirements for finance companies were more stringent. Smaller banks, though, were more willing to add to their portfolios of consumer loans. Larger banks, however, were more aggressive in expanding brokers' loans.

* Prepared by Marilyn Barron, Research Assistant, Banking Section, Division of Research and Statistics.

In contrast to some firming of loan policies, a greater willingness to make term loans was noted by nearly 20 per cent of respondents, some with easier terms than three months previously. A similar proportion of the respondents indicated a more favorable posture toward installment loans to consumers. A smaller proportion indicated some increase in their willingness to make single family mortgages.

The increased willingness to make term loans on easier terms has been a spreading phenomenon among respondents that has gone on now for at least four quarters, with some banks in August indicating that they were forced by competition to adopt such policies. Even though corporate security offerings in the capital markets have moderated this year, they remain quite large by historical standards. Apparently, banks have become concerned about the competitive inroads made in their markets and have been attempting to recapture customers by offering loans similar to an intermediate-term security (e.g. no amortization of principal and an upper bound on a floating interest rate). It should be noted, however, that term loans at large banks have shown only modest increases recently, and remain below the levels reached in the spring of 1971. This could reflect the fact that fixed rate security issues to nonbank investors appear more attractive at this time to borrowers than a term loan, the rate on which can rise -- even if the amount of the permitted increase is limited.

QUARTERLY SURVEY OF CHANGES IN BANK LENDING PRACTICES
 AT SELECTED LARGE BANKS IN THE U.S. 1/
 (STATUS OF POLICY ON AUGUST 15, 1972 COMPARED TO THREE MONTHS EARLIER)
 (NUMBER OF BANKS & PERCENT OF TOTAL BANKS REPORTING)

| | TOTAL | | MUCH STRONGER | | MODERATELY STRONGER | | ESSENTIALLY UNCHANGED | | MODERATELY WEAKER | | MUCH WEAKER | |
|--|--------------------|-------|--------------------|-----|--------------------------|------|------------------------------|------|--------------------------|------|--------------------|-----|
| | BANKS | PCT | BANKS | PCT | BANKS | PCT | BANKS | PCT | BANKS | PCT | BANKS | PCT |
| STRENGTH OF DEMAND FOR COMMERCIAL AND INDUSTRIAL LOANS (AFTER ALLOWANCE FOR BANK'S USUAL SEASONAL VARIATION) | | | | | | | | | | | | |
| COMPARED TO THREE MONTHS AGO | 125 | 100.0 | 3 | 2.4 | 65 | 52.0 | 51 | 40.8 | 6 | 4.8 | 0 | 0.0 |
| ANTICIPATED DEMAND IN NEXT 3 MONTHS | 125 | 100.0 | 4 | 3.2 | 86 | 68.8 | 35 | 28.0 | 0 | 0.0 | 0 | 0.0 |
| | ANSWERING QUESTION | | MUCH FIRMER POLICY | | MODERATELY FIRMER POLICY | | ESSENTIALLY UNCHANGED POLICY | | MODERATELY EASIER POLICY | | MUCH EASIER POLICY | |
| | BANKS | PCT | BANKS | PCT | BANKS | PCT | BANKS | PCT | BANKS | PCT | BANKS | PCT |
| LENDING TO NONFINANCIAL BUSINESSES | | | | | | | | | | | | |
| TERMS AND CONDITIONS: | | | | | | | | | | | | |
| INTEREST RATES CHARGED | 125 | 100.0 | 2 | 1.6 | 49 | 39.2 | 71 | 56.8 | 3 | 2.4 | 0 | 0.0 |
| COMPENSATING OR SUPPORTING BALANCES | 125 | 100.0 | 1 | 0.8 | 13 | 10.4 | 104 | 83.2 | 7 | 5.6 | 0 | 0.0 |
| STANDARDS OF CREDIT WORTHINESS | 125 | 100.0 | 0 | 0.0 | 10 | 8.0 | 114 | 91.2 | 1 | 0.8 | 0 | 0.0 |
| MATURITY OF TERM LOANS | 124 | 100.0 | 0 | 0.0 | 6 | 4.8 | 95 | 76.7 | 23 | 18.5 | 0 | 0.0 |
| REVIEWING CREDIT LINES OR LOAN APPLICATIONS | | | | | | | | | | | | |
| ESTABLISHED CUSTOMERS | 125 | 100.0 | 0 | 0.0 | 3 | 2.4 | 116 | 92.8 | 6 | 4.8 | 0 | 0.0 |
| NEW CUSTOMERS | 124 | 100.0 | 1 | 0.8 | 12 | 9.7 | 104 | 83.9 | 7 | 5.6 | 0 | 0.0 |
| LOCAL SERVICE AREA CUSTOMERS | 125 | 100.0 | 0 | 0.0 | 3 | 2.4 | 117 | 93.6 | 5 | 4.0 | 0 | 0.0 |
| NONLOCAL SERVICE AREA CUSTOMERS | 125 | 100.0 | 3 | 2.4 | 11 | 8.8 | 103 | 82.4 | 8 | 6.4 | 0 | 0.0 |

