Supporting Statement for the
Senior Loan Officer Opinion Survey on Bank Lending Practices
(FR 2018; OMB No. 7100-0058)

Summary

The Board of Governors of the Federal Reserve System (Board), under authority delegated by the Office of Management and Budget (OMB), proposes to extend for three years, without revision, the Senior Loan Officer Opinion Survey on Bank Lending Practices (SLOOS)[1] (FR 2018; OMB No. 7100-0058).[2] A senior loan officer at each respondent bank completes this voluntary survey through an electronic submission, up to six times a year.[3] Consistent with the Senior Financial Officer Survey (FR 2023; OMB No. 7100-0223), senior staff at the Reserve Banks with knowledge of bank lending practices serve as the main contacts for SLOOS respondents in their district and help administer the survey. The current reporting panel consists of up to 80 large domestically chartered commercial banks and up to 24 large U.S. branches and agencies of foreign banks. The purpose of the survey is to provide qualitative and limited quantitative information on credit availability and demand, as well as on evolving developments and lending practices in the U.S. loan markets. A portion of each survey typically covers special topics of timely interest.

Although the Board has the authority to conduct the survey up to six times a year, the survey has typically been conducted only four times a year since 1992. Consistent with the FR 2023, other types of respondents, such as other depository institutions, bank holding companies, or other financial entities, may be surveyed, if appropriate. The respondents' answers provide information that is critical to the Federal Reserve System's monitoring of bank lending practices and credit markets. The Federal Reserve relies on the regular opportunity to solicit information from banks within the framework of the survey. Aggregated survey results from 1997 to present are available to the public on the Board's website.[4]

The estimated total annual burden for the FR 2018 is 1,248 hours.

[1] A portion of the FR 2018 information collection is ad hoc. Certain criteria apply to information collections conducted via the Board's ad hoc clearance process. Such information collections shall (1) be vetted by the Board's clearance officer as well as the Division director responsible for the information collection, (2) display the OMB control number and respondents shall be informed that the information collection has been approved, (3) be used only in such cases where response is voluntary, (4) not be used to substantially inform regulatory actions or policy decisions, (5) be conducted only and exactly as described in the OMB submission, (6) involve only noncontroversial subject matter that will not raise concerns for other Federal agencies, (7) include information collection instruments that are each conducted only one item, (8) include a detailed justification of the effective and efficient statistical survey methodology (if applicable), and (9) collect personally identifiable information (PII) only to the extent necessary (if collecting sensitive PII, the form must display current privacy act notice). In addition, for each information collection instrument, respondent burden will be tracked and submitted to OMB.

[2] There is no formal reporting form for this collection of information; the FR 2018 designation is for internal purposes only.

[3] In some cases, especially at larger banks, multiple loan officers complete the survey, with each loan officer answering the questions relevant to their area of lending expertise. Up to two of the collections may be special surveys.

[4] See www.federalreserve.gov/data/sloos.htm.

Background and Justification

The Federal Reserve originally initiated a survey on bank lending practices in 1964 with a respondent panel of 120 banks, 22 questions, and a reporting frequency of every 3 months. Since then, the respondent panel, questions, and frequency have changed, depending on the conditions at the time.[5] The last important change occurred in May 2012, when the Federal Reserve reduced the minimum asset size for panel institutions and added an additional 20 domestically charted commercial banks to the panel. The expanded panel provided deeper coverage of commercial real estate loans and small business lending, as well as a more comprehensive picture of differences in lending conditions at the largest banks and regional banks.

The information obtained from the survey provides valuable insights on credit market and banking developments and is helpful in the formulation of monetary policy. Information from the survey is reported regularly to the Board and to the Federal Open Market Committee (FOMC) as an official memorandum to FOMC participants and in other internal briefing materials. This information has been particularly valuable in the recent period as it has provided the Federal Reserve with insight into the potential effects of deposit outflows and funding pressures in the banking sector on the availability of credit to households and businesses. The survey has also attracted considerable attention from the business and financial press and is used in academic research on banking and macroeconomic activity.[6] Aggregate survey responses have been used to study the effects of the more stringent international capital requirements commonly referred to as Basel III.[7] The results are also included in the Board's reports to Congress on *Availability of Credit to Small Businesses*, which are produced every five years pursuant to section 2227 of the Economic Growth and Regulatory Paperwork Reduction Act of 1996. The survey results have also been useful in enabling the Federal Reserve to keep abreast of complex banking developments that have evolved over time, and analysis based on the survey results often appears in Federal Reserve publications as the *Monetary Policy Report,* which is submitted to Congress semiannually, and the *Financial Stability Report*.

