Board of Governors of the Federal Reserve System

The April 2002 Senior Loan Officer Opinion Survey on Bank Lending Practices

The April 2002 Senior Loan Officer Opinion Survey on Bank Lending Practices focused on changes in the supply of and demand for bank loans to businesses and households over the past three months. The survey also contained two sets of supplementary questions. The first set addressed changes in banks' lending policies with regard to commercial paper backup lines of credit over the past twelve months, and the second focused on the effect of problems in the market for terrorism insurance on commercial real estate lending. Loan officers representing fifty-six large domestic banks and twenty-one U.S. branches and agencies of foreign banks participated in the April survey.

Results of the survey indicate some further tightening of standards and terms for loans to both businesses and households. However, the number of domestic and foreign banking institutions that reported having tightened standards and terms on commercial and industrial (C&I) loans over the past three months moved down considerably from the January survey. The net fraction of domestic institutions that indicated that they had tightened standards for commercial real estate loans in the April survey also declined, though it remained relatively high. Banks continued to report a weakening of demand for C&I and commercial real estate loans, albeit at a lesser rate than in January. According to the domestic respondents, standards for residential mortgage loans were largely unchanged over the past three months, and demand for these loans was moderately stronger on net. As in January, a relatively small portion of domestic banks, on net, reported tightening standards for consumer loans. For the second consecutive survey, banks reported tightening terms on non-credit-card loans to a greater extent than they have terms on credit card loans. Demand for consumer loans was roughly unchanged over the past three months.

Lending to Businesses

(Table 1, questions 1-17; Table 2, questions 1-17)

Commercial and industrial loans. Compared with the January survey, significantly smaller fractions of domestic banks and U.S. branches and agencies of foreign banks reported that they had tightened standards on C&I loans. The percentage of domestic banks that reported having tightened their standards on C&I loans to large and middle-market firms over the past three months moved down to 25 percent from 45 percent in the previous survey; the percentage tightening standards on business loans to small firms declined even more, from more than 40 percent in January to about 15 percent in April. Similarly, the fraction of U.S. branches and agencies of foreign banks that had tightened standards for customers seeking C&I loans or credit lines fell from 70 percent in January to about 40 percent in the current survey.

In April, smaller fractions of domestic banks reported tightening most of the lending terms listed in the survey for large and middle-market firms than in January. The largest change was in the net fraction of banks that had increased spreads of loan rates over their cost of funds, which fell from 40 percent in January to about 25 percent in the current survey. In addition, somewhat smaller net percentages of banks reported that they had tightened loan covenants and increased the cost of credit lines for these customers over the past three months. However, about 45 percent of domestic banks increased premiums charged on riskier loans to large and middle-market firms, about the same as in the January survey.

Changes in terms on C&I loans to small firms followed a similar though more pronounced pattern. The net fraction of domestic banks that tightened covenants on loans to small firms fell from 40 percent in January to only 12 percent in the current survey; the net percentage of banks that increased spreads of loan rates over their cost of funds moved down from 37 percent to 13 percent over the same period. The net fraction of banks that reported increasing premiums charged on riskier loans to small firms over the past three months edged down from 40 percent in January to 34 percent in the current survey.

The fraction of U.S. branches and agencies of foreign banks that tightened terms on C&I loans generally declined but remained elevated. The percentage of foreign institutions that raised premiums on riskier loans decreased from 75 percent in January to 52 percent in the current survey, and the fraction of foreign banks that strengthened loan covenants declined from 52 percent to 43 percent over the same period. The one exception was the percentage of foreign institutions that increased the costs of credit lines, which moved up noticeably from 35 percent in the previous survey to 57 percent in April.

A significant percentage of banks that tightened standards or terms on C&I loans over the past three months pointed to a reduced tolerance for risk as a reason for doing so and continued to voice concerns about the economic outlook. In the current survey, three-quarters of domestic and foreign respondents cited reduced tolerance for risk as a reason for tightening their lending policies, about the same fraction as in January. About 70 percent of domestic banks also indicated that a less favorable or more uncertain economic outlook was a reason for changing their standards and terms over the past three months. While still high, this fraction represents a marked decline from the January survey in which all but one domestic bank indicated that this was at least a somewhat important reason for tightening their lending policies. Furthermore, only 10 percent of domestic respondents in the current survey noted that a less favorable or more uncertain economic outlook was a “very important” reason, down from 40 percent in the January survey.

About one-third of domestic banks, on net, reported weaker demand for C&I loans from both large and small firms over the past three months, down from roughly one-half in the January survey. Every domestic bank that experienced weaker demand reported that a decline in customers' needs for bank loans to finance capital expenditures was at least a somewhat important reason for the weakness in demand, and more than one-third of respondents indicated that this reason was "very important." As in the January survey, banks also reported weaker demand for loans to finance mergers and acquisitions, inventories, and accounts receivable. Out of eight banks that reported an increase in demand for C&I loans, six of them indicated that the increase was due to a shift in borrowing from other bank or nonbank credit sources that became less attractive, likely, at least in part, a reflection of the recent pressures in the market for commercial paper. The same number of banks identified a decline in customers' internally generated funds as a reason for higher C&I loan demand. The net percentage of foreign branches and agencies reporting weaker demand for C&I loans fell from nearly 50 percent in January to 14 percent in the current survey. The most frequently cited reason for weaker demand at foreign institutions was a decline in requests for merger and acquisition financing.

Commercial paper backup lines of credit. A series of special questions was aimed at changes in banks' policies with regard to commercial paper backup lines of credit over the past twelve months. Forty-six of the largest domestic banks and nineteen foreign institutions indicated that they provide these facilities on a regular basis.[1] Domestic banks accounting for more than one-third of respondents' total lending facilities—defined as the sum of C&I loans and unused commitments—tightened standards on commercial paper backup lines of credit for nonfinancial firms with A1/P1 commercial paper ratings over the past year; domestic institutions accounting for about 60 percent of total lending facilities indicated doing so for firms with A2/P2 ratings. The (unweighted) fraction of foreign institutions that had tightened standards on commercial paper backup lines of credit for nonfinancial firms with an A1/P1 commercial paper rating over the past twelve months stood at 60 percent, while almost 90 percent reported doing so for lower-rated borrowers.

