

## **The August 1997 Senior Loan Officer Opinion Survey on Bank Lending Practices**

The August 1997 Senior Loan Officer Opinion Survey on Bank Lending Practices (covering, for the most part, changes over the preceding three months) posed questions about bank lending standards and terms, loan demand by businesses and households, and securities backed by commercial mortgages.

Increased competition for business credit apparently led large percentages of surveyed banks to ease terms on commercial and industrial and commercial real estate loans over the past three months. Furthermore, a small, but significant, share of banks reported easing standards on commercial real estate loans. Demand for C&I and commercial real estate loans strengthened at many of the respondents.

Banks again reported tightening standards on consumer loans, but the percentage that tightened was lower than in recent surveys. Moreover, several banks expressed increased willingness to make these loans. Demand for consumer loans reportedly declined.

### **Lending to Businesses**

(Table 1, questions 1-9, 18, and 19; table 2, questions 1-9)

A small net percentage of the domestic respondents--about 5 percent--reported easing standards for C&I loans to large and middle market firms and to small businesses over the past three months (chart). About 40 percent, on net, narrowed spreads of C&I loan rates over their bank's cost of funds on loans to large and middle market borrowers, and about 25 percent, on net, narrowed spreads on loans to small businesses. Similar percentages indicated lower costs of credit lines, and smaller percentages eased other terms including the maximum size of credit lines, loan covenants, and collateralization requirements. The degree of easing found in the August survey is similar to that found in the January and May surveys. Those banks that eased said they did so because of increased competition from other banks, and, to a lesser extent, from nonbank lenders. Foreign respondents reported no change in standards for C&I loans, and only a few indicated a change in terms.

Increased demand for C&I loans, on net, from large and middle-market borrowers and from small business borrowers was reported by 15 percent and 20 percent, respectively, of the domestic banks. Respondents attributed the increased demand to greater customer financing needs for mergers and acquisitions,

plant and equipment investment, and inventories. Foreign respondents reported essentially no change in demand for C&I loans.

The survey results suggest that banks are cautiously increasing their participation in the market for commercial real estate loans. More than 10 percent of the domestic respondents, on net, reported easing standards for these loans over the past three months. The three preceding surveys also found small net percentages easing standards on these loans, and the August results mark the largest, albeit still modest, net percentage easing since the question was added to the survey in 1990. In addition, two-fifths of the domestic respondents narrowed spreads on these loans over the past three months and smaller fractions increased maximum loan sizes, extended maximum loan maturities, and eased pre-leasing or pre-sale agreements. The survey found little change in required loan-to-value ratios, requirements for take-out financing, and debt-service coverage ratios. Foreign respondents reported essentially no change in standards and, other than a few that narrowed spreads, little change in terms. Increased competition was reportedly the principal reason for the eased standards and terms, although many banks also cited improvements in the condition of or the outlook for commercial real estate. About 15 percent of the domestic and 25 percent of the foreign respondents reported increased demand for commercial real estate loans.

### **Lending to Households**

(Table 1, questions 10-17)

The August survey was the seventh in a row that found a tightening in standards for loans to households. However, the net percentages tightening were smaller in August, suggesting that more banks may now believe they have adjusted their lending stance appropriately to the deterioration in the performance of these loans that occurred over the past two years. In August, less than 25 percent of the respondents said they had tightened standards for credit card applications over the past three months and less than 10 percent, on net, had tightened standards for other consumer loans. These percentages, while significant, are about half those found in May. One-fourth of the respondents also lowered credit limits on credit card lines, although only small net fractions of banks tightened other terms on consumer loans. Despite these tighter standards and terms, about 10 percent of the banks, on net, said that their willingness to make consumer installment loans had increased over the past three months, the largest net percentage expressing increased willingness since the May 1995 survey (chart). About 10 percent of the respondents, on net, reported decreased demand for consumer loans.

Banks reported essentially no change in their standards for approving applications for mortgage loans to purchase homes. Twenty percent of the respondents, on net, reported increased demand for these loans.

