Table 2

Senior Loan Officer Opinion Survey on Bank Lending Practices at Selected Branches and Agencies of Foreign Banks in the United States

(Status of Policy as of October 2018)

***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	0	0.0
Remained basically unchanged	21	95.5
Eased somewhat	1	4.5
Eased considerably	0	0.0
Total	22	100

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	0	0.0
Remained basically unchanged	21	100.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	21	100

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	21	100.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	21	100

c. Costs of credit lines

	All Respondents	
	Banks	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	21	100.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	21	100

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	0	0.0
Remained basically unchanged	18	85.7
Eased somewhat	3	14.3
Eased considerably	0	0.0
Total	21	100

e. Premiums charged on riskier loans

	All Respondents	
	Banks	Percent
Tightened considerably	0	0.0
Tightened somewhat	1	4.8
Remained basically unchanged	20	95.2
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	21	100

f. Loan covenants

	All Respondents	
	Banks	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	20	95.2
Eased somewhat	1	4.8
Eased considerably	0	0.0
Total	21	100

g. Collateralization requirements

	All Respondents	
	Banks	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	21	100.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	21	100

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	20	95.2
Eased somewhat	1	4.8
Eased considerably	0	0.0
Total	21	100

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.)

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

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

Responses are not reported when the number of respondents is 3 or fewer.

b. Less favorable or more uncertain economic outlook

Responses are not reported when the number of respondents is 3 or fewer.

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

Responses are not reported when the number of respondents is 3 or fewer.

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

Responses are not reported when the number of respondents is 3 or fewer.

e. Reduced tolerance for risk

Responses are not reported when the number of respondents is 3 or fewer.

f. Decreased liquidity in the secondary market for these loans

Responses are not reported when the number of respondents is 3 or fewer.

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

Responses are not reported when the number of respondents is 3 or fewer.

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

Responses are not reported when the number of respondents is 3 or fewer.

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	3	75.0
Somewhat important	1	25.0
Very important	0	0.0
Total	4	100

b. More favorable or less uncertain economic outlook

	All Respondents	
	Banks	Percent
Not important	3	75.0
Somewhat important	1	25.0
Very important	0	0.0
Total	4	100

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

	All Respondents	
	Banks	Percent
Not important	4	100.0
Somewhat important	0	0.0
Very important	0	0.0
Total	4	100

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

	All Respondents	
	Banks	Percent
Not important	0	0.0
Somewhat important	1	25.0
Very important	3	75.0
Total	4	100

e. Increased tolerance for risk

	All Respondents	
	Banks	Percent
Not important	4	100.0
Somewhat important	0	0.0
Very important	0	0.0
Total	4	100

f. Increased liquidity in the secondary market for these loans

	All Respondents	
	Banks	Percent
Not important	3	75.0
Somewhat important	1	25.0
Very important	0	0.0
Total	4	100

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

	All Respondents	
	Banks	Percent
Not important	4	100.0
Somewhat important	0	0.0
Very important	0	0.0
Total	4	100

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

	All Respondents	
	Banks	Percent
Not important	3	75.0
Somewhat important	1	25.0
Very important	0	0.0
Total	4	100

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	1	4.8
About the same	19	90.5
Moderately weaker	1	4.8
Substantially weaker	0	0.0
Total	21	100

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.)

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

a. Customer inventory financing needs increased

Responses are not reported when the number of respondents is 3 or fewer.

b. Customer accounts receivable financing needs increased

Responses are not reported when the number of respondents is 3 or fewer.

c. Customer investment in plant or equipment increased

Responses are not reported when the number of respondents is 3 or fewer.

d. Customer internally generated funds decreased

Responses are not reported when the number of respondents is 3 or fewer.

e. Customer merger or acquisition financing needs increased

Responses are not reported when the number of respondents is 3 or fewer.

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

Responses are not reported when the number of respondents is 3 or fewer.

g. Customer precautionary demand for cash and liquidity increased

Responses are not reported when the number of respondents is 3 or fewer.

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

a. Customer inventory financing needs decreased

Responses are not reported when the number of respondents is 3 or fewer.

b. Customer accounts receivable financing needs decreased

Responses are not reported when the number of respondents is 3 or fewer.

c. Customer investment in plant or equipment decreased

Responses are not reported when the number of respondents is 3 or fewer.

d. Customer internally generated funds increased

Responses are not reported when the number of respondents is 3 or fewer.

e. Customer merger or acquisition financing needs decreased

Responses are not reported when the number of respondents is 3 or fewer.