Domestic banks accounting for more than 90 percent of total lending facilities indicated that they had increased fees and raised spreads associated with commercial paper backup lines of credit for commercial paper issuers with both A1/P1 and A2/P2 ratings. Virtually all of the banks pointed to heightened concerns about possible deterioration in issuers' credit quality and a higher probability of lines being drawn because of less certain conditions in the commercial paper market as reasons for tightening standards and terms. Over the past twelve months, about 10 percent of domestic banks (weighted) and 10 percent of foreign institutions (unweighted), on net, reported stronger demand for

1. To account for the concentration of commercial paper backup lines of credit among the largest institutions, responses to this set of questions for domestic banks were weighted by the sum of C&I loans and unused commitments obtained from the 2001:Q4 Call Report. These weights are intended to proxy for banks' participation in this line of business. Data on unused loan commitments are unavailable for U.S. branches and agencies of foreign banks.

commercial paper backup lines of credit from nonfinancial issuers with both A1/P1 and A2/P2 ratings.

Commercial real estate lending. The net fraction of domestic banks that reported tighter standards on commercial real estate loans over the past three months declined from 46 percent in January to 30 percent in the current survey. At branches and agencies of foreign banks, the net percentage reporting tighter standards on commercial real estate loans remained stable at about 20 percent. In the current survey, more than 30 percent of domestic respondents, on net, noted that demand for commercial real estate loans had weakened, down from 43 percent in January; among foreign institutions, 25 percent, on net, reported weaker demand for this type of loan over the past three months.

A set of special questions addressed how the lack of insurance against terrorism has affected commercial real estate lending. About 70 percent of domestic respondents indicated that less than 5 percent of the dollar volume of their commercial real estate loans outstanding—either held on their books or securitized—is backed by "high profile" or "heavy traffic" commercial real estate properties.[2] For about one-fifth of banks, loans financing such properties make up between 5 percent and 10 percent of their commercial real estate loan portfolio, while for the remainder, these loans account for between 10 percent and 20 percent of commercial real estate loans outstanding. At foreign institutions, loans backed by high profile properties account for somewhat larger shares of the respondents' commercial real estate portfolios.

Almost three-quarters of domestic banks indicated that they require terrorism insurance on less than 10 percent of loans financing high profile or heavy traffic commercial real estate properties. Indeed, in their comments, a number of banks noted that their standard commercial real estate loan contracts—especially for smaller loans (less than $10 million)—generally do not require terrorism insurance. However, six domestic and six foreign respondents that answered these special questions reported that they require insurance against terrorism on more than 90 percent of loans financing such properties. As of the end of 2002:Q1, these six domestic banks accounted for about 8 percent of all commercial real estate loans in the United States, while the six foreign institutions accounted for less than 2 percent of all commercial real estate loans.

Domestic respondents indicated that if coverage was required and an existing borrower was unable to secure adequate insurance against terrorism for a high profile or heavy traffic commercial real estate property, their most likely response would be to ask for additional collateral and to modify the existing loan covenants to allow for partial coverage. The foreign institutions, by contrast, noted that their most likely course of action would be to increase fees or interest rates associated with the loan, and four foreign respondents indicated that they would be very likely to call the loan or refuse to roll it over when it comes due.

---

2. For the purposes of the survey, high profile or heavy traffic commercial real estate properties were defined as landmark buildings and commercial properties in their vicinity, stadiums and other sports/entertainment venues, and large shopping malls.

Among domestic banks that received applications for loans to finance high profile commercial real estate properties since the events of September 11, 90 percent indicated that their rejection rate on these loan applications has stayed about the same. Sixty percent of U.S. branches and agencies of foreign banks that received applications for loans to finance these types of properties reported their rejection rate as essentially unchanged. Almost 80 percent of domestic banks and more than 70 percent of foreign institutions indicated that they experienced little or no change in demand for loans to finance high profile and heavy traffic properties because potential borrowers were unable to secure affordable insurance against acts of terrorism. Seven domestic banks reported moderately weaker demand and four domestic and three foreign institutions experienced substantially weaker demand for loans to finance such properties because of issues related to terrorism insurance.

Lending to Households
(Table 1, questions 18-25)

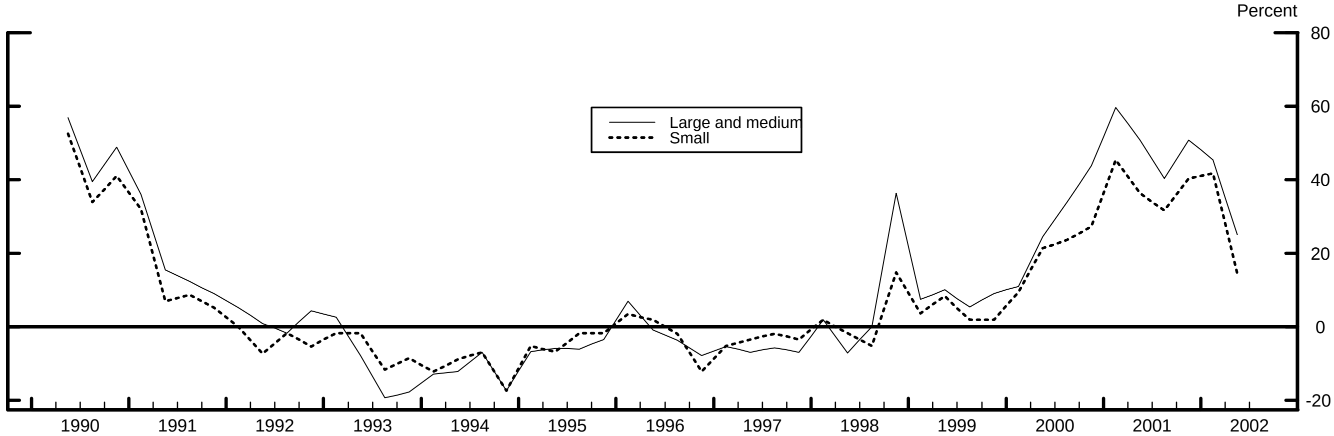
Domestic banks' credit standards for approving residential mortgage loans were largely unchanged over the past three months, with only one bank reporting that it had tightened lending standards somewhat, the same as in the January survey. On net, about 6 percent of domestic respondents reported increased demand for residential mortgages, down from 30 percent in January.

In the current survey, less than 10 percent of banks indicated that they had tightened standards on credit card loans over the past three months, a somewhat smaller percentage than in January; terms and conditions on existing credit card accounts were largely unchanged. For other types of consumer loans, one-fifth of banks reported that they had tightened standards over the past three months, about the same percentage as in the January survey. Almost one-quarter of domestic banks raised the minimum required credit score on consumer loans other than credit card loans, and 15 percent reduced the number of exceptions granted to customers not meeting credit-scoring thresholds. On net, banks reported demand for consumer loans as about unchanged over the past three months.

