

**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 delegated authority from the Office of Management and Budget (OMB) proposes to extend for three years, without revision, the voluntary Senior Loan Officer Opinion Survey on Bank Lending Practices (FR 2018; OMB No. 7100-0058). A senior loan officer at each respondent bank completes this survey through an electronic submission, up to six times a year. 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 usually 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; therefore, a sample form is not included in this proposal.

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 annual burden for the FR 2018 survey is estimated to be 1,248 hours, based on six surveys per year.

The respondents' answers provide information that is critical to the Federal Reserve'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.¹

Background and Justification

The Federal Reserve initiated a survey on bank lending practices in 1964. Until 1981, it was conducted quarterly at 120 respondent banks and consisted of 22 standard questions, seeking qualitative information with respect to changes in bank lending practices in the three months preceding the survey date. The survey's original questions dealt with perceived changes in business loan demand, willingness to make business loans, various non-rate aspects of business loan pricing, and willingness to extend consumer, mortgage, and certain other types of loans.

In 1981, the number of respondents was decreased by half, the number of core questions was reduced to six, and a provision was made to include additional questions in each survey that would address current topics on bank lending practices. In 1984, the authorized frequency was increased from four to eight times a year, most of the remaining core questions were dropped,

¹ See <http://www.federalreserve.gov/boarddocs/SnLoanSurvey/>.

and the survey came to consist mainly of questions focusing on one or more topics of current interest. For example, banks were queried about the market for interest rate swaps, the market for business loan sales and participations, business lending to middle market firms, and the effects of tax changes on bank lending. In 1987, the Federal Reserve reduced the authorized frequency from eight to six times a year after determining that this would reduce the burden on respondents without compromising the Federal Reserve's ability to keep abreast of important banking developments.²

In August 1990, the respondent panel was enlarged to include 18 of the largest U.S. branches and agencies of foreign banks. In November 1994, the Board increased the number of foreign banks surveyed to 24 to make the foreign bank coverage more thorough and to rectify an under-representation of branches and agencies of European banks.

In May 2012, the Federal Reserve reduced the minimum asset size for panel institutions from \$3 billion to \$2 billion and added 20 domestically chartered commercial banks with \$2 to \$10 billion in total assets to the authorized 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 recent years as it has provided the Federal Reserve with insight into the effects of the financial crisis and the subsequent gradual economic recovery 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.³ Aggregate survey responses have been used to study the effects of the more stringent international capital requirements commonly referred to as Basel III.⁴ 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.

² 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 and 2001, in which the survey was conducted five times.

³ 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, and 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.

⁴ 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.](#)

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 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.

Description of Information Collection

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.

Reporting 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, 2017, the panel of domestic respondents contained 80 banks, 47 of which had assets of \$20 billion or more as shown in Table 1. The assets of the panel banks totaled \$11.8 trillion and accounted for about 69 percent of the \$17.0 trillion in total assets of all domestically chartered institutions.

Table 1
Distribution of Current Domestic Commercial Bank Reporters
by Total Assets and District
(as of March 31, 2017)

District	Total assets of smallest reporter (\$ billions) ⁵	Number of reporters by asset size (\$ billions)			
		Total number of reporters	Number with total assets of \$20 billion or more	Number with total assets of \$10 billion or more but less than \$20 billion	Number with total assets of less than \$10 billion
Boston	8	4	3	0	1
New York	9	10	9	0	1
Philadelphia	4	4	1	2	1
Cleveland	7	7	5	0	2
Richmond	6	6	4	0	2
Atlanta	6	7	5	1	1
Chicago	4	5	3	1	1
St. Louis	5	8	1	4	3
Minneapolis	2	5	1	2	2
Kansas City	4	7	3	1	3
Dallas	3	7	4	0	3
San Francisco	10	10	8	2	0
All Districts	2	80	47	13	20

Source: Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices (FFIEC 031) and Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only (FFIEC 041) (OMB No. 7100-0036).

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.⁶ The second is

⁵ Figures are rounded to the nearest billion.