### **Commercial Mortgage-Backed Securities**

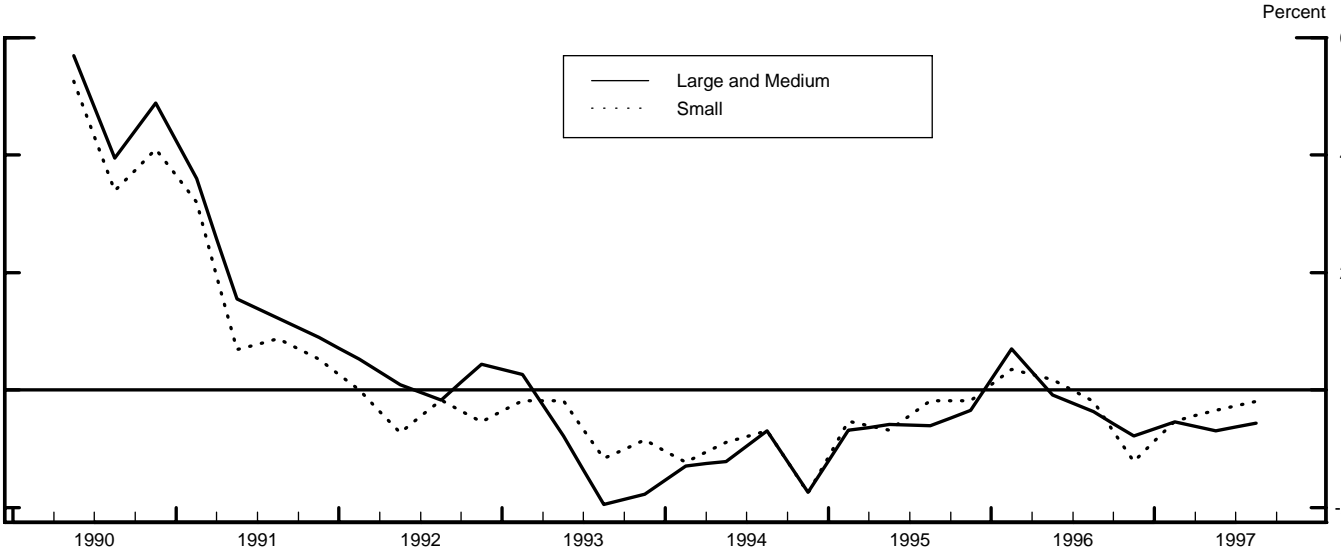
(Table 1, questions 20-26; table 2, questions 10-16)

Special questions on the survey asked about banks' issuance and holdings of commercial mortgage-backed securities, which have grown rapidly in recent years. About one-fourth of the domestic respondents, concentrated among the larger banks, and one-fifth of the foreign respondents had securitized commercial mortgages. Almost all the respondents that had securitized commercial mortgages had done so, at least in part, through a conduit program. These programs are typically arrangements sponsored by an investment bank to package loans originated by correspondent lenders. The investment bank establishes lending guidelines under which the correspondents originate their loans, thus promoting uniformity in the loans backing the securities.

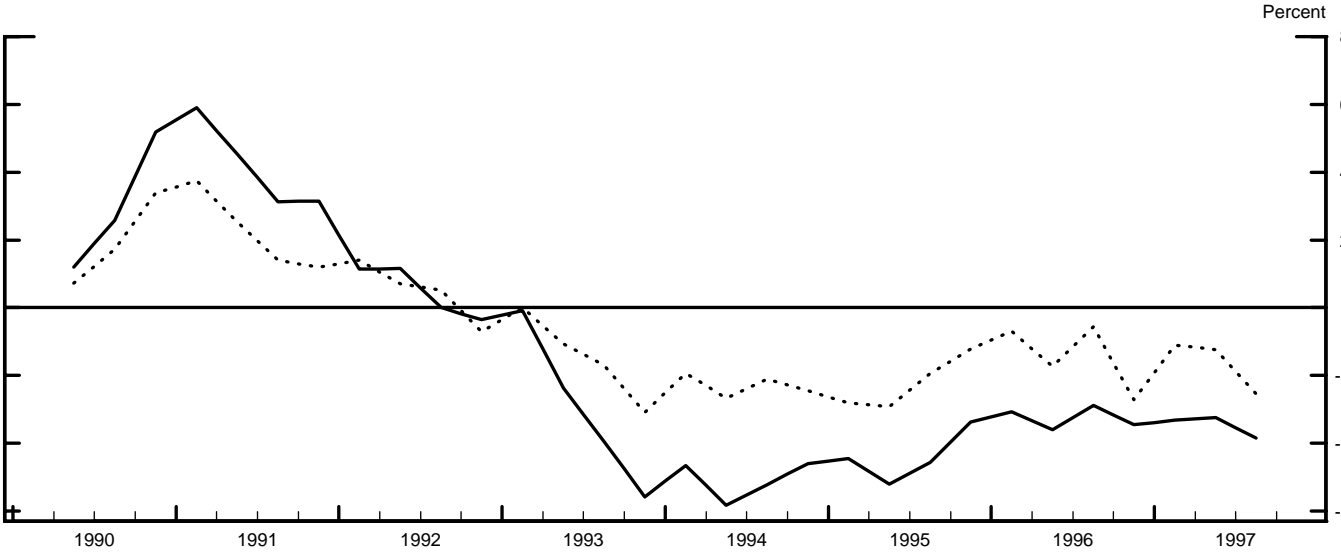
About half of those banks that had securitized commercial mortgages retained at least some of the servicing responsibilities for them. Only a couple of the banks retained junior or senior classes of the securities backed by the commercial mortgages they had originated. However, about one-fourth of the respondents, especially the larger respondents, did hold some commercial mortgage-backed securities.

