

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 October 2012)

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	0	0.0
Tightened somewhat	1	4.3
Remained basically unchanged	20	87.0
Eased somewhat	2	8.7
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	0	0.0
Tightened somewhat	2	8.7
Remained basically unchanged	17	73.9
Eased somewhat	4	17.4
Eased considerably	0	0.0
Total	23	100.0

b. Maximum maturity of loans or credit lines

	All Respondents	
	Banks	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	23	100.0
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	0	0.0
Tightened somewhat	1	4.5
Remained basically unchanged	21	95.5
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	22	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	0	0.0
Tightened somewhat	2	9.1
Remained basically unchanged	16	72.7
Eased somewhat	4	18.2
Eased considerably	0	0.0
Total	22	100.0

e. Premiums charged on riskier loans

	All Respondents	
	Banks	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	18	81.8
Eased somewhat	4	18.2
Eased considerably	0	0.0
Total	22	100.0

f. Loan covenants

	All Respondents	
	Banks	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	19	82.6
Eased somewhat	4	17.4
Eased considerably	0	0.0
Total	23	100.0

g. Collateralization requirements

	All Respondents	
	Banks	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	23	100.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	23	100.0

h. Use of interest rate floors (more use=tightened, less use=eased)

	All Respondents	
	Banks	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	18	90.0
Eased somewhat	2	10.0
Eased considerably	0	0.0
Total	20	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	1	100.0
Somewhat important	0	0.0
Very important	0	0.0
Total	1	100.0

b. Less favorable or more uncertain economic outlook

	All Respondents	
	Banks	Percent
Not important	0	0.0
Somewhat important	0	0.0
Very important	1	100.0
Total	1	100.0

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

	All Respondents	
	Banks	Percent
Not important	0	0.0
Somewhat important	1	100.0
Very important	0	0.0
Total	1	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	1	100.0
Somewhat important	0	0.0
Very important	0	0.0
Total	1	100.0

e. Reduced tolerance for risk

	All Respondents	
	Banks	Percent
Not important	0	0.0
Somewhat important	0	0.0
Very important	1	100.0
Total	1	100.0

f. Decreased liquidity in the secondary market for these loans

	All Respondents	
	Banks	Percent
Not important	0	0.0
Somewhat important	1	100.0
Very important	0	0.0
Total	1	100.0

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

	All Respondents	
	Banks	Percent
Not important	1	100.0
Somewhat important	0	0.0
Very important	0	0.0
Total	1	100.0

h. Increased concerns about the potential effects of legislative changes, supervisory actions, or accounting standards

	All Respondents	
	Banks	Percent
Not important	0	0.0
Somewhat important	1	100.0
Very important	0	0.0
Total	1	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	4	80.0
Somewhat important	1	20.0
Very important	0	0.0
Total	5	100.0

b. More favorable or less uncertain economic outlook

	All Respondents	
	Banks	Percent
Not important	4	80.0
Somewhat important	1	20.0
Very important	0	0.0
Total	5	100.0

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

	All Respondents	
	Banks	Percent
Not important	5	100.0
Somewhat important	0	0.0
Very important	0	0.0
Total	5	100.0

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

	All Respondents	
	Banks	Percent
Not important	1	16.7
Somewhat important	2	33.3
Very important	3	50.0
Total	6	100.0

e. Increased tolerance for risk

	All Respondents	
	Banks	Percent
Not important	4	66.7
Somewhat important	2	33.3
Very important	0	0.0
Total	6	100.0

f. Increased liquidity in the secondary market for these loans

	All Respondents	
	Banks	Percent
Not important	4	80.0
Somewhat important	1	20.0
Very important	0	0.0
Total	5	100.0

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

	All Respondents	
	Banks	Percent
Not important	4	80.0
Somewhat important	1	20.0
Very important	0	0.0
Total	5	100.0

h. Reduced concerns about the potential effects of legislative changes, supervisory actions, or accounting standards