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

Responses are not reported when the number of respondents is 3 or fewer.

g. Customer precautionary demand for cash and liquidity decreased

Responses are not reported when the number of respondents is 3 or fewer.

6. At your bank, apart from 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	2	9.1
The number of inquiries has stayed about the same	19	86.4
The number of inquiries has decreased moderately	1	4.5
The number of inquiries has decreased substantially	0	0.0
Total	22	100

Questions 7-8 *ask about commercial real estate (CRE) loans at your bank, including construction and land development loans and loans secured by nonfarm nonresidential properties. 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 CRE loans or credit lines changed?

	All Respondents	
	Banks	**Percent**
Tightened considerably	0	0.0
Tightened somewhat	1	7.1
Remained basically unchanged	13	92.9
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	14	100

For this question, 6 respondents answered "My bank does not originate CRE loans."

8. Apart from normal seasonal variation, how has demand for CRE loans or credit lines changed over the past three months? (Please consider the number of requests for new spot loans, for disbursement of funds under existing loan

commitments, and for new or increased credit lines.)

	All Respondents	
	Banks	Percent
Substantially stronger	0	0.0
Moderately stronger	1	7.1
About the same	13	92.9
Moderately weaker	0	0.0
Substantially weaker	0	0.0
Total	14	100

Please consider a hypothetical scenario in which your bank is operating in an interest rate environment in which there is a moderate inversion of the U.S. Treasury yield curve. In particular, please assume that the 3-month Treasury bill yield remains at its current level and the 10-year Treasury yield falls moderately below that level, and that this situation prevails over the next year. The following questions ask how your bank's credit standards or price terms across the major loan categories of business lending would likely change in response to that hypothetical scenario.

9. How has the flattening of the yield curve this year affected your bank's credit standards and price terms for the following loan categories? (Please consider how the flattening of the yield curve has affected your bank's lending policies this year independent of other factors that have influenced those policies.)

A. In response to the yield curve flattening since the start of this year, my bank's credit standards for:

a. C&I loans or credit lines are currently:

	All Respondents	
	Banks	Percent
Substantially tighter than they would have otherwise been	0	0.0
Somewhat tighter than they would have otherwise been	0	0.0
Basically unchanged compared to where they would would have otherwise been	22	100.0
Somewhat easier than they would have otherwise been	0	0.0
Substantially easier than they would have otherwise been	0	0.0
Total	22	100

b. Loans or credit lines secured by commercial real estate (CRE loans) are currently:

	All Respondents	
	Banks	Percent
Substantially tighter than they would have otherwise been	0	0.0
Somewhat tighter than they would have otherwise been	0	0.0
Basically unchanged compared to where they would would have otherwise been	12	100.0
Somewhat easier than they would have otherwise been	0	0.0
Substantially easier than they would have otherwise been	0	0.0
Total	12	100

For this question, 6 respondents answered "My bank does not originate CRE loans."

B. In response to the yield curve flattening since the start of this year, my bank's price terms (e.g., loan spreads over my bank's cost of funds or premia charged for risker loans, for which a higher spread or premium represents a tightening in those terms) for:

a. C&I loans or credit lines are currently:

	All Respondents	
	Banks	Percent
Substantially tighter than they would have otherwise been	0	0.0
Somewhat tighter than they would have otherwise been	2	9.5
Basically unchanged compared to where they would would have otherwise been	18	85.7
Somewhat easier than they would have otherwise been	1	4.8
Substantially easier than they would have otherwise been	0	0.0
Total	21	100

b. Loans or credit lines secured by commercial real estate (CRE loans) are currently:

	All Respondents	
	Banks	Percent
Substantially tighter than they would have otherwise been	0	0.0
Somewhat tighter than they would have otherwise been	2	16.7
Basically unchanged compared to where they would would have otherwise been	9	75.0
Somewhat easier than they would have otherwise been	1	8.3
Substantially easier than they would have otherwise been	0	0.0
Total	12	100

10. To the extent that your bank's credit standards or price terms have changed in response to the flattening of the yield curve since the start of this year, what are the most important reasons for the changes? (Please respond to A if you indicated a tightening in standards or price terms in responding to any of the preceding questions in Question 9, B if you indicated an easing in standards or price terms in responding to any of the preceding questions in Question 9, or both, as appropriate).