In the last several years, the survey has provided critical information on a number of important banking topics. Recent special questions have addressed issues in rapidly changing credit markets, banks' lending terms and outlook for commercial real estate lending standards

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[5] The survey was conducted five times in 1985, 1986, and 1987, four times in 1988 and 1989, five times in 1990, and six times in 1991. Since that time, it has been conducted four times every year, except for 1998, 2001, and 2020, in which the survey was conducted five times.

[6] Examples of academic research include William F. Bassett III, Mary Beth Chosak, John C. Driscoll, and Egon Zakrajsek (2014). "Changes in Bank Lending Standards and the Macroeconomy," *Journal of Monetary Economics*, 62(1), pp. 23-40, Juliane Begenau (2020), Capital requirements, risk choice, and liquidity provision in a business-cycle model, 136(2), pp 355-378, Jose M. Berrospide and Rochelle M. Edge (2011). "The Effects of Bank Capital on Lending: What Do We Know, and What Does it Mean?" *International Journal of Central Banking*, 6(4), pp. 5-54, and Kaiji Chen, Patrick Higgins, Tao Zha (2021) Cyclical lending standards: A structural analysis, Review of Economics Dynamics, 42(October), pp 283-306.

[7] Examples of Basel III research include BIS (2010). "Assessing the Macroeconomic Impact of the Transition to Stronger Capital and Liquidity Requirements," Macroeconomic Assessment Group. Basel, Switzerland: Bank for International Settlements, and Angela Maddaloni and Jose-Luis Peydro (2011). "Bank Risk-Taking, Securitization, Supervision, and Low Interest Rates: Evidence from U.S. and Euro Area Lending Standards," *Review of Financial Studies*, 24(6), pp. 2121-2165 (https://academic.oup.com/rfs/article/24/6/2121/1587432).

and demand, banks' assessments of the levels of their lending standards relative to longer-term norms, and banks' expectations about changes in asset quality and credit standards over the coming year. Regarding lending to households, the survey has provided valuable information on timely topics, including the asset quality of consumer loans in areas most affected by falling energy prices and the likelihood of approving credit card applications by borrowers' credit score. In addition, the survey helped shed light on broader issues, such as the relationship between banks' lending policies and movements in the yield curve for Treasury securities, and the factors that influenced banks' and borrowers' participation in the Main Street Lending Program.

This information is not available from other sources. While there are other surveys of banks conducted by Reserve Banks within the Federal Reserve System, none offer as complete a picture of developments in the national banking system.

Description of Information Collection

The Board understands that respondents use information technology to comply with these provisions, including submitting responses through the Federal Reserve System's online Survey Central platform.

The questions on the FR 2018 survey are generally qualitative. They are drafted with the intent to elicit useful information without imposing undue reporting burden. To understand certain banking practices, however, the Federal Reserve occasionally needs to ask quantitative questions. The Federal Reserve has sought to limit the difficulty and quantitative content of survey questions, insofar as an adequate understanding of the subject matter allows. When quantitative information is requested, respondents generally are asked to provide approximate or rough estimates, usually in terms of percentages rather than dollar amounts. A respondent may decline to answer a particular question when answering would entail excessive burden. Experience has shown that only a small number of respondents decline to answer any particular question. Response rates overall have been high and resulted in adequate and informative answers.

For a number of years, the survey has included approximately 25 questions designed to measure changes in credit standards and terms on bank loans and perceived changes in the demand for bank credit. The survey has also normally included a number of special questions about developments in banking practices. The Federal Reserve distributes two versions of the survey, one to domestically chartered institutions and one to U.S. branches and agencies of foreign banks. The survey tailored to the branches and agencies of foreign banks contains fewer questions. Specifically, it omits both the recurring and the special questions on residential mortgage and consumer lending because the branches and agencies typically make few, if any, loans to households.

The FR 2018 survey also includes an ad hoc portion to conduct special surveys from a selection of respondents, should the need arise to collect additional information on bank lending conditions and practices.