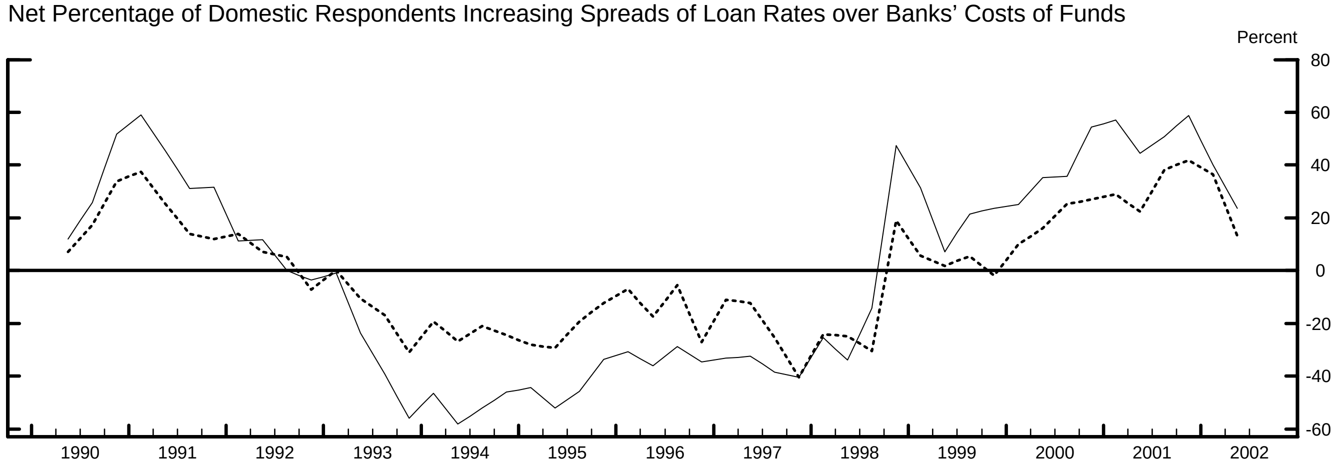
This document was prepared by Mark Carlson and Egon Zakrajšek with the research assistance of Amanda Cox and Mark Gibson, Division of Monetary Affairs, Board of Governors of the Federal Reserve System.

Measures of Supply and Demand for C&I Loans, by Size of Firm Seeking Loan

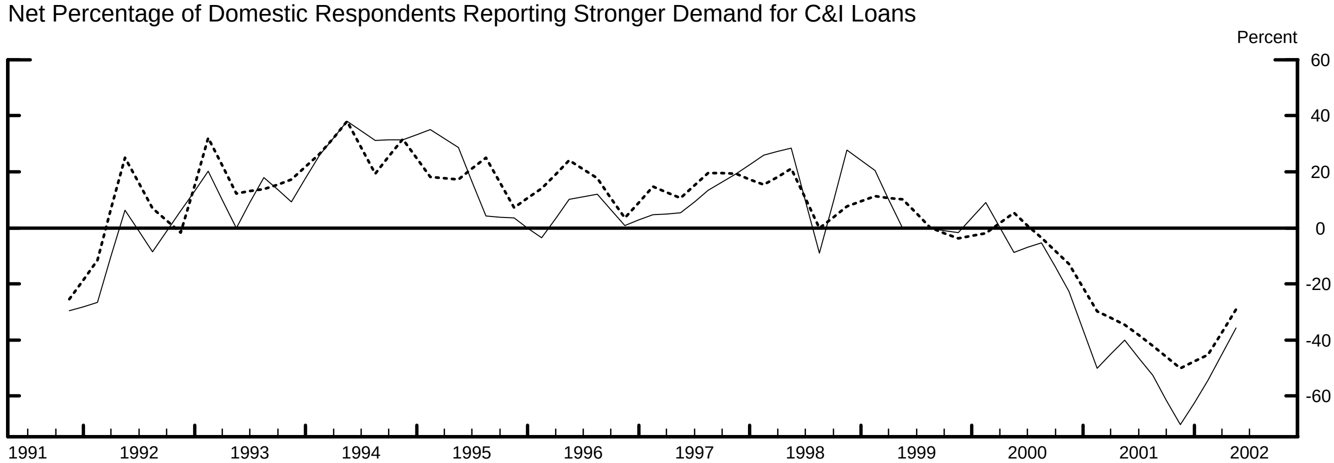
Net Percentage of Domestic Respondents Tightening Standards for C&I Loans



Net Percentage of Domestic Respondents Increasing Spreads of Loan Rates over Banks' Costs of Funds