A. Possible reasons why my bank's credit standards or price terms are currently tighter than they would have been had the yield curve not flattened

1. Relative to my bank's cost of funds, the lending categories for which my bank tightened its credit policies became less profitable

Responses are not reported when the number of respondents is 3 or fewer.

2. As a result of the yield curve flattening, my bank chose to cut back on its fixed rate lending

Responses are not reported when the number of respondents is 3 or fewer.

3. As a result of the yield curve flattening, my bank chose to cut back on its floating rate lending

Responses are not reported when the number of respondents is 3 or fewer.

4. As a result of the flattening of the yield curve, my bank's risk tolerance decreased

Responses are not reported when the number of respondents is 3 or fewer.

5. My bank interpreted the flattening of the yield curve as signaling a less favorable or more uncertain economic outlook

Responses are not reported when the number of respondents is 3 or fewer.

6. My bank interpreted the flattening of the yield curve as likely being followed by a deterioration in the quality of my bank's existing loan portfolio

Responses are not reported when the number of respondents is 3 or fewer.

7. As a result of the flattening of the yield curve, my bank experienced less aggressive competition from other banks or nonbank lenders

Responses are not reported when the number of respondents is 3 or fewer.

8. As a result of the flattening of the yield curve, the resale value of loans in the secondary market became lower or more uncertain

Responses are not reported when the number of respondents is 3 or fewer.

B. Possible reasons why my bank's credit standards or price terms are currently easier than they would have been had the yield curve not flattened

1. Relative to my bank's cost of funds, the lending categories for which my bank eased its credit policies became more profitable

Responses are not reported when the number of respondents is 3 or fewer.

2. As a result of the yield curve flattening, my bank chose to cut back on its fixed rate lending

Responses are not reported when the number of respondents is 3 or fewer.

3. As a result of the yield curve flattening, my bank chose to cut back on its floating rate lending

Responses are not reported when the number of respondents is 3 or fewer.

4. As a result of the flattening of the yield curve, my bank's risk tolerance decreased

Responses are not reported when the number of respondents is 3 or fewer.

5. My bank interpreted the flattening of the yield curve as signaling a less favorable or more uncertain economic outlook

Responses are not reported when the number of respondents is 3 or fewer.

6. My bank interpreted the flattening of the yield curve as likely being followed by a deterioration in the quality of my bank's existing loan portfolio

Responses are not reported when the number of respondents is 3 or fewer.

7. As a result of the flattening of the yield curve, my bank experienced less aggressive competition from other banks or nonbank lenders

Responses are not reported when the number of respondents is 3 or fewer.

8. As a result of the flattening of the yield curve, the resale value of loans in the secondary market became lower or more uncertain

Responses are not reported when the number of respondents is 3 or fewer.

11. How would that hypothetical moderate inversion of the yield curve over the next year likely affect your current credit standards and price terms for the following loan categories? (Please consider the hypothetical effects of the inverted yield curve on your bank's credit policies independent of other factors that may also be expected to influence those policies.)

A. Were the yield curve to experience a moderate inversion over the next year, my bank's credit standards for:

a. C&I loans or credit lines would likely:

	All Respondents	
	Banks	**Percent**
Tighten substantially	0	0.0
Tighten somewhat	4	19.0
Remain basically unchanged	17	81.0
Ease somewhat	0	0.0
Ease substantially	0	0.0
Total	21	100

b. Loans or credit lines secured by commercial real estate (CRE loans) would likely:

	All Respondents	
	Banks	Percent
Tighten substantially	0	0.0
Tighten somewhat	5	41.7
Remain basically unchanged	7	58.3
Ease somewhat	0	0.0
Ease substantially	0	0.0
Total	12	100

B. Were the yield curve to experience a moderate inversion over the next year, my bank's price terms for: a. C&I loans or credit lines would likely:

a. C&I loans or credit lines would likely:

	All Respondents	
	Banks	Percent
Tighten substantially	0	0.0
Tighten somewhat	5	22.7
Remain basically unchanged	16	72.7
Ease somewhat	1	4.5
Ease substantially	0	0.0
Total	22	100

b. Loans or credit lines secured by commercial real estate (CRE loans) would likely:

	All Respondents	
	Banks	Percent
Tighten substantially	0	0.0
Tighten somewhat	5	41.7
Remain basically unchanged	6	50.0
Ease somewhat	1	8.3
Ease substantially	0	0.0
Total	12	100

12. To the extent that your bank would likely change its credit standards or price terms in response to a moderate inversion of the yield curve over the next year, what would likely be the most important reasons for the changes? (Please respond to A if you indicated a tightening in standards or terms in responding to any of the preceding questions in Question 11, B if you indicated an easing in standards or terms in responding to any of the preceding questions in Question 11, or both, as appropriate).