	All Respondents	
	Banks	Percent
Not important	5	100.0
Somewhat important	0	0.0
Very important	0	0.0
Total	5	100.0

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	18.2
About the same	15	68.2
Moderately weaker	3	13.6
Substantially weaker	0	0.0
Total	22	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	2	50.0
Somewhat important	2	50.0
Very important	0	0.0
Total	4	100.0

b. Customer accounts receivable financing needs increased

	All Respondents	
	Banks	Percent
Not important	2	50.0
Somewhat important	2	50.0
Very important	0	0.0
Total	4	100.0

c. Customer investment in plant or equipment increased

	All Respondents	
	Banks	Percent
Not important	2	50.0
Somewhat important	2	50.0
Very important	0	0.0
Total	4	100.0

d. Customer internally generated funds decreased

	All Respondents	
	Banks	Percent
Not important	3	75.0
Somewhat important	1	25.0
Very important	0	0.0
Total	4	100.0

e. Customer merger or acquisition 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

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	2	50.0
Somewhat important	2	50.0
Very important	0	0.0
Total	4	100.0

g. Customers' precautionary demand for cash and liquidity increased

	All Respondents	
	Banks	Percent
Not important	2	50.0
Somewhat important	2	50.0
Very important	0	0.0
Total	4	100.0

h. Customers transitioned from commercial real estate loans to C&I loans

	All Respondents	
	Banks	Percent
Not important	4	100.0
Somewhat important	0	0.0
Very important	0	0.0
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	2	100.0
Somewhat important	0	0.0
Very important	0	0.0
Total	2	100.0

b. Customer accounts receivable financing needs decreased

	All Respondents	
	Banks	Percent
Not important	2	100.0
Somewhat important	0	0.0
Very important	0	0.0
Total	2	100.0

c. Customer investment in plant or equipment decreased

	All Respondents	
	Banks	Percent
Not important	1	33.3
Somewhat important	2	66.7
Very important	0	0.0
Total	3	100.0

d. Customer internally generated funds increased

	All Respondents	
	Banks	Percent
Not important	1	33.3
Somewhat important	2	66.7
Very important	0	0.0
Total	3	100.0

e. Customer merger or acquisition financing needs decreased

	All Respondents	
	Banks	Percent
Not important	1	50.0
Somewhat important	1	50.0
Very important	0	0.0
Total	2	100.0

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

	All Respondents	
	Banks	Percent
Not important	0	0.0
Somewhat important	2	66.7
Very important	1	33.3
Total	3	100.0

g. Customers' precautionary demand for cash and liquidity decreased

	All Respondents	
	Banks	Percent
Not important	1	50.0
Somewhat important	1	50.0
Very important	0	0.0
Total	2	100.0

h. Customers transitioned from C&I loans to commercial real estate loans

	All Respondents	
	Banks	Percent
Not important	2	100.0
Somewhat important	0	0.0
Very important	0	0.0
Total	2	100.0

6. At your bank, apart from normal seasonal variation, 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 or increased C&I lines as opposed to the refinancing of existing loans.)

	All Respondents	
	Banks	Percent
The number of inquiries has increased substantially	0	0.0
The number of inquiries has increased moderately	5	22.7
The number of inquiries has stayed about the same	16	72.7
The number of inquiries has decreased moderately	1	4.5
The number of inquiries has decreased substantially	0	0.0
Total	22	100.0

According to the Federal Reserve's statistical release H.8, "Assets and Liabilities of Commercial Banks in the United States," aggregate C&I loans have increased significantly in the past year. **Questions 7-8** ask about possible reasons for the growth. **Question 9** requests feedback on any factors related to recent C&I loan growth that are not fully addressed in questions 7-8.

7. If your bank's holdings of C&I loans have increased in the past year, approximately what share of the dollar volume of the increase at your bank is attributable to lending that was used to replace debt that was previously provided by nonbank sources of funding?