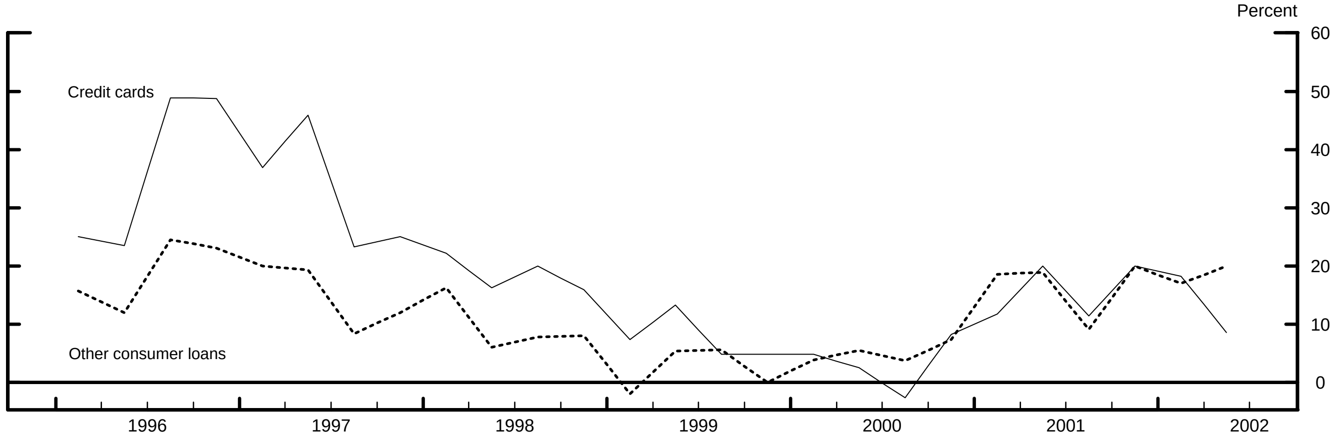


Net Percentage of Domestic Respondents Reporting Stronger Demand for C&I Loans

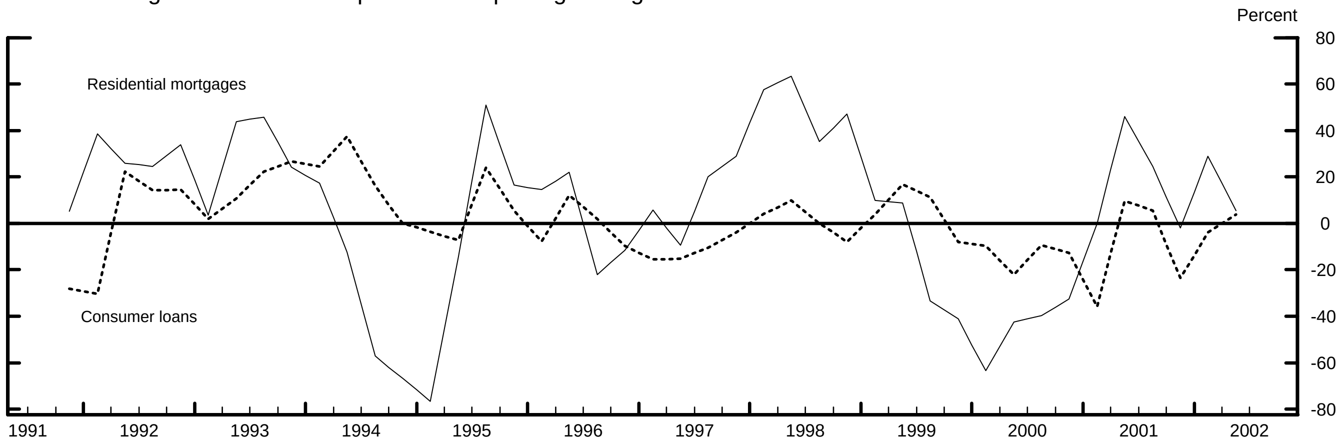


Measures of Supply and Demand for Loans to Households

Net Percentage of Domestic Respondents Tightening Standards on Consumer Loans



Net Percentage of Domestic Respondents Reporting Stronger Demand for Loans to Households



Net Percentage of Domestic Respondents Tightening Standards for Mortgages to Individuals

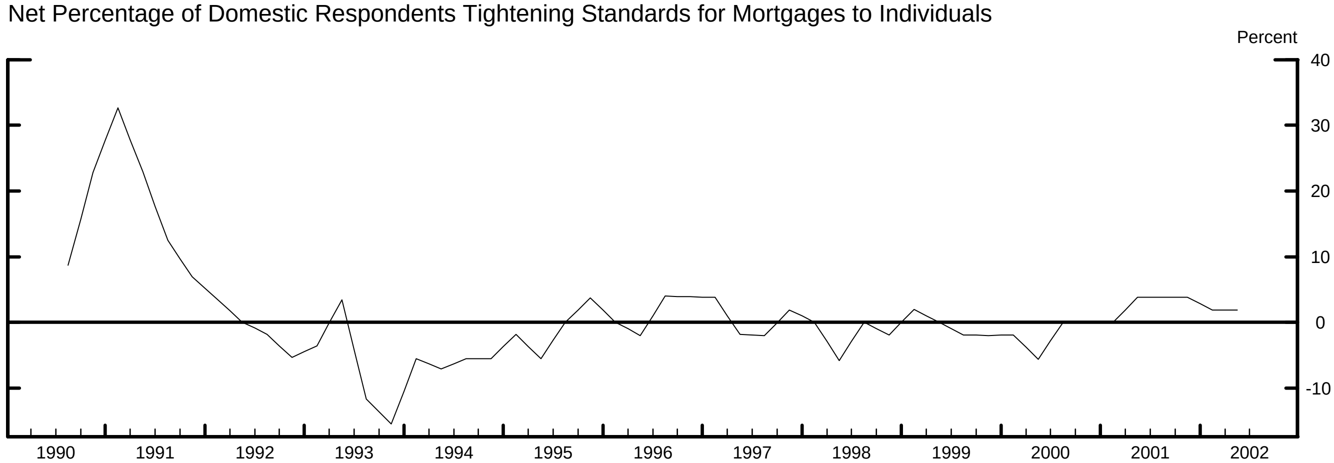


Table 1

SENIOR LOAN OFFICER OPINION SURVEY ON BANK LENDING PRACTICES
AT SELECTED LARGE BANKS IN THE UNITED STATES[1]
(Status of policy as of April 2002)

Questions 1-5 *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. 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	14	25.0	7	22.6	7	28.0
Remained basically unchanged	42	75.0	24	77.4	18	72.0
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	56	100.0	31	100.0	25	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	8	14.5	3	10.0	5	20.0
Remained basically unchanged	47	85.5	27	90.0	20	80.0
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	55	100.0	30	100.0	25	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, 2001. The combined assets of the 31 large banks totaled $2.68 trillion, compared to $2.95 trillion for the entire panel of 56 banks, and $5.75 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	2.80	2.81	2.79
Costs of credit lines	2.80	2.71	2.92
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.76	2.71	2.83
Premiums charged on riskier loans	2.49	2.45	2.54
Loan covenants	2.76	2.71	2.83
Collateralization requirements	2.73	2.71	2.75
Other	3.00	3.00	3.00
Number of banks responding	55	31	24

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	2.92	2.90	2.96
Costs of credit lines	2.92	2.90	2.96
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.87	2.86	2.88
Premiums charged on riskier loans	2.64	2.69	2.58
Loan covenants	2.89	2.93	2.83
Collateralization requirements	2.87	2.90	2.83
Other	3.00	3.00	3.00
Number of banks responding	53	29	24

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	1.00	1.00	1.00
Less favorable or more uncertain economic outlook	1.83	1.94	1.67
Worsening of industry-specific problems	1.76	1.94	1.50
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.24	1.12	1.42
Reduced tolerance for risk	1.83	1.76	1.92
Decreased liquidity in the secondary market for these loans	1.34	1.35	1.33
Increase in defaults by borrowers in public debt markets	1.48	1.59	1.33
Other	1.28	1.31	1.22
Number of banks responding	29	17	12

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	1.00	1.00	0.00
More favorable or less uncertain economic outlook	1.00	1.00	0.00
Improvement in industry-specific problems	1.00	1.00	0.00
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.50	1.50	0.00
Increased tolerance for risk	1.00	1.00	0.00
Increased liquidity in the secondary market for these loans	1.00	1.00	0.00
Reduction in defaults by borrowers in public debt markets	1.00	1.00	0.00
Other	1.50	1.50	0.00
Number of banks responding	2	2	0