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

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



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

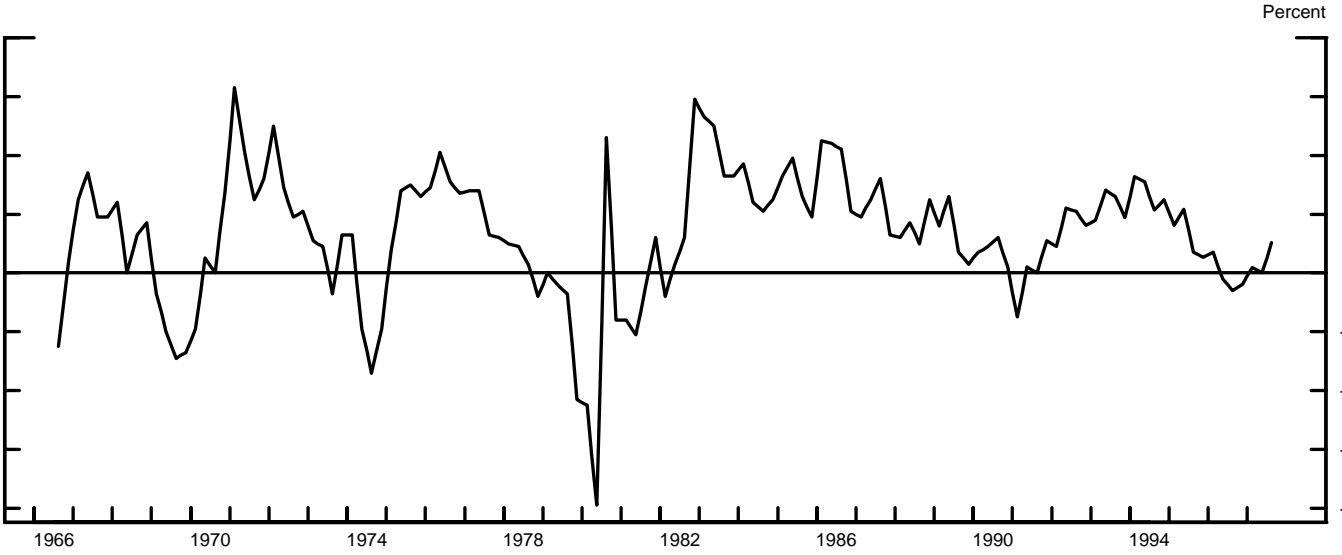


## Net Percentage of Domestic Respondents Reporting Stronger Demand for C&I Loans

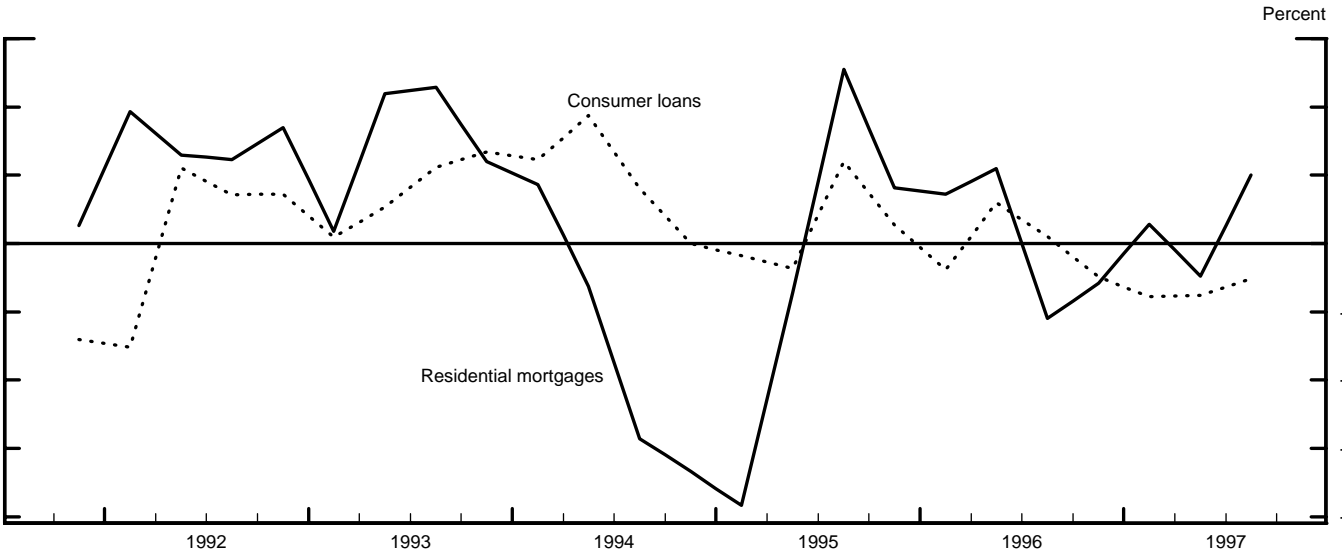


# Measures of Supply and Demand for Loans to Households

Net Percentage of Domestic Respondents Indicating More Willingness to Make Consumer Installment Loans



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



Net Percentage of Domestic Respondents Tightening Standards for Mortgages to Individuals