The survey is generally completed through an electronic submission via the Survey Central platform. In some cases, Reserve Banks may conduct telephone interviews to help collect or verify a respondent's information; email or telephone follow-up may be needed at times with institutions that did not respond or in cases in which further information is needed to process the responses. Staff at the Reserve Banks review the survey responses and staff at the Board review and summarize the aggregated survey results in internal memos and public reports.

Respondent Panel

The FR 2018 panel comprises domestically chartered commercial banks and U.S. branches and agencies of foreign banks. In addition, the Federal Reserve has the option to survey other types of respondents (such as other depository institutions, bank holding companies, or other financial entities) in addition to the current panel.

Domestically Chartered Commercial Banks

Since 2012, the Federal Reserve has tried to maintain a panel of 80 such banks, the authorized size (from 1981 to 2012, the Federal Reserve tried to maintain a panel of 60 insured, domestically chartered commercial banks). To ensure adequate geographic coverage, the survey panel of domestic banks spans all Federal Reserve Districts, while balancing the need to keep it heavily weighted toward the largest banks. When the largest banks in a District are not among its respondents, it is generally because the banks are specialized (for example, credit card banks) or because they are part of a holding company that is already represented in another District. The presence of the largest banks in the survey is critical, as they play an important role in developing and practicing new banking techniques. However, the panel also includes a fair number of large and medium-size regional banks, which allows for a greater diversity of responses and provides a broader view of the banking system.

As of March 31, 2023, the panel of domestic respondents contained 73 banks, 37 of which had assets of $50 billion or more. The assets of the panel banks totaled $15.1 trillion and accounted for about 74 percent of the $20.5 trillion in total assets of all domestically chartered institutions.

Selection Criteria for the Domestic Bank Panel

In selecting the panel, the Federal Reserve generally imposes three constraints. The first is size: Banks that have less than $2 billion of total assets or for which commercial and industrial (C&I) loans are less than 5 percent of total assets are eliminated from consideration, with a few exceptions.[8] The second is geographic diversity: Between three and nine banks are included from each District.[9] The third is mutual independence: With some exceptions, a bank is eliminated from consideration if it is a subsidiary of a bank holding company that is already represented in the panel, because its responses would likely not be independent of those of the related bank already providing responses.[10]

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[8] As of March 31, 2023, seven banks had C&I loans that were less than 5 percent of total assets.

[9] Two panel members have main offices in Federal Reserve Districts that are different from those that collect their survey responses because in these cases the respondent bank (not the head office) is considered the primary lending bank.

[10] In cases where two banks under a common parent company are included in the panel, the Federal Reserve has made efforts to determine that the banks' responses to survey questions are independent.

U.S. Branches and Agencies of Foreign Banks

The Federal Reserve tries to maintain a panel size of 24, the authorized size. As of March 2023, the panel included 21 institutions, 20 of which are located in the New York District. In March 2023, the share of C&I loans held by respondent U.S. branches and agencies of foreign banks ($366 billion) relative to that held by the universe of such institutions ($519 billion) was 71 percent, up from 66 percent in June 2017. To keep the panel representative with respect to the parent banks' countries of origin going forward, branches and agencies will continue to be added to the panel based on the location of the parent bank as well as size.

Optional Panel

The panels of large domestically chartered commercial banks and U.S. branches and agencies of foreign banks would be appropriate for most survey topics. In some situations, however, panels based on alternative criteria may be more appropriate or may provide useful additional information. Consequently, the Federal Reserve has the option to survey other types of respondents (such as other depository institutions, bank holding companies, or other financial entities) in addition to the current panel. For example, it may be useful to survey institutional loan investors to gain a better understanding of how that part of the syndicated loan market works. This option enhances the potential scope and utility of the survey and is consistent with the FR 2023. Also consistent with the FR 2023, the surveys of optional panels would be conducted either by Federal Reserve Bank staff or Board staff, as appropriate.

Frequency and Time Schedule

The FR 2018 is submitted quarterly. This survey is conducted as needed up to six times a year. Surveys are typically conducted at the end of each quarter, with two additional surveys reserved for special topics as the need arises.

