

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 January 2009)

Questions 1-6 ask about commercial and industrial (C&I) loans at your bank. Questions 1-3 deal with changes in your bank's lending policies over the past three months. Questions 4-5 deal with changes in demand for C&I loans over the past three months. Question 6 asks about changes in prospective demand for C&I loans at your bank, as indicated by the volume of recent inquiries about the availability of new credit lines or increases in existing lines. If your bank's lending policies have not changed over the past three months, please report them as unchanged even if the policies are either restrictive or accommodative relative to longer-term norms. If your bank's policies have tightened or eased over the past three months, please so report them regardless of how they stand relative to longer-term norms. Also, please report changes in enforcement of existing policies as changes in policies.

1. Over the past three months, how have your bank's credit standards for approving applications for C&I loans or credit lines—other than those to be used to finance mergers and acquisitions—changed?

	All Respondents	
	Banks	Percent
Tightened considerably	6	26.1
Tightened somewhat	9	39.1
Remained basically unchanged	8	34.8
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	23	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?

a. Maximum size of credit lines

	All Respondents	
	Banks	Percent
Tightened considerably	4	17.4
Tightened somewhat	14	60.9
Remained basically unchanged	5	21.7
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	23	100.0

b. Maximum maturity of loans or credit lines

	All Respondents	
	Banks	Percent
Tightened considerably	1	4.3
Tightened somewhat	12	52.2
Remained basically unchanged	10	43.5
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	23	100.0

c. Costs of credit lines

	All Respondents	
	Banks	Percent
Tightened considerably	6	26.1
Tightened somewhat	12	52.2
Remained basically unchanged	5	21.7
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	23	100.0

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

	All Respondents	
	Banks	Percent
Tightened considerably	7	30.4
Tightened somewhat	11	47.8
Remained basically unchanged	4	17.4
Eased somewhat	1	4.3
Eased considerably	0	0.0
Total	23	100.0

e. Premiums charged on riskier loans

	All Respondents	
	Banks	Percent
Tightened considerably	11	47.8
Tightened somewhat	7	30.4
Remained basically unchanged	5	21.7
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	23	100.0

f. Loan covenants

	All Respondents	
	Banks	Percent
Tightened considerably	4	17.4
Tightened somewhat	11	47.8
Remained basically unchanged	8	34.8
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	23	100.0

g. Collateralization requirements

	All Respondents	
	Banks	Percent
Tightened considerably	4	17.4
Tightened somewhat	9	39.1
Remained basically unchanged	10	43.5
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	23	100.0

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?

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

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

	All Respondents	
	Banks	Percent
Not important	7	35.0
Somewhat important	10	50.0
Very important	3	15.0
Total	20	100.0

b. Less favorable or more uncertain economic outlook

	All Respondents	
	Banks	Percent
Not important	0	0.0
Somewhat important	5	25.0
Very important	15	75.0
Total	20	100.0

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

	All Respondents	
	Banks	Percent
Not important	2	10.0
Somewhat important	8	40.0
Very important	10	50.0
Total	20	100.0

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

	All Respondents	
	Banks	Percent
Not important	12	60.0
Somewhat important	6	30.0
Very important	2	10.0
Total	20	100.0

e. Reduced tolerance for risk

	All Respondents	
	Banks	Percent
Not important	2	10.0
Somewhat important	11	55.0
Very important	7	35.0
Total	20	100.0

f. Decreased liquidity in the secondary market for these loans

	All Respondents	
	Banks	Percent
Not important	5	25.0
Somewhat important	7	35.0
Very important	8	40.0
Total	20	100.0

g. Increase in defaults by borrowers in public debt markets

	All Respondents	
	Banks	Percent
Not important	6	30.0
Somewhat important	11	55.0
Very important	3	15.0
Total	20	100.0

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

	All Respondents	
	Banks	Percent
Not important	8	42.1
Somewhat important	9	47.4
Very important	2	10.5
Total	19	100.0

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

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

	All Respondents	
	Banks	Percent
Not important	0	--
Somewhat important	0	--
Very important	0	--
Total	0	--

b. More favorable or less uncertain economic outlook

	All Respondents	
	Banks	Percent
Not important	0	--
Somewhat important	0	--
Very important	0	--
Total	0	--

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

	All Respondents	
	Banks	Percent
Not important	0	--
Somewhat important	0	--
Very important	0	--
Total	0	--