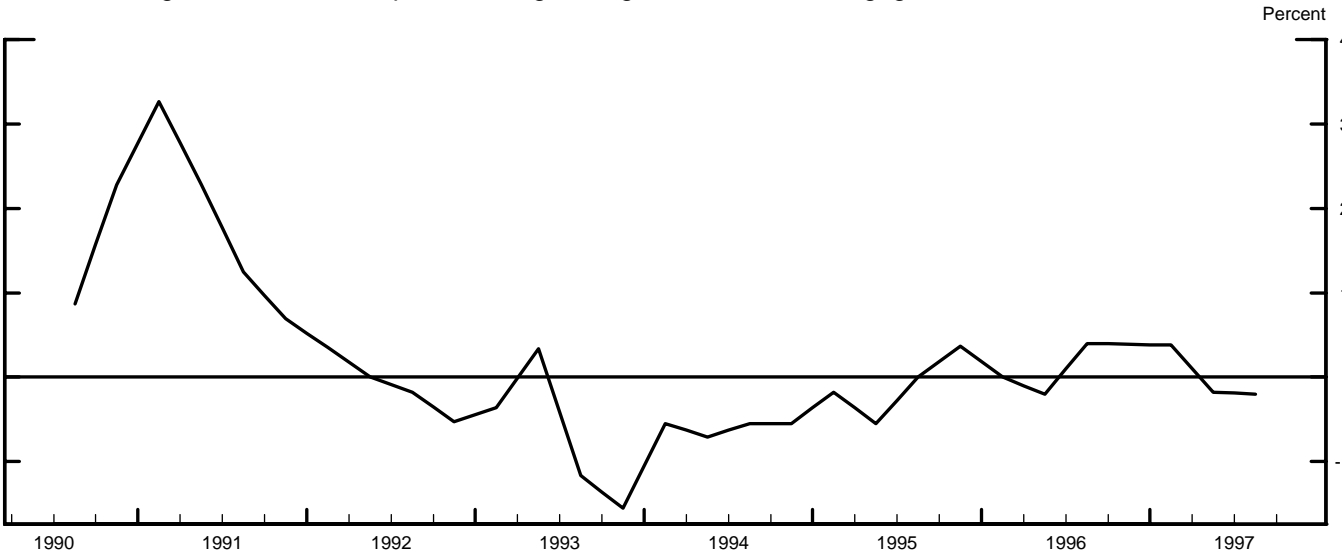


Table 1

SENIOR LOAN OFFICER OPINION SURVEY ON BANK LENDING PRACTICES  
AT SELECTED LARGE BANKS IN THE UNITED STATES  
(Status of policy as of August 1997)

(Number of banks and percentage of banks answering question)  
(By volume of total domestic assets, in \$billions, as of March 31, 1997<sup>1</sup>)

**Questions 1-7 ask about commercial and industrial loans at your bank: Questions 1-4 deal with changes in your bank's lending policies over the past three months, and questions 5-7 deal with changes in demand over the same period. 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 more than \$50 million)

	All Respondents		\$15.0 and over		Under \$15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	3	5.8	1	3.6	2	8.3
Remained basically unchanged	43	82.7	21	75.0	22	91.7
Eased somewhat	6	11.5	6	21.4	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>52</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>

b. Standards for small firms (annual sales of less than \$50 million)

	All Respondents		\$15.0 and over		Under \$15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	1	2.0	1	3.8	0	0.0
Tightened somewhat	2	3.9	1	3.8	1	4.0
Remained basically unchanged	44	86.3	21	80.8	23	92.0
Eased somewhat	4	7.8	3	11.5	1	4.0
Eased considerably	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>51</b>	<b>100.0</b>	<b>26</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>

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1. As of March 31, 1997, 31 respondents had domestic assets of \$15 billion or more; combined assets of these banks totaled \$1.3 trillion, compared to \$1.49 trillion for the entire panel of 54 banks, and \$4.0 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 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	\$15.0 and over	Under \$15.0
	Mean	Mean	Mean
Maximum size of credit lines	3.08	3.07	3.08
Costs of credit lines	3.31	3.46	3.13
Spreads of loan rates over your bank's cost of funds	3.38	3.57	3.17
Loan covenants	3.17	3.18	3.17
Collateralization requirements	3.06	3.04	3.08
Other	3.04	3.07	3.00
Number of banks responding	52	28	24

3. For applications for C&I loans or credit lines--other than those to be used to finance mergers and acquisitions--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 (tightened considerably) and 5 (eased considerably) as in question 2.)

	All Respondents	\$15.0 and over	Under \$15.0
	Mean	Mean	Mean
Maximum size of credit lines	3.06	3.12	3.00
Costs of credit lines	3.24	3.35	3.12
Spreads of loan rates over your bank's cost of funds	3.25	3.38	3.12
Loan covenants	3.12	3.15	3.08
Collateralization requirements	3.02	3.04	3.00
Other	3.06	3.08	3.04
Number of banks responding	51	26	25

4. 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 1-3), how important have been the following possible reasons for the change? (Please respond to either A or B or both as appropriate.) (Please 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	\$15.0 and over	Under \$15.0
	Mean	Mean	Mean
A deterioration in your bank's current or expected capital position	1.20	1.20	1.20
A less favorable economic outlook	1.80	1.40	2.20
A worsening of industry-specific problems	1.60	1.80	1.40
Less aggressive competition from other commercial banks	1.30	1.60	1.00
Less aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.30	1.60	1.00
Reduced tolerance for risk	1.70	1.80	1.60
Other	1.40	1.40	1.40
Number of banks responding	10	5	5