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	0	0.0	0	0.0	0	0.0
Moderately stronger	6	10.7	3	9.7	3	12.0
About the same	24	42.9	13	41.9	11	44.0
Moderately weaker	26	46.4	15	48.4	11	44.0
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	56	100.0	31	100.0	25	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	0	0.0	0	0.0	0	0.0
Moderately stronger	3	5.5	1	3.3	2	8.0
About the same	33	60.0	20	66.7	13	52.0
Moderately weaker	19	34.5	9	30.0	10	40.0
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	55	100.0	30	100.0	25	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	1.63	1.50	1.75
Customer accounts receivable financing needs increased	1.75	1.75	1.75
Customer investment in plant or equipment increased	1.38	1.00	1.75
Customer internally generated funds decreased	1.75	2.00	1.50
Customer merger or acquisition financing needs increased	1.00	1.00	1.00
Customer borrowing shifted to your bank from other bank or nonbank credit sources because these other sources became less attractive	2.00	2.00	2.00
Other	1.25	1.50	1.00
Number of banks responding	8	4	4

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	1.79	1.81	1.75
Customer accounts receivable financing needs decreased	1.75	1.81	1.67
Customer investment in plant or equipment decreased	2.36	2.31	2.42
Customer internally generated funds increased	1.46	1.56	1.33
Customer merger or acquisition financing needs decreased	2.04	2.19	1.83
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	1.43	1.50	1.33
Other	1.04	1.06	1.00
Number of banks responding	28	16	12

The past twelve months have been difficult ones for the commercial paper market. A number of prominent issuers have been downgraded, several have exited the market, and quality spreads have been running at elevated levels for much of the period. As a result, a number of firms that had difficulties rolling over commercial paper tapped their back-up lines of credit with banks. ***Questions 6-9*** *ask about* ***commercial paper back-up lines of credit*** *at your bank.*[2] *Questions 6-8 ask about changes over the past twelve months in your bank's lending policies for these credit lines. Question 9 asks about the demand for commercial paper back-up lines of credit at your bank over the same period.*

6. Over the past *twelve months,* how has your bank changed its standards for approving applications for commercial paper back-up lines of credit from nonfinancial firms?

A. For nonfinancial firms with an A1/P1 commercial paper rating such standards have:

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	3	0.6	0	0.0	3	17.0
Tightened somewhat	14	36.8	10	36.9	4	34.2
Remained basically unchanged	29	62.7	20	63.1	9	48.8
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	46	100.0	30	100.0	16	100.0

B. For nonfinancial firms with an A2/P2 commercial paper rating such standards have:

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	5	3.0	1	2.3	4	27.2
Tightened somewhat	18	57.9	14	58.4	4	39.6
Remained basically unchanged	22	39.2	15	39.3	7	33.2
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	45	100.0	30	100.0	15	34.2

2. Responses to these questions are weighted by the sum of C&I loans and unused commitments obtained from the 2001:Q4 Call Report.

7. For applications for commercial paper back-up lines of credit from nonfinancial firms that your bank currently is willing to approve, how have each of the following terms changed over the past *twelve 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. For nonfinancial firms with an A1/P1 commercial paper rating:

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Maximum size of credit lines	2.34	2.34	2.19
Length of commitment	2.69	2.69	2.48
Fees associated with credit lines (tightened=higher fees, eased=lower fees)	2.08	2.07	2.41
Spread of loan rates over your cost of funds (tightened=higher spread, eased=lower spread)	2.08	2.07	2.30
Material adverse change clauses	2.72	2.73	2.53
Other	3.00	3.00	3.00
Number of banks responding	42	28	14

B. For nonfinancial firms with an A2/P2 commercial paper rating:

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Maximum size of credit lines	2.34	2.34	2.19
Length of commitment	2.69	2.69	2.48
Fees associated with credit lines (tightened=higher fees, eased=lower fees)	2.08	2.07	2.41
Spread of loan rates over your cost of funds (tightened=higher spread, eased=lower spread)	2.08	2.07	2.30
Material adverse change clauses	2.72	2.73	2.53
Other	3.00	3.00	3.00
Number of banks responding	42	28	14

8. If your bank has changed standards or terms on commercial paper back-up lines of credit over the past *twelve months* (as described in questions 6 and 7), 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 standards or terms on back-up facilities:

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Heightened concern about possible deterioration in the credit quality of issuers	2.51	2.52	2.14
Less aggressive competition from other banks	1.22	1.21	1.34
Opportunities for additional business associated with back-up lines have diminished	1.29	1.28	1.71
Higher probability of lines being drawn due to less certain conditions in commercial paper markets	2.14	2.13	2.55
Efforts to increase profitability of back-up lines on a stand-alone basis	1.73	1.72	1.76
Other	1.09	1.10	1.00
Number of banks responding	34	25	9

B. Possible reasons for easing standards or terms on back-up facilities:

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Reduced concern about possible deterioration in the credit quality of issuers	1.00	1.00	1.00
More aggressive competition from other banks	1.00	1.00	1.00
Opportunities for additional business associated with back-up lines have increased	1.00	1.00	1.00
Lower probability of lines being drawn due to more certain conditions in commercial paper markets	1.00	1.00	1.00
Other	1.00	1.00	1.00
Number of banks responding	3	2	1

9. At your bank, how has demand for commercial paper back-up lines of credit changed over the past *twelve months*? (Please consider only requests for new facilities and renewal of existing facilities as opposed to draw downs on existing lines of credit.)

A. Demand from nonfinancial firms with an A1/P1 commercial paper rating:

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially stronger	1	0.6	1	0.6	0	0.0
Moderately stronger	6	23.7	6	24.4	0	0.0
About the same	33	60.4	20	59.5	13	88.0
Moderately weaker	5	15.4	3	15.5	2	12.0
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	45	100.0	30	100.0	15	100.0

B. Demand from nonfinancial firms with an A2/P2 commercial paper rating:

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially stronger	1	0.6	1	0.6	0	0.0
Moderately stronger	8	27.1	7	27.2	1	25.1
About the same	27	52.1	16	51.8	11	60.6
Moderately weaker	8	20.2	6	20.4	2	14.3
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	44	100.0	30	100.0	14	100.0

Questions 10-11 *ask about* ***commercial real estate loans*** *at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 10 deals with changes in your bank's standards over the last three months. Question 11 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.*

10. 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	18	32.7	9	30.0	9	36.0
Remained basically unchanged	36	65.5	20	66.7	16	64.0
Eased somewhat	1	1.8	1	3.3	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	55	100.0	30	100.0	25	100.0

11. 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	4.0
Moderately stronger	5	9.1	2	6.7	3	12.0
About the same	27	49.1	13	43.3	14	56.0
Moderately weaker	20	36.4	13	43.3	7	28.0
Substantially weaker	2	3.6	2	6.7	0	0.0
Total	55	100.0	30	100.0	25	100.0