	All Respondents	
	Banks	Percent
75-100 percent	0	0.0
45-75 percent	1	33.3
25-45 percent	0	0.0
Up to 25 percent	2	66.7
Total	3	100.0

For this question, 13 respondents answered "This has not been a factor for C&I loan growth at my bank."

8. If your bank's holdings of C&I loans have increased in the past year as a result of your customers' replacement of debt from nonbank sources of funding (answers 1 through 4 of question 7), how important has been the replacement of debt from the following nonbank sources of funding?

a. Investment-grade bonds

	All Respondents	
	Banks	Percent
Not important	1	33.3
Somewhat important	1	33.3
Very important	1	33.3
The most important	0	0.0
Total	3	100.0

b. Non-investment-grade or unrated bonds

	All Respondents	
	Banks	Percent
Not important	1	33.3
Somewhat important	1	33.3
Very important	1	33.3
The most important	0	0.0
Total	3	100.0

c. Short-term funding sources, including commercial paper, fed funds, and repurchase agreements

	All Respondents	
	Banks	Percent
Not important	2	66.7
Somewhat important	0	0.0
Very important	1	33.3
The most important	0	0.0
Total	3	100.0

d. Syndicated loans held by nonbanks, including CLOs

	All Respondents	
	Banks	Percent
Not important	2	66.7
Somewhat important	1	33.3
Very important	0	0.0
The most important	0	0.0
Total	3	100.0

e. Loans from finance companies

	All Respondents	
	Banks	Percent
Not important	2	66.7
Somewhat important	1	33.3
Very important	0	0.0
The most important	0	0.0
Total	3	100.0

*The ongoing fiscal and financial strains in Europe may have affected lending conditions and funding options for banks headquartered in Europe and their affiliates and subsidiaries. **Question 10** addresses changes in your bank's lending policies toward these banking organizations over the past three months. **Question 11** addresses changes in these organizations' demand for funding.*

In answering these questions, please consider banks headquartered in Europe and affiliates and subsidiaries of European banks regardless of the location of those affiliates and subsidiaries.

10. Over the past three months, how have your bank's credit standards and terms for approving applications for loans or credit lines to banks headquartered in Europe and their affiliates and subsidiaries (as described in the introduction to these special questions) changed?

	All Respondents	
	Banks	Percent
Tightened considerably	0	0.0
Tightened somewhat	2	14.3
Remained basically unchanged	12	85.7
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	14	100.0

For this question, 6 respondents answered “My bank does not make loans or extend credit lines to banks headquartered in Europe or their affiliates or subsidiaries.”

11. Over the past three months and apart from normal seasonal variation, how has demand for loans at your bank from banks headquartered in Europe and their affiliates and subsidiaries (as described in the introduction to these special questions) changed? (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	1	7.1
About the same	11	78.6
Moderately weaker	2	14.3
Substantially weaker	0	0.0
Total	14	100.0

For this question, 5 respondents answered “My bank does not make loans or extend credit lines to banks headquartered in Europe or their affiliates or subsidiaries.”

Questions 12-13 ask about commercial real estate (CRE) loans at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 12 deals with changes in your bank's standards over the past three months. Question 13 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.

12. Over the past three months, how have your bank's credit standards for approving applications for CRE loans changed?

	All Respondents	
	Banks	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	12	92.3
Eased somewhat	1	7.7
Eased considerably	0	0.0
Total	13	100.0

13. Apart from normal seasonal variation, how has demand for CRE loans changed over the past three months?

	All Respondents	
	Banks	Percent
Substantially stronger	2	15.4
Moderately stronger	3	23.1
About the same	6	46.2
Moderately weaker	2	15.4
Substantially weaker	0	0.0
Total	13	100.0

1. As of June 30, 2012, the 23 respondents had combined assets of \$1.1 trillion, compared to \$2.0 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.