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

	All Respondents	\$15.0 and over	Under \$15.0
	Mean	Mean	Mean
An improvement in your bank's current or expected capital position	1.00	1.00	1.00
A more favorable economic outlook	1.38	1.26	1.60
An improvement in industry-specific problems	1.24	1.21	1.30
More aggressive competition from other commercial banks	2.62	2.63	2.60
More aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	2.17	2.32	1.90
Increased tolerance for risk	1.24	1.16	1.40
Other	1.14	1.00	1.40
Number of banks responding	29	19	10

5. For large and middle-market firms, how has demand for C&I loans (actual extensions of credit as opposed to undrawn lines) changed over the past three months (apart from normal seasonal variation)?

	All Respondents		\$15.0 and over		Under \$15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	15	28.8	11	39.3	4	16.7
About the same	29	55.8	16	57.1	13	54.2
Moderately weaker	8	15.4	1	3.6	7	29.2
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	52	100.0	28	100.0	24	100.0



6. For small firms, how has demand for C&I loans (actual extensions of credit as opposed to undrawn lines) changed over the past three months (apart from normal seasonal variation)?

	All Respondents		\$15.0 and over		Under \$15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	15	29.4	11	42.3	4	16.0
About the same	31	60.8	14	53.8	17	68.0
Moderately weaker	5	9.8	1	3.8	4	16.0
Substantially weaker	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>51</b>	<b>100.0</b>	<b>26</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>

7. If demand for C&I loans has strengthened or weakened over the past three months (as described in questions 5 and 6), how important have been the following possible reasons for the change? (Please respond to either A or B or both as appropriate.) (Please 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 5 or 6), possible reasons:

	All Respondents	\$15.0 and over	Under \$15.0
	Mean	Mean	Mean
Customer inventory financing needs increased	1.79	1.71	2.00
Customer investment in plant or equipment increased	1.89	1.79	2.20
Customer internally generated funds decreased	1.26	1.21	1.40
Customer borrowing shifted from other sources to your bank because these other sources became less attractive	1.53	1.64	1.20
Customer merger or acquisition financing increased	1.95	2.00	1.80
Other	1.21	1.14	1.40
<b>Number of banks responding</b>	<b>19</b>	<b>14</b>	<b>5</b>

B. If weaker loan demand (answer 4 or 5 to question 5 or 6), possible reasons:

	All Respondents	\$15.0 and over	Under \$15.0
	Mean	Mean	Mean
Customer inventory financing needs decreased	1.75	2.00	1.71
Customer investment in plant or equipment decreased	1.75	2.00	1.71
Customer internally generated funds increased	1.63	1.00	1.71
Customer borrowing shifted from your bank to other sources because these other sources became more attractive	1.88	1.00	2.00
Customer merger or acquisition financing decreased	1.13	1.00	1.14
Other	1.13	1.00	1.14
<b>Number of banks responding</b>	<b>8</b>	<b>1</b>	<b>7</b>

**Questions 8 and 9** ask about **commercial real estate loans** at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate: Question 8 deals with changes in your bank's credit standards over the past three months, and question 9 deals with changes in demand over the same period. If your bank's credit standards have not changed over the past three months, 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 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 standards as changes in standards. **Additional questions (18-26) on commercial real estate lending practices are at the end of the survey.**

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

	All Respondents		\$15.0 and over		Under \$15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	4	7.5	1	3.6	3	12.0
Remained basically unchanged	39	73.6	19	67.9	20	80.0
Eased somewhat	10	18.9	8	28.6	2	8.0
Eased considerably	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>53</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>

9. Over the past three months, how has demand for commercial real estate loans changed (apart from normal seasonal variation)?

	All Respondents		\$15.0 and over		Under \$15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially stronger	1	1.9	0	0.0	1	4.0
Moderately stronger	13	24.5	11	39.3	2	8.0
About the same	33	62.3	15	53.6	18	72.0
Moderately weaker	6	11.3	2	7.1	4	16.0
Substantially weaker	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>53</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>

**Questions 10 and 11** ask about **home mortgage loans** at your bank: Question 10 deals with changes in your bank's credit standards over the past three months, and question 11 deals with changes in demand over the same period. If your bank's credit standards have not changed over the past three months, 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 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 standards as changes in standards.

10. 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		\$15.0 and over		Under \$15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	0	0.0	0	0.0	0	0.0
Remained basically unchanged	49	98.0	25	96.2	24	100.0
Eased somewhat	1	2.0	1	3.8	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>50</b>	<b>100.0</b>	<b>26</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>

11. Over the past three months, how has demand for mortgages to purchase homes changed (apart from normal seasonal variation)?

	All Respondents		\$15.0 and over		Under \$15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially stronger	1	2.0	1	3.8	0	0.0
Moderately stronger	17	34.0	11	42.3	6	25.0
About the same	24	48.0	10	38.5	14	58.3
Moderately weaker	8	16.0	4	15.4	4	16.7
Substantially weaker	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>50</b>	<b>100.0</b>	<b>26</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>

**Questions 12-17** ask about **consumer lending** at your bank: Questions 12-14 deal with changes in your bank's willingness to make, and in its credit standards for, consumer loans over the past three months; questions 15 and 16 deal with changes in loan terms over the same period; and question 17 deals with changes in demand over the same period. 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.

