Board of Governors of the Federal Reserve System

The August 2001 Senior Loan Officer Opinion Survey on Bank Lending Practices

The August 2001 Senior Loan Officer Opinion Survey on Bank Lending Practices focused on changes in the supply of, and demand for, bank loans to businesses and households over the past three months. The survey included supplementary questions on the exposure of banks to firms in the high-technology sector and the degree to which credit standards and loan terms were tightened in that sector over the past year. Loan officers from fifty-seven large domestic banks and twenty U.S. branches and agencies of foreign banks participated in the survey.

Although the number of domestic and foreign banking institutions that reported tightening standards and terms on commercial and industrial (C&I) loans over the past three months remained elevated, it was lower than earlier in the year. A significant fraction of domestic institutions also tightened standards for commercial real estate loans in the August survey. In general, banks that tightened standards and terms on C&I loans indicated that the most important reasons for tightening were a less favorable or more uncertain economic outlook and a worsening of industry-specific problems. Almost half of domestic banks, on net, reported weaker demand for C&I loans over the past three months, about the same proportion as in the May survey. A somewhat larger net fraction than in May reported that demand for commercial real estate loans had waned.

Domestic banks reported that about 8 percent of C&I loans on their books were made to high-technology companies, indicating that their exposure to these firms is limited. By contrast, branches and agencies of foreign banks reported that loans to high-technology companies accounted for about 14 percent of their C&I loan portfolio. Domestic as well as foreign respondents noted that their tightening of credit standards and loan terms over the past year for tech firms was greater than that for similarly rated firms in other sectors (see the section below on lending to the high-tech sector for the definition of the sector used by the survey).

Compared with the January and May surveys, smaller net fractions of domestic banks tightened standards and increased spreads over their cost of funds for all types of consumer loans over the past three months. According to the domestic respondents, demand for consumer loans was about unchanged in August. Nearly all domestic banks kept their standards for residential mortgage loans unchanged over the past three months.

About one-fourth of the respondents, on net, noted that demand for residential mortgages had strengthened during the survey period, down from almost one-half in the May survey.

Lending to Businesses
(Table 1, questions 1-5 and 11-12; Table 2, questions 1-5 and 11-12)

Although banks again reported that they tightened standards on C&I loans over the past three months, the fractions of domestic and foreign respondents doing so retreated for the second consecutive survey. The percentage of domestic banks that reported tightening standards on loans to large and middle-market firmsCwhich peaked at 60 percent in the January survey and decreased to about 50 percent in the May surveyCfell to 40 percent in August. Lending standards on business loans to small firms followed a similar pattern: 32 percent of domestic banks reported tightening standards over the past three months, down from 36 percent in May and 45 percent in January. The fraction of U.S. branches and agencies of foreign banks that reported tightening standards for customers seeking C&I loans fell from two-thirds in May to one-half in the August survey.

In the August survey, the net fractions of domestic banks that reported tightening each of the loan terms listed in the survey were similar to the net fractions in May, but somewhat smaller than in January. More than half of the domestic respondents reported charging higher premiums on riskier loans to large and middle-market firms; as has been the case for several surveys, no bank reported lowering these premiums. More than half of the domestic banks, on net, indicated that they had increased spreads of loan rates over their cost of funds for large and middle-market firms over the past three months. Almost half, on net, also increased fees on credit lines for these borrowers. Somewhat smaller net fractions of domestic respondents tightened terms on C&I loans to small firms.

Sixty percent of the U.S. branches and agencies of foreign banks reported charging higher premiums on riskier loans, and nearly the same fraction increased the fees associated with credit lines. Half of the foreign institutions also noted that they had increased spreads and tightened loan covenants over the past three months.

Most of the domestic and foreign respondents that had tightened standards or terms on C&I loans over the previous three months continued to cite a less favorable or more uncertain economic outlook, a worsening of industry-specific problems, and a reduced tolerance for risk as the most important reasons for changing their lending policies. In responses that were consistent with the elevated default rate on junk bonds, 52 percent of domestic banks and 87 percent of foreign institutions that had tightened commercial lending policies also mentioned an increase in defaults by below-investment-grade borrowers as a contributing reason.

More than one-half of the domestic banks, on net, reported weaker demand for C&I loans from large and middle-market firms, up from 40 percent in May; and 42 percent, on net, reported decreased demand from small firms. Most of the domestic banks that reported weaker loan demand cited reduced customer needs to finance capital expenditures and mergers and acquisitions. About two-thirds of domestic banks also mentioned lower demand for inventory financing, a result that is consistent with the ongoing inventory correction. On net, 20 percent of foreign branches and agencies saw weaker loan demand over the past three months, compared with 10 percent, on net, in the May survey.