1/ SURVEY OF LENDING PRACTICES AT 125 LARGE BANKS REPORTING IN THE FEDERAL RESERVE QUARTERLY INTEREST RATE SURVEY AS OF AUGUST 15, 1972.

| | ANSWERING QUESTION | | MUCH FIRMER POLICY | | MODERATELY FIRMER POLICY | | ESSENTIALLY UNCHANGED POLICY | | MODERATELY EASIER POLICY | | MUCH EASIER POLICY | |
|---|--------------------|-------|---------------------------|-----|--------------------------|------|------------------------------|------|--------------------------|------|---------------------------|-----|
| | BANKS | PCT | BANKS | PCT | BANKS | PCT | BANKS | PCT | BANKS | PCT | BANKS | PCT |
| FACTORS RELATING TO APPLICANT 2/ | | | | | | | | | | | | |
| VALUE AS DEPOSITOR OR SOURCE OF COLLATERAL BUSINESS | 125 | 100.0 | 4 | 3.2 | 10 | 8.0 | 108 | 86.4 | 3 | 2.4 | 0 | 0.0 |
| INTENDED USE OF THE LOAN | 125 | 100.0 | 1 | 0.8 | 4 | 3.2 | 119 | 95.2 | 1 | 0.8 | 0 | 0.0 |
| LENDING TO "NONCAPTIVE" FINANCE COMPANIES | | | | | | | | | | | | |
| TERMS AND CONDITIONS: | | | | | | | | | | | | |
| INTEREST RATES CHARGED | 125 | 100.0 | 0 | 0.0 | 33 | 26.4 | 90 | 72.0 | 2 | 1.6 | 0 | 0.0 |
| COMPENSATING OR SUPPORTING BALANCES | 125 | 100.0 | 0 | 0.0 | 3 | 2.4 | 118 | 94.4 | 4 | 3.2 | 0 | 0.0 |
| ENFORCEMENT OF BALANCE REQUIREMENTS | 125 | 100.0 | 0 | 0.0 | 8 | 6.4 | 114 | 91.2 | 3 | 2.4 | 0 | 0.0 |
| ESTABLISHING NEW OR LARGER CREDIT LINES | 125 | 100.0 | 3 | 2.4 | 10 | 8.0 | 98 | 78.4 | 14 | 11.2 | 0 | 0.0 |
| | ANSWERING QUESTION | | CONSIDERABLY LESS WILLING | | MODERATELY LESS WILLING | | ESSENTIALLY UNCHANGED | | MODERATELY MORE WILLING | | CONSIDERABLY MORE WILLING | |
| | BANKS | PCT | BANKS | PCT | BANKS | PCT | BANKS | PCT | BANKS | PCT | BANKS | PCT |
| WILLINGNESS TO MAKE OTHER TYPES OF LOANS | | | | | | | | | | | | |
| TERM LOANS TO BUSINESSES | 125 | 100.0 | 0 | 0.0 | 8 | 6.4 | 95 | 76.0 | 22 | 17.6 | 0 | 0.0 |
| CONSUMER INSTALMENT LOANS | 123 | 100.0 | 1 | 0.8 | 0 | 0.0 | 98 | 79.7 | 23 | 18.7 | 1 | 0.8 |
| SINGLE FAMILY MORTGAGE LOANS | 122 | 100.0 | 0 | 0.0 | 6 | 4.9 | 103 | 84.4 | 13 | 10.7 | 0 | 0 |
| MULTI-FAMILY MORTGAGE LOANS | 121 | 100.0 | 2 | 1.7 | 8 | 6.6 | 106 | 87.6 | 5 | 4.1 | 0 | 0.0 |
| ALL OTHER MORTGAGE LOANS | 121 | 100.0 | 3 | 2.5 | 5 | 4.1 | 99 | 81.8 | 14 | 11.6 | 0 | 0.0 |
| PARTICIPATION LOANS WITH CORRESPONDENT BANKS | 123 | 100.0 | 0 | 0.0 | 2 | 1.6 | 114 | 92.7 | 7 | 5.7 | 0 | 0.0 |
| LOANS TO BROKERS | 121 | 100.0 | 1 | 0.8 | 3 | 2.5 | 109 | 90.1 | 8 | 6.6 | 0 | 0.0 |