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

	All Respondents	
	Banks	Percent
Not important	0	--
Somewhat important	0	--
Very important	0	--
Total	0	--

e. Increased tolerance for risk

	All Respondents	
	Banks	Percent
Not important	0	--
Somewhat important	0	--
Very important	0	--
Total	0	--

f. Increased liquidity in the secondary market for these loans

	All Respondents	
	Banks	Percent
Not important	0	--
Somewhat important	0	--
Very important	0	--
Total	0	--

g. Reduction in defaults by borrowers in public debt markets

	All Respondents	
	Banks	Percent
Not important	0	--
Somewhat important	0	--
Very important	0	--
Total	0	--

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

	All Respondents	
	Banks	Percent
Not important	0	--
Somewhat important	0	--
Very important	0	--
Total	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.)

	All Respondents	
	Banks	Percent
Substantially stronger	0	0.0
Moderately stronger	4	17.4
About the same	9	39.1
Moderately weaker	8	34.8
Substantially weaker	2	8.7
Total	23	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?

A. If stronger loan demand (answer 1 or 2 to question 4), possible reasons:

a. Customer inventory financing needs increased

	All Respondents	
	Banks	Percent
Not important	1	25.0
Somewhat important	2	50.0
Very important	1	25.0
Total	4	100.0

b. Customer accounts receivable financing needs increased

	All Respondents	
	Banks	Percent
Not important	1	25.0
Somewhat important	2	50.0
Very important	1	25.0
Total	4	100.0

c. Customer investment in plant or equipment increased

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

d. Customer internally generated funds decreased

	All Respondents	
	Banks	Percent
Not important	1	25.0
Somewhat important	1	25.0
Very important	2	50.0
Total	4	100.0

e. Customer merger or acquisition financing needs increased

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

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

	All Respondents	
	Banks	Percent
Not important	1	25.0
Somewhat important	1	25.0
Very important	2	50.0
Total	4	100.0

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

a. Customer inventory financing needs decreased

	All Respondents	
	Banks	Percent
Not important	3	33.3
Somewhat important	6	66.7
Very important	0	0.0
Total	9	100.0

b. Customer accounts receivable financing needs decreased

	All Respondents	
	Banks	Percent
Not important	3	33.3
Somewhat important	6	66.7
Very important	0	0.0
Total	9	100.0

c. Customer investment in plant or equipment decreased

	All Respondents	
	Banks	Percent
Not important	2	22.2
Somewhat important	4	44.4
Very important	3	33.3
Total	9	100.0

d. Customer internally generated funds increased

	All Respondents	
	Banks	Percent
Not important	7	77.8
Somewhat important	1	11.1
Very important	1	11.1
Total	9	100.0

e. Customer merger or acquisition financing needs decreased

	All Respondents	
	Banks	Percent
Not important	2	22.2
Somewhat important	2	22.2
Very important	5	55.6
Total	9	100.0

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

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

6. At your bank, how has the number of inquiries from potential business borrowers regarding the availability and terms of new credit lines or increases in existing lines changed over the past three months? (Please consider only inquiries for additional C&I lines as opposed to the refinancing of existing loans.)

	All Respondents	
	Banks	Percent
The number of inquiries has increased substantially	1	4.3
The number of inquiries has increased moderately	3	13.0
The number of inquiries has stayed about the same	8	34.8
The number of inquiries has decreased moderately	8	34.8
The number of inquiries has decreased substantially	3	13.0
Total	23	100.0

Questions 7-8 ask about commercial real estate loans at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 7 deals with changes in your bank's standards over the past three months. Question 8 deals with changes in demand. If your bank's lending standards or terms have not changed over the relevant period, please report them as unchanged even if they are either restrictive or accommodative relative to longer-term norms. If your bank's standards or terms have tightened or eased over the relevant period, please so report them regardless of how they stand relative to longer-term norms. Also, please report changes in enforcement of existing standards as changes in standards.

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

	All Respondents	
	Banks	Percent
Tightened considerably	5	31.3
Tightened somewhat	3	18.8
Remained basically unchanged	8	50.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	16	100.0

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

	All Respondents	
	Banks	Percent
Substantially stronger	0	0.0
Moderately stronger	1	6.3
About the same	5	31.3
Moderately weaker	5	31.3
Substantially weaker	5	31.3
Total	16	100.0

Questions 9-10 ask for additional information about commercial real estate lending at your bank. Question 9 focuses on changes in your bank's policies on commercial real estate loans over the past year. If your bank's lending policies have not changed over the past year, please report them as unchanged even if they are either restrictive or accommodative relative to longer-term norms. If your bank's policies have tightened or eased over the past year, please so report them regardless of how they stand relative to longer-term norms. Question 10 focuses on new extensions of commercial real estate loans at your bank over the second half of 2008.