Public Availability of Data

The aggregated survey results are available in a public release, which is made available on the Board's website, generally on the first Monday following FOMC meetings for the standard quarterly surveys.[11] Aggregate data series from the survey are also available to the public through the Board's data download program.[12]

Legal Status

Section 2A of the Federal Reserve Act (FRA) requires the Federal Reserve Board and the Federal Open Market Committee (FOMC) to maintain long run growth of the monetary and credit aggregates commensurate with the economy's long run potential to increase production, to promote effectively the goals of maximum employment, stable prices, and moderate long-term

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[11] For details see https://www.federalreserve.gov/data/sloos.htm.
[12] For details see https://www.federalreserve.gov/datadownload/Choose.aspx?rel=sloos.

interest rates[13] and section 12A of the FRA requires the FOMC to implement regulations relating to the open market operations conducted by Federal Reserve Banks with a view to accommodating commerce and business and regarding their bearing upon the general credit situation of the country.[14] Because the Board and the FOMC use the information obtained from the FR 2018 to fulfill these obligations, these statutory provisions provide the legal authorization for the collection of information on the FR 2018. In addition, the FR 2018 report is authorized to be collected from depository institutions (commercial banks, credit unions and savings and loan associations) pursuant to section 11(a)(2) of the Federal Reserve Act (FRA),[15] from agreement corporations pursuant to section 25(4) [16] and (7)[17] of the FRA, and section 25A(6)[18] of the FRA, from banking Edge corporations pursuant to section 25A(17) of the FRA,[19] and from branches and agencies of foreign banks pursuant to section 7 of the International Banking Act.[20]

Although the specific questions to be asked on each survey have not yet been formulated, Monetary Affairs has advised that the questions are designed to obtain commercial or financial information that is customarily and actually treated as private by the respondent. Thus, the individual survey responses from each respondent can be held confidential under exemption (4) of the Freedom of Information Act.[21] However, certain data from the survey is publicly reported in aggregate form, and the information in aggregate form is made publicly available and not considered confidential.

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System.

Public Comments

On November 14, 2023, the Board published an initial notice in the *Federal Register* (88 FR 78024) requesting public comment for 60 days on the extension, without revision, of the FR 2018. The comment period for this notice expires on January 16, 2024.

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FR 2018 is 1,248 hours. Actual respondent burden for this survey varies, depending on how many of the six authorized surveys are actually carried out and on the specific content of each questionnaire.

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[13] 12 U.S.C. § 225a.

[14] 12 U.S.C. § 263.

[15] 12 U.S.C. § 248(a)(2).

[16] 12 U.S.C. § 602.

[17] 12 U.S.C. § 604(a).

[18] 12 U.S.C. § 615.

[19] 12 U.S.C. § 625.

[20] 12 U.S.C. § 3105(c)(2).

[21] 5 U.S.C. § 552(b)(4)

Based on input from respondents and Reserve Banks as well as its own experience in administering this survey, the Board estimates that, on average, a typical survey takes approximately two hours of a respondent's time.[22] These reporting requirements represent less than 1 percent of the Board's total paperwork burden.

FR 2018	*Estimated number of respondents*[23]	*Estimated annual frequency*	*Estimated average hours per response*	*Estimated annual burden hours*
FR 2018	104	4	2	832
Special Surveys	104	2	2	416
Total				1,248

The estimated total annual cost to the public for this collection is estimated to be $82,680.[24]

Sensitive Questions

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

Estimate of Cost to the Federal Reserve System

The estimated cost to the Federal Reserve System for collecting and processing this information collection is $97,700 per year.

[22] Actual burden underlying the average two-hour response rate varies considerably not only from survey to survey, depending on the number and nature of the questions, but also among respondents for any one survey.

[23] Of these respondents to this information collection, none are considered small entities as defined by the Small Business Administration (i.e., entities with less than $850 million in total assets). Size standards effective March 17, 2023. See https://www.sba.gov/document/support--table-size-standards.

[24] Total cost to the responding public is estimated using the following formula: total burden hours, multiplied by the cost of staffing, where the cost of staffing is calculated as a percent of time for each occupational group multiplied by the group's hourly rate and then summed (30% Office & Administrative Support at $22, 45% Financial Managers at $80, 15% Lawyers at $79, and 10% Chief Executives at $118). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor Statistics (BLS), Occupational Employment and Wages, May 2022, published April 25, 2023 https://www.bls.gov/news.release/ocwage.t01.htm#. Occupations are defined using the BLS Standard Occupational Classification System, https://www.bls.gov/soc/.