2/ FOR THESE FACTORS, FIRMER MEANS THE FACTORS WERE CONSIDERED MORE IMPORTANT IN MAKING DECISIONS FOR APPROVING CREDIT REQUESTS, AND EASIER MEANS THEY WERE LESS IMPORTANT.

COMPARISON OF QUARTERLY CHANGES IN BANK LENDING PRACTICES AT BANKS GROUPED BY SIZE OF TOTAL DEPOSITS 1/
 (STATUS OF POLICY ON AUGUST 15, 1972, COMPARED TO THREE MONTHS EARLIER)
 (NUMBER OF BANKS IN EACH COLUMN AS PER CENT OF TOTAL BANKS ANSWERING QUESTION)

| | SIZE OF BANK -- TOTAL DEPOSITS IN BILLIONS | | | | | | | | | | | |
|--|--|-----------|---------------|-----------|---------------------|-----------|-----------------------|-----------|-------------------|-----------|-------------|-----------|
| | TOTAL | | MUCH STRONGER | | MODERATELY STRONGER | | ESSENTIALLY UNCHANGED | | MODERATELY WEAKER | | MUCH WEAKER | |
| | \$1 & OVER | UNDER \$1 | \$1 & OVER | UNDER \$1 | \$1 & OVER | UNDER \$1 | \$1 & OVER | UNDER \$1 | \$1 & OVER | UNDER \$1 | \$1 & OVER | UNDER \$1 |
| STRENGTH OF DEMAND FOR COMMERCIAL AND INDUSTRIAL LOANS (AFTER ALLOWANCE FOR BANK'S USUAL SEASONAL VARIATION) | | | | | | | | | | | | |
| COMPARED TO THREE MONTHS AGO | 100 | 100 | 2 | 3 | 54 | 51 | 37 | 43 | 7 | 3 | 0 | 0 |
| ANTICIPATED DEMAND IN NEXT 3 MONTHS | 100 | 100 | 2 | 4 | 80 | 61 | 18 | 35 | 0 | 0 | 0 | 0 |
| | SIZE OF BANK -- TOTAL DEPOSITS IN BILLIONS | | | | | | | | | | | |
| | TOTAL | | MUCH FIRMER | | MODERATELY FIRMER | | ESSENTIALLY UNCHANGED | | MODERATELY EASIER | | MUCH EASIER | |
| | \$1 & OVER | UNDER \$1 | \$1 & OVER | UNDER \$1 | \$1 & OVER | UNDER \$1 | \$1 & OVER | UNDER \$1 | \$1 & OVER | UNDER \$1 | \$1 & OVER | UNDER \$1 |
| LENDING TO NONFINANCIAL BUSINESSES | | | | | | | | | | | | |
| TERMS AND CONDITIONS: | | | | | | | | | | | | |
| INTEREST RATES CHARGED | 100 | 100 | 0 | 3 | 26 | 49 | 72 | 45 | 2 | 3 | 0 | 0 |
| COMPENSATING OR SUPPORTING BALANCES | 100 | 100 | 0 | 1 | 2 | 17 | 87 | 81 | 11 | 1 | 0 | 0 |
| STANDARDS OF CREDIT WORTHINESS | 100 | 100 | 0 | 0 | 7 | 8 | 91 | 92 | 2 | 0 | 0 | 0 |
| MATURITY OF TERM LOANS | 100 | 100 | 0 | 0 | 2 | 7 | 70 | 82 | 28 | 11 | 0 | 0 |
| REVIEWING CREDIT LINES OR LOAN APPLICATIONS | | | | | | | | | | | | |
| ESTABLISHED CUSTOMERS | 100 | 100 | 0 | 0 | 4 | 1 | 89 | 96 | 7 | 3 | 0 | 0 |
| NEW CUSTOMERS | 100 | 100 | 0 | 1 | 9 | 10 | 83 | 85 | 8 | 4 | 0 | 0 |
| LOCAL SERVICE AREA CUSTOMERS | 100 | 100 | 0 | 0 | 4 | 1 | 89 | 98 | 7 | 1 | 0 | 0 |
| NONLOCAL SERVICE AREA CUSTOMERS | 100 | 100 | 2 | 3 | 6 | 11 | 83 | 82 | 9 | 4 | 0 | 0 |