Since the terrorist attacks on September 11, it has become more difficult for commercial property owners to obtain insurance against terrorist acts. ***Questions 12-17*** *ask about how the lack of* ***insurance against terrorism*** *has affected commercial real estate lending at your bank. Questions 12-13 ask about your bank's exposure to "high profile" and other commercial real estate properties. Questions 14-15 ask about your bank's possible courses of action if an existing or a new commercial real estate borrower is unable to obtain adequate terrorism insurance coverage. Questions 16-17 ask whether the volume of commercial real estate lending at your bank has been affected by the lack of adequate terrorism insurance coverage.*

12. Approximately what percentage of the dollar volume of your bank's commercial real estate loans outstanding, either held or securitized, is financing high profile or heavy traffic commercial real estate properties (e.g., landmark buildings and commercial properties in their vicinity, stadiums and other sports/entertainment venues, large shopping malls, etc.)?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Less than 5 percent	38	70.4	17	56.7	21	87.5
Between 5 and 10 percent	12	22.2	11	36.7	1	4.2
Between 10 and 20 percent	4	7.4	2	6.7	2	8.3
Between 20 and 30 percent	0	0.0	0	0.0	0	0.0
More than 30 percent	0	0.0	0	0.0	0	0.0
Total	54	100.0	30	100.0	24	100.0

13. Approximately what percentage of the dollar volume of your bank's commercial real estate loans outstanding, either held or securitized, that finances the following two types of properties requires that borrowers carry insurance coverage for terrorist acts?

A. High profile or heavy traffic commercial real estate properties (as defined in question 12):

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Less than 10 percent	38	74.5	19	65.5	19	86.4
Between 10 and 25 percent	5	9.8	3	10.3	2	9.1
Between 25 and 50 percent	0	0.0	0	0.0	0	0.0
Between 50 and 75 percent	1	2.0	1	3.4	0	0.0
Between 75 and 90 percent	1	2.0	1	3.4	0	0.0
More than 90 percent	6	11.8	5	17.2	1	4.5
Total	51	100.0	29	100.0	22	100.0

B. Other commercial real estate properties:

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Less than 10 percent	41	82.0	21	75.0	20	90.9
Between 10 and 25 percent	4	8.0	3	10.7	1	4.5
Between 25 and 50 percent	0	0.0	0	0.0	0	0.0
Between 50 and 75 percent	1	2.0	1	3.6	0	0.0
Between 75 and 90 percent	2	4.0	2	7.1	0	0.0
More than 90 percent	2	4.0	1	3.6	1	4.5
Total	50	100.0	28	100.0	22	100.0

14. For existing commercial real estate borrowers that are unable to secure adequate terrorist insurance coverage, how likely is your bank to pursue the following courses of action? (Please assign each course of action a number between 1 and 3 using the following scale: 1=not likely, 2=somewhat likely, 3=very likely.)

A. Possible courses of actions for high profile or heavy traffic commercial real estate properties (as defined in question 12):

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Modify the existing loan covenants to allow for partial or limited terrorism insurance coverage	1.87	1.81	1.95
Ask for additional collateral	1.91	1.81	2.05
Increase fees or interest rates associated with the loan	1.72	1.67	1.79
Call the loan or refuse to roll over the loan when it comes due	1.35	1.41	1.26
Other	1.04	1.07	1.00
Number of banks responding	46	27	19

B. Possible courses of actions for other commercial real estate properties:

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Modify the existing loan covenants to allow for partial or limited terrorism insurance coverage	1.85	1.78	1.95
Ask for additional collateral	1.70	1.63	1.80
Increase fees or interest rates associated with the loan	1.60	1.56	1.65
Call the loan or refuse to roll over the loan when it comes due	1.15	1.15	1.15
Other	1.04	1.07	1.00
Number of banks responding	47	27	20

15. Since September 11, how has your bank's rejection rate on loan applications to finance new commercial real estate projects changed as a result of the lack of adequate terrorism insurance coverage?

A. Rejection rate for high profile or heavy traffic commercial real estate properties (as defined in question 12) has:

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Increased substantially	1	1.9	1	3.4	0	0.0
Increased moderately	1	1.9	1	3.4	0	0.0
Stayed about the same	21	40.4	12	41.4	9	39.1
Our bank has not received any applications to finance these types of projects	29	55.8	15	51.7	14	60.9
Total	52	100.0	29	100.0	23	100.0

B. Rejection rate for other commercial real estate properties has:

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Increased substantially	0	0.0	0	0.0	0	0.0
Increased moderately	3	5.9	3	10.7	0	0.0
Stayed about the same	41	80.4	23	82.1	18	78.3
Our bank has not received any applications to finance these types of projects	7	13.7	2	7.1	5	21.7
Total	52	100.0	28	100.0	23	100.0

16. Since the events of September 11, has your bank experienced any cancellations or noted other signs of a drop-off in demand for financing new high profile or heavy traffic commercial real estate projects because potential borrowers were unable to secure affordable insurance against terrorism?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially weaker demand	4	7.5	3	10.0	1	4.3
Moderately weaker demand	7	13.2	6	20.0	1	4.3
Little or no change in demand	42	79.2	21	70.0	21	91.3
Total	53	100.0	30	100.0	23	100.0

17. Since the events of September 11, has your bank experienced any change in demand for financing new commercial real estate projects - other than those covered in question 16 - owing to terrorism insurance issues?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	1	1.9	0	0.0	1	4.5
About the same	43	82.7	25	83.3	18	81.8
Moderately weaker	8	15.4	5	16.7	3	13.6
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	52	100.0	30	100.0	22	100.0

Questions 18-19 *ask about* ***residential mortgage loans*** *at your bank. Question 18 deals with changes in your bank's credit standards over the past three months, and question 19 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.*

18. 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	1.9	0	0.0	1	4.3
Remained basically unchanged	52	98.1	30	100.0	22	95.7
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	53	100.0	30	100.0	23	100.0

19. 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	1.9	1	3.3	0	0.0
Moderately stronger	12	22.6	7	23.3	5	21.7
About the same	30	56.6	17	56.7	13	56.5
Moderately weaker	10	18.9	5	16.7	5	21.7
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	53	100.0	30	100.0	23	100.0

Questions 20-25 *ask about* ***consumer lending*** *at your bank. Question 20 deals with changes in your bank's willingness to make consumer loans over the past three months. Questions 21-24 deal with changes in credit standards and loan terms over the same period. Question 25 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.*

20. 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	1	1.8	1	3.3	0	0.0
Somewhat more willing	1	1.8	0	0.0	1	4.0
About unchanged	51	92.7	28	93.3	23	92.0
Somewhat less willing	2	3.6	1	3.3	1	4.0
Much less willing	0	0.0	0	0.0	0	0.0
Total	55	100.0	30	100.0	25	100.0