More than 40 percent of domestic banks tightened standards on commercial real estate loans over the past three months, about the same as in the May survey. Almost 20 percent of foreign institutions that engage in commercial real estate lending also tightened standards in the current survey. On net, 31 percent of domestic and 9 percent of foreign institutions reported lower demand for commercial real estate loans over the past three months.

Lending to the High-Technology Sector
(Table 1, questions 6-10; Table 2, questions 6-10)

The current survey also included a series of special questions that addressed lending to high-technology firms over the past year. The survey defined the high-technology (or Atech@) sector as consisting of the following five industries: (1) telecommunications service providers, (2) telecommunications equipment manufacturers, (3) internet commerce, (4) semiconductor manufacturers, and (5) computer hardware, software, and other high-tech industries.

About 8 percent, on average, of the volume of C&I loans on the books of domestic banks that responded to the questions was made to the firms in the high-technology sector; thus banks= exposures to this troubled sector appear to be limited. More than one-third of these technology loans were made to telecommunications service providers, with the second highest area of concentration in the computer hardware, software and other high-tech sectors group. Foreign institutions reported that about 14 percent of their outstanding C&I loans were accounted for by technology companies, of which telecommunications service providers represented 46 percent.[1]

Domestic and foreign institutions tightened credit standards and terms for loans to technology companies more aggressively than for C&I loans outside the high-tech sector over the past year. The constriction of credit supply conditions was particularly severe for below-investment-grade high-tech firms: 25 percent of domestic banks reported that they had tightened standards somewhat more and 44 percent indicated that they had tightened standards considerably more for C&I loans to lower-rated tech borrowers relative to their non-tech counterparts. For foreign respondents, those fractions were 28 percent and 67 percent, respectively.

In addition, about 50 percent of domestic banks indicated that they had increased price-related terms (such as fees and spreads) for investment-grade technology companies by more than they had for investment-grade non-tech firms over the past year. A greater number of domestic respondents, 72 percent, reported that they had toughened these terms for below-investment-grade tech firms relative to similarly rated firms in other sectors. This pattern of relative tightening was similar for non-price-related terms (such as loan covenants) at domestic banks. Branches and agencies of foreign banks also reported relatively greater tightening for below-investment-grade high-tech customers with respect to both price- and non-price-related terms.

Lending to Households

Over the past three months, domestic banks' credit standards for approving residential mortgage loans were largely unchanged. About one-fourth of the respondents, on net, reported that demand for residential mortgages increased over the past three months.

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1. In addition to asking banks about their exposure to the high-tech sector, two questions (7 and 8) asked about banks' delinquency and charge-off rates on C&I loans extended to each high-tech industry group. The results for these questions are not reported, because the number of banks that responded to them was insufficient to make the aggregate information meaningful.

About 10 percent of domestic banks, on net, reported that they had tightened standards on credit card and other consumer loans over the survey period, down from 20 percent and 19 percent, respectively, in May. In addition, more than 10 percent of respondents increased the minimum required credit score for both categories of consumer loans. For consumer loans other than credit cards, 14 percent of domestic institutions, on net, increased spreads over their cost of funds, down from about one-fourth in the previous survey, but only a few banks increased spreads on credit card loans in August. On net, 5 percent of banks reported stronger demand for consumer loans over the past three months.