1/ SURVEY OF LENDING PRACTICES AT 54 LARGE BANKS (DEPOSITS OF \$1 BILLION OR MORE) AND 71 SMALL BANKS (DEPOSITS OF LESS THAN \$1 BILLION) REPORTING IN THE FEDERAL RESERVE QUARTERLY INTEREST RATE SURVEY AS OF AUGUST 15, 1972.

| | NUMBER ANSWERING QUESTION | | SIZE OF BANK MUCH FIRMER POLICY | | -- TOTAL DEPOSITS IN BILLIONS MODERATELY FIRMER POLICY | | ESSENTIALLY UNCHANGED POLICY | | MODERATELY EASIER POLICY | | MUCH EASIER POLICY | |
|---|---------------------------|-----------|---------------------------------|-----------|--|-----------|------------------------------|-----------|--------------------------|-----------|---------------------------|-----------|
| | \$1 & OVER | UNDER \$1 | \$1 & OVER | UNDER \$1 | \$1 & OVER | UNDER \$1 | \$1 & OVER | UNDER \$1 | \$1 & OVER | UNDER \$1 | \$1 & OVER | UNDER \$1 |
| FACTORS RELATING TO APPLICANT 2/ | | | | | | | | | | | | |
| VALUE AS DEPOSITOR OR SOURCE OF COLLATERAL BUSINESS | 100 | 100 | 0 | 6 | 2 | 13 | 92 | 81 | 6 | 0 | 0 | 0 |
| INTENDED USE OF THE LOAN | 100 | 100 | 0 | 1 | 4 | 3 | 96 | 95 | 0 | 1 | 0 | 0 |
| LENDING TO "NONCAPTIVE" FINANCE COMPANIES | | | | | | | | | | | | |
| TERMS AND CONDITIONS: | | | | | | | | | | | | |
| INTEREST RATES CHARGED | 100 | 100 | 0 | 0 | 15 | 35 | 85 | 62 | 0 | 3 | 0 | 0 |
| COMPENSATING OR SUPPORTING BALANCES | 100 | 100 | 0 | 0 | 0 | 4 | 98 | 92 | 2 | 4 | 0 | 0 |
| ENFORCEMENT OF BALANCE REQUIREMENTS | 100 | 100 | 0 | 0 | 0 | 11 | 98 | 86 | 2 | 3 | 0 | 0 |
| ESTABLISHING NEW OR LARGER CREDIT LINES | 100 | 100 | 2 | 3 | 6 | 10 | 81 | 76 | 11 | 11 | 0 | 0 |
| | NUMBER ANSWERING QUESTION | | CONSIDERABLY LESS WILLING | | MODERATELY LESS WILLING | | ESSENTIALLY UNCHANGED | | MODERATELY MORE WILLING | | CONSIDERABLY MORE WILLING | |
| | \$1 & OVER | UNDER \$1 | \$1 & OVER | UNDER \$1 | \$1 & OVER | UNDER \$1 | \$1 & OVER | UNDER \$1 | \$1 & OVER | UNDER \$1 | \$1 & OVER | UNDER \$1 |
| WILLINGNESS TO MAKE OTHER TYPES OF LOANS | | | | | | | | | | | | |
| TERM LOANS TO BUSINESSES | 100 | 100 | 0 | 0 | 4 | 8 | 72 | 79 | 24 | 13 | 0 | 0 |
| CONSUMER INSTALMENT LOANS | 100 | 100 | 0 | 1 | 0 | 0 | 85 | 77 | 15 | 21 | 0 | 1 |
| SINGLE FAMILY MORTGAGE LOANS | 100 | 100 | 0 | 0 | 4 | 6 | 86 | 83 | 10 | 11 | 0 | 0 |
| MULTI-FAMILY MORTGAGE LOANS | 100 | 100 | 0 | 3 | 8 | 6 | 86 | 88 | 6 | 3 | 0 | 0 |
| ALL OTHER MORTGAGE LOANS | 100 | 100 | 2 | 3 | 2 | 6 | 84 | 80 | 12 | 11 | 0 | 0 |
| PARTICIPATION LOANS WITH CORRESPONDENT BANKS | 100 | 100 | 0 | 0 | 2 | 1 | 96 | 90 | 2 | 9 | 0 | 0 |
| LOANS TO BROKERS | 100 | 100 | 2 | 0 | 2 | 3 | 85 | 94 | 11 | 3 | 0 | 0 |