12. Please indicate your bank's willingness to make consumer installment loans now as opposed to three months ago.

	All Respondents		\$15.0 and over		Under \$15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Much more	1	2.1	1	4.0	0	0.0
Somewhat more	5	10.4	2	8.0	3	13.0
About unchanged	40	83.3	21	84.0	19	82.6
Somewhat less	2	4.2	1	4.0	1	4.3
Much less	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>48</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>

13. 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		\$15.0 and over		Under \$15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	2	4.7	1	4.3	1	5.0
Tightened somewhat	8	18.6	4	17.4	4	20.0
Remained basically unchanged	33	76.7	18	78.3	15	75.0
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>43</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>	<b>20</b>	<b>100.0</b>

14. 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		\$15.0 and over		Under \$15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	9	18.8	5	20.0	4	17.4
Remained basically unchanged	34	70.8	16	64.0	18	78.3
Eased somewhat	5	10.4	4	16.0	1	4.3
Eased considerably	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>48</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>

15. Over the past three months, how has your bank changed the following terms 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	\$15.0 and over	Under \$15.0
	Mean	Mean	Mean
Credit limits	2.76	2.70	2.83
Spreads of interest rates charged on outstanding balances over your bank's cost of funds	2.93	2.91	2.94
Minimum percentage of outstanding balances required to be repaid each month	3.02	3.04	3.00
Other	2.95	2.91	3.00
Number of banks responding	41	23	18

16. Over the past three months, how has your bank changed the following terms on consumer loans excluding credit card loans? (Please assign each term a number between 1 (tightened considerably) and 5 (eased considerably) as in question 15.)

	All Respondents	\$15.0 and over	Under \$15.0
	Mean	Mean	Mean
Maximum maturity	3.04	3.04	3.05
Spreads of loan rates over your bank's cost of funds	2.93	2.92	2.95
Minimum required down payment	3.04	3.00	3.10
Other	2.93	2.92	2.95
Number of banks responding	46	25	21

17. Over the past three months, how has demand for consumer loans of all types changed (apart from normal seasonal variation)?

	All Respondents		\$15.0 and over		Under \$15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	5	10.4	4	16.0	1	4.3
About the same	33	68.8	17	68.0	16	69.6
Moderately weaker	10	20.8	4	16.0	6	26.1
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	48	100.0	25	100.0	23	100.0

**Questions 18-26 are additional questions on commercial real estate lending.**

18. Over the past three months, how has your bank changed the following terms on commercial real estate loans, including construction and land development loans and loans secured by nonfarm nonresidential real estate? (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	\$15.0 and over	Under \$15.0
	Mean	Mean	Mean
Maximum loan size	3.13	3.18	3.08
Maximum loan maturity	3.10	3.14	3.04
Spreads of loan rates over your bank's cost of funds	3.38	3.39	3.38
Loan-to-value ratios	3.04	3.04	3.04
Requirements for take-out financing	3.02	3.04	3.00
Pre-leasing or pre-sale requirements	3.12	3.14	3.08
Debt-service coverage ratios	2.98	3.00	2.96
Other	3.04	3.07	3.00
Number of banks responding	52	28	24

19. If your bank has tightened or eased its standards or terms on commercial real estate loans over the past three months (as described in questions 8 and 18), how important have been the following possible reasons for the change? (Please respond to either A or B or both as appropriate.) (Please 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	\$15.0 and over	Under \$15.0
	Mean	Mean	Mean
A less favorable economic outlook	1.50	1.00	1.60
A worsening of the condition of or the outlook for commercial real estate	1.67	2.00	1.60
A reduced confidence in take-out financing arrangements	1.50	1.00	1.60
Less aggressive competition from other commercial banks	1.33	1.00	1.40
Less aggressive competition from nonbank lenders	1.33	1.00	1.40
Other	1.50	1.00	1.60
Number of banks responding	6	1	5

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

	All Respondents	\$15.0 and over	Under \$15.0
	Mean	Mean	Mean
A more favorable economic outlook	1.33	1.33	1.33
An improvement in the condition of or the outlook for commercial real estate	1.50	1.56	1.42
An increased confidence in take-out financing arrangements	1.33	1.33	1.33
More aggressive competition from other commercial banks	2.53	2.44	2.67
More aggressive competition from nonbank lenders	2.03	1.94	2.17
A more developed market for securities collateralized by these loans has increased the loans' liquidity	1.53	1.61	1.42
Other	1.17	1.17	1.17
Number of banks responding	30	18	12

**Commercial mortgage-backed securities** have grown rapidly in recent years. Questions 20-26 ask about these securities.