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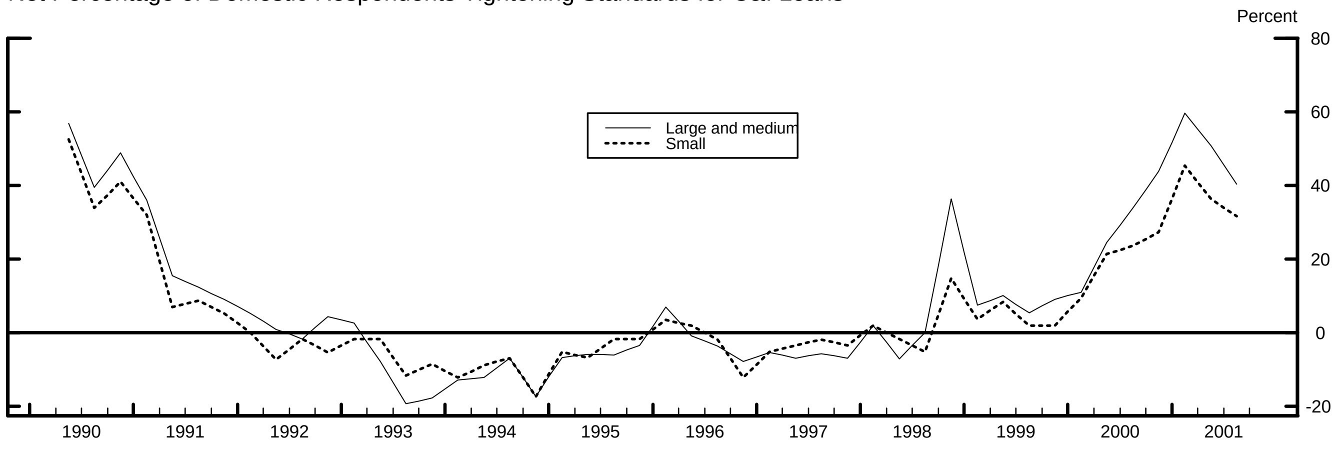
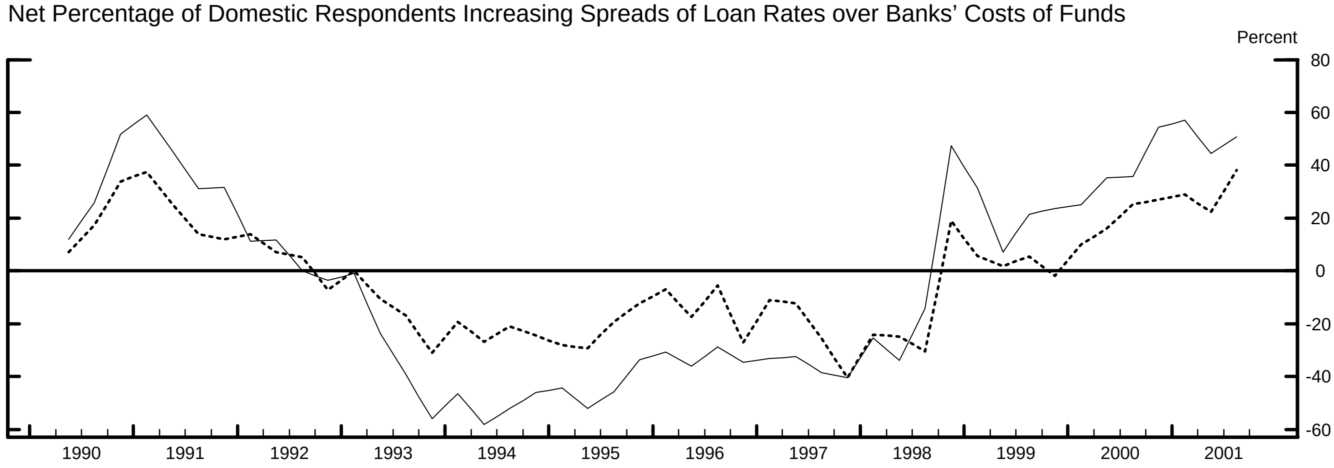
Measures of Supply and Demand for C&I Loans, by Size of Firm Seeking Loan

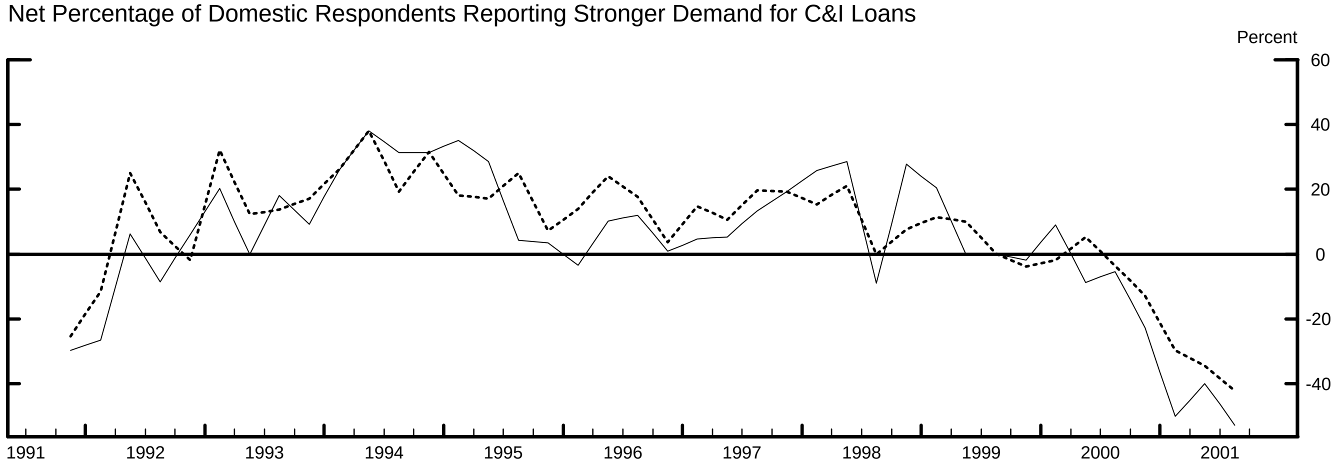
Net Percentage of Domestic Respondents Tightening Standards for C&I Loans