2/ FOR THESE FACTORS, FIRMER MEANS THE FACTORS WERE CONSIDERED MORE IMPORTANT IN MAKING DECISIONS FOR APPROVING CREDIT REQUESTS, AND EASIER MEANS THEY WERE LESS IMPORTANT.

QUARTERLY SURVEY OF CHANGES IN BANK LENDING PRACTICES AT SELECTED LARGE BANKS IN THE U.S. 1/
 STATUS OF POLICY ON AUGUST 15, 1972 COMPARED TO THREE MONTHS EARLIER
 (NUMBER OF BANKS)

| | ALL DSTS | BOS- TON | NEW YORK TOTAL CITY OUTSIDE | PHIL- ADEL. | CLEVE- LAND | RICH- MOND | ATLAN- TA | CHIC- AGO | ST. LOUIS | MINNE- APOLIS | KANS. CITY | DAL- LAS | SAN FRAN |
|--|-------------|-------------|--------------------------------|----------------|----------------|---------------|--------------|--------------|--------------|------------------|---------------|-------------|-------------|
| STRENGTH OF DEMAND FOR COMMERCIAL AND INDUSTRIAL LOANS (AFTER ALLOWANCE FOR BANK'S USUAL SEASONAL VARIATION) | | | | | | | | | | | | | |
| COMPARED TO 3 MONTHS AGO | 125 | | | | | | | | | | | | |
| MUCH STRONGER | 3 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 0 | 1 |
| MODERATELY STRONGER | 65 | 5 | 12 | 5 | 7 | 2 | 3 | 10 | 3 | 12 | 5 | 1 | 4 |
| ESSENTIALLY UNCHANGED | 51 | 3 | 6 | 2 | 4 | 4 | 8 | 0 | 6 | 1 | 4 | 2 | 5 |
| MODERATELY WEAKER | 6 | 0 | 2 | 2 | 0 | 0 | 0 | 1 | 0 | 2 | 0 | 0 | 0 |
| MUCH WEAKER | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ANTICIPATED DEMAND NEXT THREE MONTHS | | | | | | | | | | | | | |
| | 125 | | | | | | | | | | | | |
| MUCH STRONGER | 4 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 2 | 0 | 0 | 0 | 0 |
| MODERATELY STRONGER | 86 | 6 | 13 | 7 | 6 | 5 | 7 | 11 | 4 | 12 | 7 | 2 | 5 |
| ESSENTIALLY UNCHANGED | 35 | 2 | 7 | 2 | 5 | 1 | 4 | 0 | 5 | 1 | 2 | 1 | 4 |
| MODERATELY WEAKER | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| MUCH WEAKER | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| LENDING TO NONFINANCIAL BUSINESSES | | | | | | | | | | | | | |
| TERMS AND CONDITIONS | | | | | | | | | | | | | |
| INTEREST RATES CHARGED | | | | | | | | | | | | | |
| | 125 | | | | | | | | | | | | |
| MUCH FIRMER POLICY | 2 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| MODERATELY FIRMER POLICY | 49 | 5 | 5 | 2 | 3 | 3 | 2 | 4 | 4 | 3 | 5 | 2 | 4 |
| ESSENTIALLY UNCHANGED POLICY | 71 | 3 | 13 | 7 | 6 | 3 | 9 | 8 | 6 | 11 | 3 | 1 | 5 |
| MODERATELY EASIER POLICY | 3 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 |
| MUCH EASIER POLICY | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| COMPENSATING BALANCES | | | | | | | | | | | | | |
| | 125 | | | | | | | | | | | | |
| MUCH FIRMER POLICY | 1 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| MODERATELY FIRMER POLICY | 13 | 0 | 3 | 0 | 3 | 0 | 1 | 1 | 1 | 1 | 1 | 0 | 2 |
| ESSENTIALLY UNCHANGED POLICY | 104 | 8 | 14 | 8 | 6 | 6 | 8 | 11 | 9 | 14 | 8 | 3 | 7 |
| MODERATELY EASIER POLICY | 7 | 0 | 2 | 1 | 1 | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 0 |
| MUCH EASIER POLICY | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