21. 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	3	8.6	2	10.0	1	6.7
Remained basically unchanged	32	91.4	18	90.0	14	93.3
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	35	100.0	20	100.0	15	100.0

22. 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	11	20.0	10	33.3	1	4.0
Remained basically unchanged	44	80.0	20	66.7	24	96.0
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	55	100.0	30	100.0	25	100.0

23. 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	2.94	2.95	2.92
Spreads of interest rates charged on outstanding balances over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.03	3.10	2.92
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)	2.94	3.00	2.85
The extent to which loans are granted to some customers that do not meet credit scoring thresholds (increased=eased, decreased=tightened)	2.97	3.05	2.85
Other	3.00	3.00	3.00
Number of banks responding	33	20	13

24. 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	3.00	2.97	3.04
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.94	3.00	2.88
Minimum required down payment	2.92	2.90	2.96
Minimum required credit score (increased score=tightened, reduced score=eased)	2.72	2.69	2.75
The extent to which loans are granted to some customers that do not meet credit scoring thresholds (increased=eased, decreased=tightened)	2.81	2.72	2.92
Other	2.98	2.97	3.00
Number of banks responding	53	29	24

25. 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	4.2
Moderately stronger	11	20.4	7	23.3	4	16.7
About the same	32	59.3	17	56.7	15	62.5
Moderately weaker	10	18.5	6	20.0	4	16.7
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	54	100.0	30	100.0	24	100.0

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 April 2002)

Questions 1-5 *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. 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	Pct
Tightened considerably	1	4.8
Tightened somewhat	7	33.3
Remained basically unchanged	13	61.9
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	21	100.0

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? (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
	Mean
Maximum size of credit lines	2.52
Costs of credit lines	2.38
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.38
Premiums charged on riskier loans	2.43
Loan covenants	2.57
Collateralization requirements	2.67
Other	2.95
Total	21

1. As of December 31, 2001, the 21 respondents had combined assets of $311 billion, compared to $926 billion 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.

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
	Mean
Deterioration in your bank's current or expected capital position	1.60
Less favorable or more uncertain economic outlook	2.27
Worsening of industry-specific problems	2.00
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.13
Reduced tolerance for risk	1.80
Decreased liquidity in the secondary market for these loans	1.67
Increase in defaults by borrowers in public debt markets	1.87
Other	1.07
Number of banks responding	15

B. Possible reasons for easing credit standards or loan terms:

	All Respondents
	Mean
Improvement in your bank's current or expected capital position	1.00
More favorable or less uncertain economic outlook	1.00
Improvement in industry-specific problems	1.00
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.00
Increased tolerance for risk	1.00
Increased liquidity in the secondary market for these loans	1.00
Reduction in defaults by borrowers in public debt markets	1.00
Other	2.00
Number of banks responding	1

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 Respondents	
	Banks	Pct
Substantially stronger	0	0.0
Moderately stronger	3	14.3
About the same	12	57.1
Moderately weaker	6	28.6
Substantially weaker	0	0.0
Total	21	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 4), possible reasons:

	All Respondents
	Mean
Customer inventory financing needs increased	1.33
Customer accounts receivable financing needs increased	1.00
Customer investment in plant or equipment increased	1.33
Customer internally generated funds decreased	1.67
Customer merger or acquisition financing needs increased	1.33
Customer borrowing shifted to your bank from other bank or nonbank sources because these other sources became less attractive	1.67
Other	1.33
Number of banks responding	3

B. If weaker loan demand (answer 4 or 5 to question 4), possible reasons:

	All Respondents
	Mean
Customer inventory financing needs decreased	1.83
Customer accounts receivable financing needs decreased	1.83
Customer investment in plant or equipment decreased	2.17
Customer internally generated funds increased	1.00
Customer merger or acquisition financing needs decreased	2.50
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	1.33
Other	1.33
Number of banks responding	6

The past twelve months have been difficult ones for the commercial paper market. A number of prominent issuers have been downgraded, several have exited the market, and quality spreads have been running at elevated levels for much of the period. As a result, a number of firms that had difficulties rolling over commercial paper tapped their back-up lines of credit with banks. ***Questions 6-9*** *ask about* ***commercial paper back-up lines of credit*** *at your bank. Questions 6-8 ask about changes over the past twelve months in your bank's lending policies for these credit lines. Question 9 asks about the demand for commercial paper back-up lines of credit at your bank over the same period.*

6. Over the past *twelve months*, how has your bank changed its standards for approving applications for commercial paper back-up lines of credit from nonfinancial firms?

A. For nonfinancial firms with an A1/P1 commercial paper rating such standards have:

	All Respondents	
	Banks	Pct
Tightened considerably	2	10.5
Tightened somewhat	9	47.4
Remained basically unchanged	8	42.1
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	19	100.0

B. For nonfinancial firms with an A2/P2 commercial paper rating such standards have:

	All Respondents	
	Banks	Pct
Tightened considerably	9	47.4
Tightened somewhat	8	42.1
Remained basically unchanged	2	10.5
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	19	100.0

7. For applications for commercial paper back-up lines of credit from non nancial rms that your bank currently is willing to approve, how have each of the following terms changed over the past twelve 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. For nonfinancial firms with an A1/P1 commercial paper rating:

	All Respondents
	Mean
Maximum size of credit lines	2.21
Length of commitment	2.53
Fees associated with credit lines (tightened=higher fees, eased=lower fees)	1.89
Spread of loan rates over your cost of funds (tightened=higher spread, eased=lower spread)	2.05
Material adverse change clauses	2.53
Other (please specify)	3.00
Total	19

B. For nonfinancial firms with an A2/P2 commercial paper rating:

	All Respondents
	Mean
Maximum size of credit lines	1.68
Length of commitment	2.05
Fees associated with credit lines (tightened=higher fees, eased=lower fees)	1.58
Spread of loan rates over your cost of funds (tightened=higher spread, eased=lower spread)	1.63
Material adverse change clauses	2.21
Other (please specify)	3.00
Total	19

8. If your bank has changed standards or terms on commercial paper back-up lines of credit over the past *twelve months* (as described in questions 6 and 7), 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 standards or terms on back-up facilities:

	All Respondents
	Mean
Heightened concern about possible deterioration in the credit quality of issuers	2.58
Less aggressive competition from other banks	1.37
Opportunities for additional business associated with back-up lines have diminished	1.74
Higher probability of lines being drawn due to less certain conditions in commercial paper markets	2.42
Efforts to increase profitability of back-up lines on a stand-alone basis	1.74
Other	1.00
Number of banks responding	19

B. Possible reasons for easing standards or terms on back-up facilities:

	All Respondents
	Mean
Reduced concern about possible deterioration in the credit quality of issuers	2.00
More aggressive competition from other banks	1.00
Opportunities for additional business associated with back-up lines have increased	1.50
Lower probability of lines being drawn due to more certain conditions in commercial paper markets	2.00
Other	1.50
Number of banks responding	2

9. At your bank, how has demand for commercial paper back-up lines of credit changed over the past *twelve months*? (Please consider only requests for new facilities and renewal of existing facilities as opposed to drawdowns on existing lines of credit.)