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

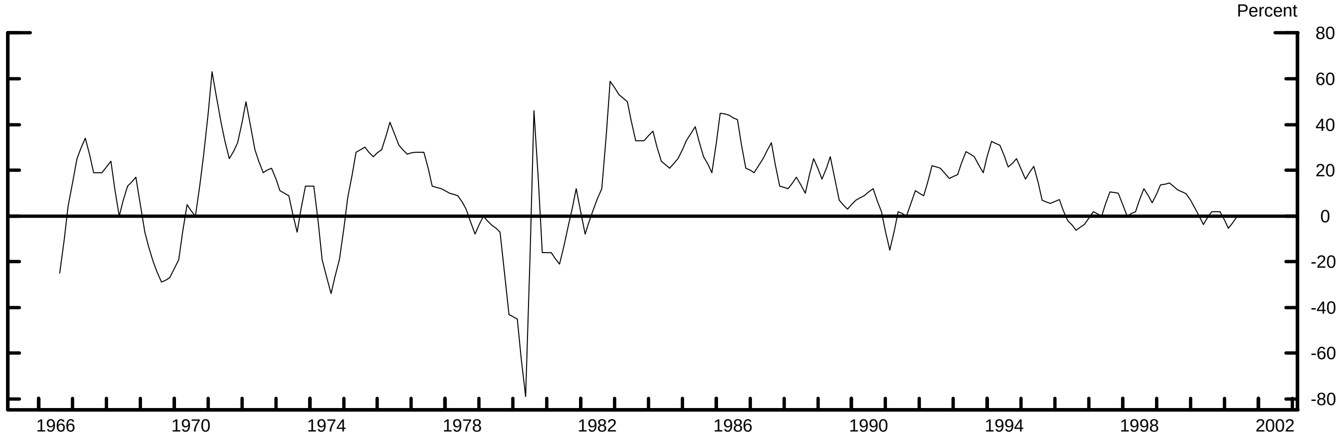


Net Percentage of Domestic Respondents Reporting Stronger Demand for C&I Loans

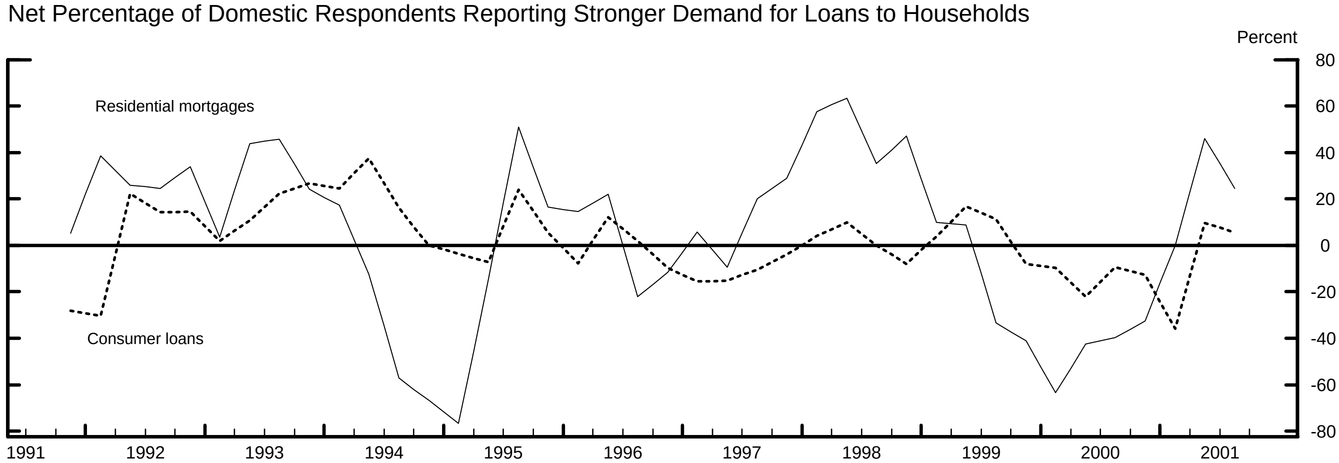


Measures of Supply and Demand for Loans to Households

Net Percentage of Domestic Respondents 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