1/ SURVEY OF LENDING PRACTICES AT 125 LARGE BANKS REPORTING IN THE FEDERAL RESERVE QUARTERLY INTEREST RATE SURVEY AS OF AUGUST 15, 1972.

| | ALL DSTS | BOS- TON | NEW YORK | | PHIL- ADEL. | CLEVE- LAND | RICH- MOND | ATLAN- TA | CHIC- AGO | ST. LOUIS | MINNE- APOLIS | KANS. CITY | DAL- LAS | SAN FRAN |
|--|-------------|-------------|----------|------|----------------|----------------|---------------|--------------|--------------|--------------|------------------|---------------|-------------|-------------|
| | | | TOTAL | CITY | OUTSIDE | | | | | | | | | |
| LENDING TO NONFINANCIAL BUSINESSES | | | | | | | | | | | | | | |
| REVIEWING CREDIT LINES OR LOANS | | | | | | | | | | | | | | |
| NONLOCAL SERVICE AREA CUST | 125 | | | | | | | | | | | | | |
| MUCH FIRMER POLICY | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 1 | 0 | 0 |
| MODERATELY FIRMER POLICY | 11 | 1 | 3 | 0 | 3 | 1 | 0 | 1 | 2 | 1 | 0 | 0 | 0 | 1 |
| ESSENTIALLY UNCHANGED POLICY | 103 | 7 | 15 | 9 | 6 | 5 | 9 | 11 | 8 | 7 | 3 | 7 | 9 | 9 |
| MODERATELY EASIER POLICY | 8 | 0 | 2 | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 3 |
| MUCH EASIER POLICY | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| FACTORS RELATING TO APPLICANT 2/ | | | | | | | | | | | | | | |
| VALUE AS DEPOSITOR OR SOURCE OF COLLATERAL BUSINESS | 125 | | | | | | | | | | | | | |
| MUCH FIRMER POLICY | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 0 | 0 | 1 | 0 |
| MODERATELY FIRMER POLICY | 10 | 0 | 2 | 0 | 2 | 0 | 1 | 1 | 0 | 2 | 0 | 0 | 2 | 1 |
| ESSENTIALLY UNCHANGED POLICY | 108 | 8 | 18 | 9 | 9 | 6 | 9 | 10 | 8 | 14 | 7 | 3 | 8 | 10 |
| MODERATELY EASIER POLICY | 3 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 2 |
| MUCH EASIER POLICY | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| INTENDED USE OF LOAN | 125 | | | | | | | | | | | | | |
| MUCH FIRMER POLICY | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| MODERATELY FIRMER POLICY | 4 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 1 | 1 |
| ESSENTIALLY UNCHANGED POLICY | 119 | 8 | 19 | 9 | 10 | 6 | 11 | 12 | 9 | 15 | 8 | 3 | 9 | 12 |
| MODERATELY EASIER POLICY | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 |
| MUCH EASIER POLICY | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| LENDING TO "NONCAPTIVE" FINANCE COMPANIES | | | | | | | | | | | | | | |
| TERMS AND CONDITIONS | | | | | | | | | | | | | | |
| INTEREST RATES CHARGED | 125 | | | | | | | | | | | | | |
| MUCH FIRMER POLICY | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| MODERATELY FIRMER POLICY | 33 | 3 | 5 | 2 | 3 | 2 | 1 | 4 | 3 | 5 | 0 | 2 | 3 | 3 |
| ESSENTIALLY UNCHANGED POLICY | 90 | 5 | 14 | 7 | 7 | 4 | 10 | 8 | 7 | 13 | 4 | 3 | 6 | 10 |
| MODERATELY EASIER POLICY | 2 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 |
| MUCH EASIER POLICY | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