A. Possible reasons my bank would expect to tighten its credit standards or price terms in response to a moderate inversion of the yield curve over the next year

1. Relative to my bank's cost of funds, the lending categories for which my bank would tighten its credit policies would become less profitable

	All Respondents	
	Banks	Percent
Not important	2	40.0
Somewhat important	2	40.0
Very important	1	20.0
Total	5	100

2. As a result of a moderate inversion of the yield curve over the next year, my bank would choose to cut back on its fixed rate lending

	All Respondents	
	Banks	Percent
Not important	5	100.0
Somewhat important	0	0.0
Very important	0	0.0
Total	5	100

3. As a result of a moderate inversion of the yield curve over the next year, my bank would choose to cut back on its floating rate lending

	All Respondents	
	Banks	Percent
Not important	5	100.0
Somewhat important	0	0.0
Very important	0	0.0
Total	5	100

4. As a result of a moderate inversion of the yield curve over the next year, my bank's risk tolerance would decrease

	All Respondents	
	Banks	Percent
Not important	2	40.0
Somewhat important	3	60.0
Very important	0	0.0
Total	5	100

5. My bank would interpret a moderate inversion of the yield curve over the next year as signaling a less favorable or more uncertain economic outlook

	All Respondents	
	Banks	Percent
Not important	0	0.0
Somewhat important	1	20.0
Very important	4	80.0
Total	5	100

6. My bank would interpret a moderate inversion of the yield curve over the next year as likely being followed by a deterioration in the quality of my bank's existing loan portfolio

	All Respondents	
	Banks	Percent
Not important	0	0.0
Somewhat important	3	60.0
Very important	2	40.0
Total	5	100

7. As a result of a moderate inversion of the yield curve over the next year, my bank would experience less aggressive competition from other banks or nonbank lenders

	All Respondents	
	Banks	Percent
Not important	2	40.0
Somewhat important	2	40.0
Very important	1	20.0
Total	5	100

8. As a result of a moderate inversion of the yield curve over the next year, the resale value of loans in the secondary market would become lower or more uncertain

	All Respondents	
	Banks	Percent
Not important	2	33.3
Somewhat important	2	33.3
Very important	2	33.3
Total	6	100

B. Possible reasons my bank would ease its credit standards or price terms in response to a moderate inversion of the yield curve over the next year

1. Relative to my bank's cost of funds, the lending categories for which my bank would ease its credit policies would become more profitable

Responses are not reported when the number of respondents is 3 or fewer.

2. As a result of a moderate inversion of the yield cover over the next year, my bank would choose to increase its fixed rate lending

Responses are not reported when the number of respondents is 3 or fewer.

3. As a result of a moderate inversion of the yield cover over the next year, my bank would choose to increase its floating rate lending

Responses are not reported when the number of respondents is 3 or fewer.

4. As a result of a moderate inversion of the yield cover over the next year, my bank's risk tolerance would increase

Responses are not reported when the number of respondents is 3 or fewer.

5. My bank would interpret a moderate inversion of the yield curve over the next year as signaling a more favorable or less uncertain economic outlook

Responses are not reported when the number of respondents is 3 or fewer.

6. My bank would interpret a moderate inversion of the yield over the next year as likely being followed by an improvement in the quality of my bank's existing loan portfolio

Responses are not reported when the number of respondents is 3 or fewer.

7. As a result of a moderate inversion of the yield curve over the next year, my bank would experience more aggressive competition from other banks or nonbank lenders

Responses are not reported when the number of respondents is 3 or fewer.

8. As a result of a moderate inversion of the yield curve over the next year, the resale value of loans in the secondary market would become higher or less uncertain

Responses are not reported when the number of respondents is 3 or fewer.

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1. As of June 30, 2018, the 22 respondents had combined assets of $1.5 trillion, compared to $2.5 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.