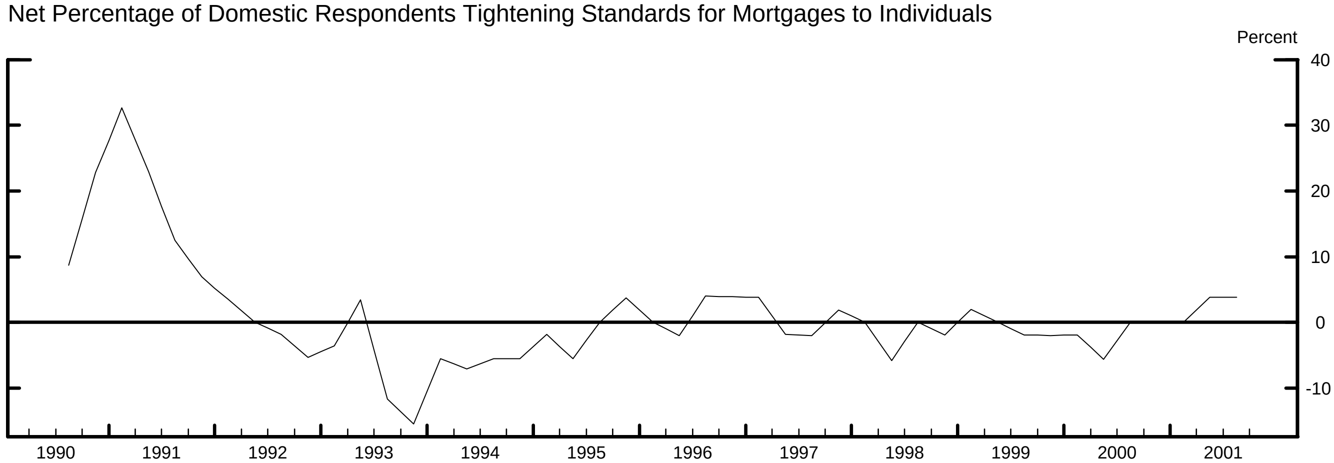


Table 1

SENIOR LOAN OFFICER OPINION SURVEY ON BANK LENDING PRACTICES
AT SELECTED LARGE BANKS IN THE UNITED STATES[1]
(Status of policy as of August 2001)

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

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

A. Standards for large and middle-market firms (annual sales of $50 million or more):

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	1	1.8	1	3.0	0	0.0
Tightened somewhat	22	38.6	16	48.5	6	25.0
Remained basically unchanged	34	59.6	16	48.5	18	75.0
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	57	100.0	33	100.0	24	100.0

B. Standards for small firms (annual sales of less than $50 million):

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	18	31.6	13	39.4	5	20.8
Remained basically unchanged	39	68.4	20	60.6	19	79.2
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	57	100.0	33	100.0	24	100.0

1. The sample is selected from among the largest banks in each Federal Reserve District. In the table, large banks are defined as those with total domestic assets of $20 billion or more as of June 30, 2000. The combined assets of the 33 large banks totaled $2.75 trillion, compared to $2.99 trillion for the entire panel of 57 banks, and $5.49 trillion for all domestically chartered, federally insured commercial banks.

2. For applications for C&I loans or credit lines--other than those to be used to finance mergers and acquisitions--from large and middle-market firms and from small firms that your bank currently is willing to approve, how have the terms of those loans changed over the past three months? (Please assign each term a number between 1 and 5 using the following scale: 1=tightened considerably, 2=tightened somewhat, 3=remained basically unchanged, 4=eased somewhat, 5=eased considerably.)