20. Does your bank hold any commercial mortgage-backed securities?

	All Respondents		\$15.0 and over		Under \$15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Yes	14	27.5	11	39.3	3	13.0
No	37	72.5	17	60.7	20	87.0
<b>Total</b>	<b>51</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>

21. Does your bank securitize commercial mortgages? (If not, please skip questions 22 to 26.)

	All Respondents		\$15.0 and over		Under \$15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Yes, frequently	9	18.4	8	29.6	1	4.5
Yes, rarely	4	8.2	3	11.1	1	4.5
No	36	73.5	16	59.3	20	90.9
<b>Total</b>	<b>49</b>	<b>100.0</b>	<b>27</b>	<b>100.0</b>	<b>22</b>	<b>100.0</b>

22. Many banks originate commercial mortgages for sale and distribution through a conduit program jointly sponsored with an investment bank. Does your bank participate in a conduit program for securitizing commercial mortgages?

	All Respondents		\$15.0 and over		Under \$15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Yes	12	80.0	11	91.7	1	33.3
No	3	20.0	1	8.3	2	66.7
<b>Total</b>	<b>15</b>	<b>100.0</b>	<b>12</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>

23. Does your bank retain special servicing responsibilities (the servicing or workout of nonperforming loans) for the commercial mortgages it securitizes?

	All Respondents		\$15.0 and over		Under \$15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Yes, usually or always	3	23.1	2	18.2	1	50.0
Sometimes	2	15.4	2	18.2	0	0.0
Rarely or never	8	61.5	7	63.6	1	50.0
<b>Total</b>	<b>13</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>

24. Does your bank retain servicing responsibilities other than or in addition to special servicing for the commercial mortgages it securitizes?

	All Respondents		\$15.0 and over		Under \$15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Yes, usually or always	3	23.1	3	27.3	0	0.0
Sometimes	3	23.1	2	18.2	1	50.0
Rarely or never	7	53.8	6	54.5	1	50.0
<b>Total</b>	<b>13</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>

25. With respect to commercial mortgage-backed securities for which your bank contributes mortgages, does your bank retain any junior classes of these securities (such as first loss or other subordinated classes) as a means of providing credit enhancements for the more senior classes of securities?

	All Respondents		\$15.0 and over		Under \$15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Yes, usually or always	1	7.7	1	9.1	0	0.0
Sometimes	1	7.7	1	9.1	0	0.0
Rarely or never	11	84.6	9	81.8	2	100.0
<b>Total</b>	<b>13</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>

26. With respect to commercial mortgage-backed securities for which your bank contributes mortgages, does your bank retain any senior classes of these securities for investment purposes?

	All Respondents		\$15.0 and over		Under \$15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Yes, usually or always	1	7.7	1	9.1	0	0.0
Sometimes	1	7.7	1	9.1	0	0.0
Rarely or never	11	84.6	9	81.8	2	100.0
<b>Total</b>	<b>13</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>



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 August 1997)

(Number of banks and percentage of banks answering question<sup>1</sup>)

**Questions 1-5** ask about **commercial and industrial loans** at your bank: Questions 1-3 deal with changes in your bank's lending policies over the past three months, and questions 4-5 deal with changes in demand over the same period. 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	0	0.0
Tightened somewhat	1	5.0
Remained basically unchanged	18	90.0
Eased somewhat	1	5.0
Eased considerably	0	0.0
<b>Total</b>	<b>20</b>	<b>100.0</b>

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	3.00
Costs of credit lines	3.10
Spreads of loan rates over your bank's cost of funds	3.10
Loan covenants	3.14
Collateralization requirements	3.05
Other	3.00
<b>Total</b>	<b>21</b>

1. As of March 31, 1997, the 21 respondents had combined assets of \$202.1 billion, compared to \$698.7 billion for all foreign-related banking institutions in the United States.

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 1-2), how important have been the following possible reasons for the change? (Please respond to either A or B or both as appropriate.) (Please 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
A deterioration in your parent bank's current or expected capital position	1.00
A less favorable economic outlook	1.00
A worsening of industry-specific problems	1.00
Less aggressive competition from other commercial banks	1.00
Less aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.00
Reduced tolerance for risk	1.00
Other	3.00
Number of banks responding	2

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

	All Respondents
	Mean
An improvement in your parent bank's current or expected capital position	1.00
A more favorable economic outlook	1.00
An improvement in industry-specific problems	1.25
More aggressive competition from other commercial banks	2.75
More aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	2.75
Increased tolerance for risk	1.50
Other	1.00
Number of banks responding	4

4. How has demand for C&I loans (actual extensions of credit as opposed to undrawn lines) changed over the past three months (apart from normal seasonal variation)?