9. Over the past year, how has your bank changed the following policies on commercial real estate loans? (Please assign each policy 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. Maximum loan size

	All Respondents	
	Banks	Percent
Tightened considerably	6	37.5
Tightened somewhat	2	12.5
Remained basically unchanged	8	50.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	16	100.0

b. Maximum loan maturity

	All Respondents	
	Banks	Percent
Tightened considerably	4	25.0
Tightened somewhat	2	12.5
Remained basically unchanged	10	62.5
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	16	100.0

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

	All Respondents	
	Banks	Percent
Tightened considerably	8	50.0
Tightened somewhat	4	25.0
Remained basically unchanged	4	25.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	16	100.0

d. Loan-to-value ratios

	All Respondents	
	Banks	Percent
Tightened considerably	7	43.8
Tightened somewhat	3	18.8
Remained basically unchanged	6	37.5
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	16	100.0

e. Requirements for take-out financing

	All Respondents	
	Banks	Percent
Tightened considerably	3	18.8
Tightened somewhat	5	31.3
Remained basically unchanged	8	50.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	16	100.0

f. Debt-service coverage ratios

	All Respondents	
	Banks	Percent
Tightened considerably	5	31.3
Tightened somewhat	5	31.3
Remained basically unchanged	6	37.5
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	16	100.0

10. With yield spreads on commercial mortgage-backed securities (CMBS) soaring in the second half of 2008, gross issuance of CMBS came to a halt. How has the shutdown of this securitization market affected the volume of new extensions of commercial real estate loans at your bank over the second half of 2008? (Please check one.)

	All Respondents	
	Banks	Percent
Has led to a considerable increase in the volume of my bank's commercial real estate lending	0	0.0
Has led to some increase in the volume of my bank's commercial real estate lending	1	6.3
Has had little effect on the volume of my bank's commercial real estate lending	8	50.0
Has led to some reduction in the volume of my bank's commercial real estate lending	1	6.3
Has led to a considerable reduction in the volume of my bank's commercial real estate lending	6	37.5
Total	16	100.0

11. Over the past three months, how has your bank changed the size of credit lines for existing customers with the following types of accounts? Please consider changes made to line sizes during the life of existing credit agreements as well as changes made to line sizes upon renewal or renegotiation of existing agreements. (Please rate the degree of change for each type of account using the following scale: 1=increased considerably, 2=increased somewhat, 3=remained basically unchanged, 4=decreased somewhat, 5=decreased considerably.)

a. Business credit card accounts

	All Respondents	
	Banks	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	6	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	6	100.0

b. Commercial and industrial credit lines (excluding business credit card accounts)

	All Respondents	
	Banks	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	12	52.2
Decreased somewhat	11	47.8
Decreased considerably	0	0.0
Total	23	100.0

c. Commercial construction lines of credit

	All Respondents	
	Banks	Percent
Increased considerably	0	0.0
Increased somewhat	1	8.3
Remained basically unchanged	2	16.7
Decreased somewhat	2	16.7
Decreased considerably	7	58.3
Total	12	100.0

d. Lines of credit for financial firms

	All Respondents	
	Banks	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	7	38.9
Decreased somewhat	5	27.8
Decreased considerably	6	33.3
Total	18	100.0

Questions 12-13 ask about the use of interest rate floors on loans to businesses at your bank.

12. During 2008, to what degree did your bank change the frequency with which it includes loan rate floors in floating rate loan agreements involving loans to businesses?

	All Respondents	
	Banks	Percent
Increased considerably	4	17.4
Increased somewhat	9	39.1
Remained unchanged	10	43.5
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	23	100.0

13. What percentage of the total dollar volume of outstanding loans to businesses at your bank has interest rate floors that are currently binding?

	All Respondents	
	Banks	Percent
Less than 5 percent	19	86.4
Between 5 and 15 percent	1	4.5
Between 15 and 25 percent	2	9.1
Between 25 and 50 percent	0	0.0
50 percent or more	0	0.0
Total	22	100.0

1. As of September 30, 2008, the 23 respondents had combined assets of \$1.0 trillion, compared to \$1.9 trillion for all foreign related banking institutions in the United States. The sample is selected from among the largest foreign-related banking institutions in those Federal Reserve Districts where such institutions are common.