⁶ As of March 31, 2017, seven banks had C&I loans that were less than 5 percent of total assets.

geographic diversity: Between two and ten banks are included from each District.⁷ 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.⁸

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 2017, the panel included 23 institutions, 21 of which are located in the New York District. As Table 2 displays, in March 2017, the share of C&I loans held by respondent U.S. branches and agencies of foreign banks (\$187.7 billion) relative to that held by the universe of such institutions (\$274.8 billion) was 68 percent, up from 56 percent in June 2014. To keep the panel representative with respect to the parent banks' countries of origin going forward, branches and agencies would continue to be added to the panel based on the location of the parent bank as well as size.

Table 2
C&I Loan Shares of U.S. Branches and Agencies of Foreign Banks
by Country of Parent Bank's Charter

Commercial and Industrial (C&I) Loans (percent)				
Location of parent bank's charter	March 31, 2017		June 30, 2014	
	Reporters	Universe	Reporters	Universe
Canada	14.3	13.4	12.4	10.8
Japan	48.2	39.6	37.8	33.0
Europe and other	37.5	46.9	49.8	56.2
<i>Total</i>	100.0	100.0	100.0	100.0
<i>Memo: Total (\$ billions)</i>	187.7	274.8	\$179.1	\$319.1

Source: Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002) and Report of Assets and Liabilities of a Non-U.S. Branch That is Managed or Controlled by a U.S. Branch or Agency of a Foreign (Non-U.S.) Bank (FFIEC 002S) (OMB No. 7100-0032).

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

⁷ 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.

⁸ 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.

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

This voluntary survey is conducted up to six times a year and the Federal Reserve recommends no change in the frequency of this survey.

Time Schedule for Information Collection and Publication

The survey is generally completed through an electronic submission via an online survey tool developed and maintained by staff at the Federal Reserve Bank of New York and the Board. A link to the online survey is emailed to each authorized senior loan officer at the respondent banks. Respondents then submit their responses via the online survey tool. In some cases, Federal 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 Federal Reserve banks review the survey responses and staff at the Board review and summarize the aggregated survey results in a public release, which is made available on the Board's website. The aggregated survey results are also discussed in the Board's semiannual *Monetary Policy Report* to Congress.

Legal Status

The Board's Legal Division has determined that the Senior Loan Officer Opinion Survey on Bank Lending Practices is authorized by Sections 2A, 11, and 12A of the Federal Reserve Act (12 U.S.C. §§ 225a, 248(a), and 263) and Section 7 of the International Banking Act (12 U.S.C. § 3105(c)(2)) and is voluntary. Individual survey responses from each respondent can be held confidential under section (b)(4) of the Freedom of Information Act (5 U.S.C. § 552 (b)(4)). However, certain data from the survey is reported in aggregate form and the information in aggregate form is made publicly available and not considered confidential.

Consultation Outside the Agency

On February 21, 2018, the Board published a notice in the Federal Register (83 FR 7477) requesting public comment for 60 days on the extension, without revision, of the Senior Loan Officer Opinion Survey on Bank Lending Practices. The comment period for this notice expired on April 23, 2018.

Estimate of Respondent Burden

The annual burden for the FR 2018 is estimated to be 1,248 hours annually, as shown in the following table. 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. 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.⁹ These reporting requirements represent less than 1 percent of the total Federal Reserve System annual paperwork burden.

	<i>Number of respondents¹⁰</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
FR 2018	104	6	2	1,248

The total cost to the public is estimated to be \$68,515.¹¹

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 cost to the Federal Reserve System for collecting and processing the FR 2018 survey is estimated to be \$132,600 per year.

⁹ 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.

¹⁰ Of these voluntary respondents that comply with this information collection, none are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$550 million in total assets) www.sba.gov/content/small-business-size-standards. As shown in Table 1, the smallest domestic respondent had total assets of approximately \$2 billion as of March 2017; the smallest respondent institution that is a U.S. branch or agency of a foreign bank had total assets of approximately \$6 billion as of March 2017.

¹¹ Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at \$18, 45% Financial Managers at \$67, 15% Lawyers at \$67, and 10% Chief Executives at \$93). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), *Occupational Employment and Wages May 2016*, published March 31, 2017, www.bls.gov/news.release/ocwage.nr0.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.