	All Respondents	
	Banks	Pct
Substantially stronger	0	0.0
Moderately stronger	4	20.0
About the same	14	70.0
Moderately weaker	2	10.0
Substantially weaker	0	0.0
<b>Total</b>	<b>20</b>	<b>100.0</b>

5. If demand for C&I loans has strengthened or weakened over the past three months, how important have been the following possible reasons for the change? (Please 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	1.00
Customer investment in plant or equipment increased	1.25
Customer internally generated funds decreased	1.25
Customer borrowing shifted from other sources to your bank because these other sources became less attractive	1.25
Customer merger or acquisition financing increased	2.00
Other	1.25
<b>Number of banks responding</b>	<b>4</b>

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

	All Respondents
	Mean
Customer inventory financing needs decreased	1.00
Customer investment in plant or equipment decreased	1.00
Customer internally generated funds increased	1.00
Customer borrowing shifted from your bank to other sources because these other sources became more attractive	2.50
Customer merger or acquisition financing decreased	1.00
Other	1.00
<b>Number of banks responding</b>	<b>2</b>

**Questions 6-16** ask about **commercial real estate loans** at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate: Question 6 deals with changes in your bank's credit standards over the past three months, and question 7 deals with changes in demand over the same period. If your bank's credit standards have not changed over the past three months, 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 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 standards as changes in standards. Questions 8-16 are additional questions on commercial real estate.

6. 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	0	0.0
Remained basically unchanged	15	93.8
Eased somewhat	1	6.3
Eased considerably	0	0.0
<b>Total</b>	<b>16</b>	<b>100.0</b>

7. Over the past three months, how has demand for commercial real estate loans changed (apart from normal seasonal variation)?

	All Respondents	
	Banks	Pct
Substantially stronger	0	0.0
Moderately stronger	5	31.3
About the same	10	62.5
Moderately weaker	1	6.3
Substantially weaker	0	0.0
<b>Total</b>	<b>16</b>	<b>100.0</b>

8. Over the past three months, how has your bank changed the following terms on commercial real estate loans, including construction and land development loans and loans secured by nonfarm nonresidential real estate? (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 loan size	3.00
Maximum loan maturity	3.06
Spreads of loan rates over your bank's cost of funds	3.13
Loan-to-value ratios	3.00
Requirements for take-out financing	2.94
Pre-leasing or pre-sale requirements	3.00
Debt-service coverage ratios	3.00
Other	3.00
Total	16

9. If your bank has tightened or eased its standards or terms on commercial real estate loans over the past three months (as described in questions 6 and 8), how important have been the following possible reasons for the change? (Please respond to either A or B or both as appropriate.) (Please 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
A less favorable economic outlook	0.00
A worsening of the condition of or the outlook for commercial real estate	0.00
A reduced confidence in take-out financing arrangements	0.00
Less aggressive competition from other commercial banks	0.00
Less aggressive competition from nonbank lenders	0.00
Other	0.00
Number of banks responding	0

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

	All Respondents
	Mean
A more favorable economic outlook	2.25
An improvement in the condition of or the outlook for commercial real estate	2.00
An increased confidence in take-out financing arrangements	1.50
More aggressive competition from other commercial banks	2.25
More aggressive competition from nonbank lenders	2.25
A more developed market for securities collateralized by these loans has increased the loans' liquidity	2.00
Other	1.00
Number of banks responding	4

**Commercial mortgage-backed securities** have grown rapidly in recent years. Questions 10-16 ask about these securities.

10. Does your bank hold any commercial mortgage-backed securities?

	All Respondents	
	Banks	Pct
Yes	4	21.1
No	15	78.9
<b>Total</b>	<b>19</b>	<b>100.0</b>

11. Does your bank securitize commercial mortgages? (If not, please skip questions 12 to 16.)

	All Respondents	
	Banks	Pct
Yes, frequently	2	10.5
Yes, rarely	3	15.8
No	14	73.7
<b>Total</b>	<b>19</b>	<b>100.0</b>

12. Many banks originate commercial mortgages for sale and distribution through a conduit program jointly sponsored with an investment bank. Does your bank participate in a conduit program for securitizing commercial mortgages?

	All Respondents	
	Banks	Pct
Yes	3	37.5
No	5	62.5
<b>Total</b>	<b>8</b>	<b>100.0</b>

13. Does your bank retain special servicing responsibilities (the servicing or workout of nonperforming loans) for the commercial mortgages it securitizes?

	All Respondents	
	Banks	Pct
Yes, usually or always	3	42.9
Sometimes	0	0.0
Rarely or never	4	57.1
<b>Total</b>	<b>7</b>	<b>100.0</b>

14. Does your bank retain servicing responsibilities other than or in addition to special servicing for the commercial mortgages it securitizes?

	All Respondents	
	Banks	Pct
Yes, usually or always	1	14.3
Sometimes	0	0.0
Rarely or never	6	85.7
<b>Total</b>	<b>7</b>	<b>100.0</b>

15. With respect to commercial mortgage-backed securities for which your bank contributes mortgages, does your bank retain any junior classes of these securities (such as first loss or other subordinated classes) as a means of providing credit enhancements for the more senior classes of securities?

	All Respondents	
	Banks	Pct
Yes, usually or always	1	16.7
Sometimes	0	0.0
Rarely or never	5	83.3
<b>Total</b>	<b>6</b>	<b>100.0</b>

16. With respect to commercial mortgage-backed securities for which your bank contributes mortgages, does your bank retain any senior classes of these securities for investment purposes?

	All Respondents	
	Banks	Pct
Yes, usually or always	0	0.0
Sometimes	1	16.7
Rarely or never	5	83.3
<b>Total</b>	<b>6</b>	<b>100.0</b>