2/ FOR THESE FACTORS, FIRMER MEANS THE FACTORS WERE CONSIDERED MORE IMPORTANT IN MAKING DECISIONS FOR APPROVING CREDIT REQUESTS, AND EASIER MEANS THEY WERE LESS IMPORTANT.

| | ALL DSTS | BOS- TON | NEW YORK TOTAL CITY | NEW YORK OUTSIDE | PHIL- ADEL. | CLEVE- LAND | RICH- MOND | ATLAN- TA | CHIC- AGO | ST. LOUIS | MINNE- APOLIS | KANS. CITY | DAL- LAS | SAN FRAN |
|--|-------------|-------------|------------------------|---------------------|----------------|----------------|---------------|--------------|--------------|--------------|------------------|---------------|-------------|-------------|
| LENDING TO "NONCAPTIVE" FINANCE COMPANIES | | | | | | | | | | | | | | |
| TERMS AND CONDITIONS: | | | | | | | | | | | | | | |
| SIZE OF COMPENSATING BALANCES | 125 | | | | | | | | | | | | | |
| MUCH FIRMER POLICY | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| MODERATELY FIRMER POLICY | 3 | 0 | 1 | 0 | 1 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| ESSENTIALLY UNCHANGED POLICY | 118 | 8 | 18 | 9 | 9 | 6 | 11 | 12 | 9 | 13 | 9 | 3 | 8 | 12 |
| MODERATELY EASIER POLICY | 4 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 2 | 0 | 0 | 1 | 0 | 0 |
| MUCH EASIER POLICY | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ENFORCEMENT OF BALANCE REQUIREMENT | 125 | | | | | | | | | | | | | |
| MUCH FIRMER POLICY | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| MODERATELY FIRMER POLICY | 8 | 0 | 3 | 0 | 3 | 0 | 0 | 1 | 1 | 1 | 0 | 1 | 0 | 1 |
| ESSENTIALLY UNCHANGED POLICY | 114 | 8 | 16 | 9 | 7 | 6 | 11 | 12 | 9 | 13 | 8 | 3 | 8 | 11 |
| MODERATELY EASIER POLICY | 3 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| MUCH EASIER POLICY | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ESTABLISHING NEW OR LARGER CREDIT LINES | 125 | | | | | | | | | | | | | |
| MUCH FIRMER POLICY | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 1 | 0 | 0 |
| MODERATELY FIRMER POLICY | 10 | 0 | 2 | 0 | 2 | 1 | 2 | 1 | 0 | 1 | 1 | 0 | 0 | 2 |
| ESSENTIALLY UNCHANGED POLICY | 98 | 7 | 16 | 9 | 7 | 5 | 7 | 11 | 10 | 11 | 6 | 3 | 6 | 9 |
| MODERATELY EASIER POLICY | 14 | 1 | 2 | 0 | 2 | 0 | 2 | 0 | 0 | 2 | 1 | 0 | 2 | 2 |
| MUCH EASIER POLICY | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| WILLINGNESS TO MAKE OTHER TYPES OF LOANS | | | | | | | | | | | | | | |
| TERM LOANS TO BUSINESSES | 125 | | | | | | | | | | | | | |
| CONSIDERABLY LESS WILLING | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| MODERATELY LESS WILLING | 8 | 0 | 2 | 0 | 2 | 0 | 1 | 0 | 0 | 1 | 3 | 0 | 0 | 0 |
| ESSENTIALLY UNCHANGED | 95 | 7 | 16 | 8 | 8 | 4 | 7 | 10 | 9 | 13 | 6 | 3 | 7 | 7 |
| MODERATELY MORE WILLING | 22 | 1 | 2 | 1 | 1 | 2 | 3 | 2 | 1 | 1 | 0 | 0 | 2 | 5 |
| CONSIDERABLY MORE WILLING | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| CONSUMER INSTALMENT LOANS | 123 | | | | | | | | | | | | | |
| CONSIDERABLY LESS WILLING | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| MODERATELY LESS WILLING | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ESSENTIALLY UNCHANGED | 98 | 7 | 17 | 7 | 10 | 5 | 9 | 10 | 8 | 11 | 6 | 3 | 5 | 9 |
| MODERATELY MORE WILLING | 23 | 1 | 1 | 0 | 1 | 1 | 2 | 2 | 1 | 3 | 3 | 0 | 4 | 4 |
| CONSIDERABLY MORE WILLING | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 |