A. Demand from nonfinancial firms with an A1/P1 commercial paper rating:

	All Respondents	
	Banks	Pct
Substantially stronger	1	5.3
Moderately stronger	5	26.3
About the same	9	47.4
Moderately weaker	4	21.1
Substantially weaker	0	0.0
Total	19	100.0

B. Demand from nonfinancial firms with an A2/P2 commercial paper rating:

	All Respondents	
	Banks	Pct
Substantially stronger	1	5.3
Moderately stronger	5	26.3
About the same	9	47.4
Moderately weaker	3	15.8
Substantially weaker	1	5.3
Total	19	100.0

Questions 10-11 *ask about* ***commercial real estate loans*** *at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 10 deals with changes in your bank's standards over the last three months. Question 11 deals with changes in demand over the same period. If your bank's lending standards have not changed over the last three months, please report them as unchanged even if they are either restrictive or accommodative relative to longer-term norms. If your bank's standards have tightened or eased over the last three months, 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.*

10. Over the past three months, how have your bank's credit standards for approving applications for commercial real estate loans changed?

	All Respondents	
	Banks	Pct
Tightened considerably	0	0.0
Tightened somewhat	2	16.7
Remained basically unchanged	10	83.3
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	12	100.0

11. Apart from normal seasonal variation, how has demand for commercial real estate loans changed over the past three months?

	All Respondents	
	Banks	Pct
Substantially stronger	0	0.0
Moderately stronger	1	8.3
About the same	7	58.3
Moderately weaker	3	25.0
Substantially weaker	1	8.3
Total	12	100.0

*Since the terrorist attacks on September 11, it has become more difficult for commercial property owners to obtain insurance against terrorist acts. **Questions 12-17** ask about how the lack of **insurance against terrorism** has affected commercial real estate lending at your bank. Questions 12-13 ask about your bank's exposure to "high profile" and other commercial real estate properties. Questions 14-15 ask about your bank's possible courses of action if an existing or a new commercial real estate borrower is unable to obtain adequate terrorism insurance coverage. Questions 16-17 ask whether the volume of commercial real estate lending at your bank has been affected by the lack of adequate terrorism insurance coverage.*

12. Approximately what percentage of the dollar volume of your bank's commercial real estate loans outstanding, either held or securitized, is financing high profile or heavy traffic commercial real estate properties (e.g., landmark buildings and commercial properties in their vicinity, stadiums and other sports/entertainment venues, large shopping malls, etc.)?

	All Respondents	
	Banks	Pct
Less than 5 percent	7	63.6
Between 5 and 10 percent	1	9.1
Between 10 and 20 percent	2	18.2
Between 20 and 30 percent	1	9.1
More than 30 percent	0	0.0
Total	11	100.0

13. Approximately what percentage of the dollar volume of your bank's commercial real estate loans outstanding, either held or securitized, that finances the following two types of properties requires that borrowers carry insurance coverage for terrorist acts?

A. High profile or heavy traffic commercial real estate properties (as defined in question 12):

	All Respondents	
	Banks	Pct
Less than 10 percent	3	27.3
Between 10 and 25 percent	1	9.1
Between 25 and 50 percent	1	9.1
Between 50 and 75 percent	0	0.0
Between 75 and 90 percent	0	0.0
More than 90 percent	6	54.5
Total	11	100.0

B. Other commercial real estate properties:

	All Respondents	
	Banks	Pct
Less than 10 percent	3	27.3
Between 10 and 25 percent	1	9.1
Between 25 and 50 percent	1	9.1
Between 50 and 75 percent	0	0.0
Between 75 and 90 percent	3	27.3
More than 90 percent	3	27.3
Total	11	100.0

14. For existing commercial real estate borrowers that are unable to secure adequate terrorist insurance coverage, how likely is your bank to pursue the following courses of action? (Please assign each course of action a number between 1 and 3 using the following scale: 1=not likely, 2=somewhat likely, 3=very likely.)

A. Possible courses of actions for high profile or heavy traffic commercial real estate properties (as defined in question 12):

	All Respondents
	Mean
Modify the existing loan covenants to allow for partial or limited terrorism insurance coverage	1.50
Ask for additional collateral	1.40
Increase fees or interest rates associated with the loan	1.80
Call the loan or refuse to roll over the loan when it comes due	2.10
Other	1.00
Number of banks responding	10

B. Possible courses of actions for other commercial real estate properties:

	All Respondents
	Mean
Modify the existing loan covenants to allow for partial or limited terrorism insurance coverage	1.50
Ask for additional collateral	1.50
Increase fees or interest rates associated with the loan	1.90
Call the loan or refuse to roll over the loan when it comes due	1.70
Other	1.00
Number of banks responding	10

15. Since September 11, how has your bank's rejection rate on loan applications to finance new commercial real estate projects changed as a result of the lack of adequate terrorism insurance coverage?

A. Rejection rate for high profile or heavy traffic commercial real estate properties (as defined in question 12) has:

	All Respondents	
	Banks	Pct
Increased substantially	2	18.2
Increased moderately	1	9.1
Stayed about the same	5	45.5
Our bank has not received any applications to finance these types of projects	3	27.3
Total	11	100.0

B. Rejection rate for other commercial real estate properties has:

	All Respondents	
	Banks	Pct
Increased substantially	0	0.0
Increased moderately	2	18.2
Stayed about the same	8	72.7
Our bank has not received any applications to finance these types of projects	1	9.1
Total	11	100.0

16. Since the events of September 11, has your bank experienced any cancellations or noted other signs of a drop-off in demand for financing new high profile or heavy traffic commercial real estate projects because potential borrowers were unable to secure affordable insurance against terrorism?

	All Respondents	
	Banks	Pct
Substantially weaker demand	3	27.3
Moderately weaker demand	0	0.0
Little or no change in demand	8	72.7
Total	11	100.0

17. Since the events of September 11, has your bank experienced any change in demand for financing new commercial real estate projects - other than those covered in question 16 - owing to terrorism insurance issues?

	All Respondents	
	Banks	Pct
Substantially stronger	0	0.0
Moderately stronger	0	0.0
About the same	9	81.8
Moderately weaker	1	9.1
Substantially weaker	1	9.1
Total	11	100.0