A. Terms for large and middle-market firms (annual sales of $50 million or more):

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Maximum size of credit lines	2.61	2.64	2.58
Costs of credit lines	2.53	2.45	2.63
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.49	2.45	2.54
Premiums charged on riskier loans	2.35	2.24	2.50
Loan covenants	2.68	2.61	2.79
Collateralization requirements	2.77	2.73	2.83
Other	2.96	2.94	3.00
Number of banks responding	57	33	24

B. Terms for small firms (annual sales of less than $50 million):

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Maximum size of credit lines	2.85	2.87	2.83
Costs of credit lines	2.73	2.68	2.79
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.62	2.58	2.67
Premiums charged on riskier loans	2.51	2.42	2.63
Loan covenants	2.78	2.71	2.88
Collateralization requirements	2.75	2.71	2.79
Other	2.98	2.97	3.00
Number of banks responding	55	31	24

3. If your bank has tightened or eased its credit standards or its terms for C&I loans or credit lines over the past three months (as described in questions 1 and 2), how important have been the following possible reasons for the change? (Please respond to either A, B, or both as appropriate and rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

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

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Deterioration in your bank's current or expected capital position	1.14	1.08	1.24
Less favorable or more uncertain economic outlook	2.33	2.42	2.18
Worsening of industry-specific problems	2.14	2.31	1.88
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.44	1.42	1.47
Reduced tolerance for risk	1.84	1.85	1.82
Decreased liquidity in the secondary market for these loans	1.30	1.35	1.24
Increase in defaults by borrowers in public debt markets	1.58	1.65	1.47
Other	1.02	1.04	1.00
Number of banks responding	43	26	17

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

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Improvement in your bank's current or expected capital position	1.00	1.00	1.00
More favorable or less uncertain economic outlook	2.00	3.00	1.50
Improvement in industry-specific problems	2.00	3.00	1.50
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.00	1.00	1.00
Increased tolerance for risk	1.33	2.00	1.00
Increased liquidity in the secondary market for these loans	1.33	2.00	1.00
Reduction in defaults by borrowers in public debt markets	1.33	2.00	1.00
Other	1.00	1.00	1.00
Number of banks responding	3	1	2

4. Apart from normal seasonal variation, how has demand for C&I loans changed over the past three months? (Please consider only funds actually disbursed as opposed to requests for new or increased lines of credit.)

A. Demand for C&I loans from large and middle-market firms (annual sales of $50 million or more):

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	4	7.0	2	6.1	2	8.3
About the same	19	33.3	9	27.3	10	41.7
Moderately weaker	33	57.9	21	63.6	12	50.0
Substantially weaker	1	1.8	1	3.0	0	0.0
Total	57	100.0	33	100.0	24	100.0

B. Demand for C&I loans from small firms (annual sales of less than $50 million):

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	3	5.3	1	3.0	2	8.3
About the same	27	47.4	15	45.5	12	50.0
Moderately weaker	26	45.6	16	48.5	10	41.7
Substantially weaker	1	1.8	1	3.0	0	0.0
Total	57	100.0	33	100.0	24	100.0

5. If demand for C&I loans has strengthened or weakened over the past three months (as described in question 4), how important have been the following possible reasons for the change? (Please respond to either A, B, or both as appropriate and rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

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

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Customer inventory financing needs increased	1.20	1.00	1.33
Customer accounts receivable financing needs increased	1.20	1.00	1.33
Customer investment in plant or equipment increased	1.00	1.00	1.00
Customer internally generated funds decreased	1.60	2.00	1.33
Customer merger or acquisition financing needs increased	1.00	1.00	1.00
Customer borrowing shifted to your bank from other bank or nonbank sources because these other sources became less attractive	2.00	2.00	2.00
Other	1.00	1.00	1.00
Number of banks responding	5	2	3

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

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Customer inventory financing needs decreased	1.76	1.76	1.75
Customer accounts receivable financing needs decreased	1.68	1.68	1.67
Customer investment in plant or equipment decreased	2.19	2.24	2.08
Customer internally generated funds increased	1.24	1.20	1.33
Customer merger or acquisition financing needs decreased	2.05	2.04	2.08
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	1.27	1.16	1.50
Other	1.14	1.16	1.08
Number of banks responding	37	25	12

Over the past year, many firms in the telecommunications and other high-technology sectors posted widespread losses and there have been numerous credit defaults. ***Questions 6-10*** *ask about bank lending to these* ***technology companies*** *over the past year. When assigning a technology company to one of the industry categories specified below, please do so on the basis of the company's main line of business. Question 6 asks about the share of technology company obligations in your bank's loan portfolio. Questions 7-8 ask about delinquency and charge-off rates on loans to technology firms. Questions 9-10 ask about changes over the past year in your bank's credit standards and loan terms for technology companies.*

6. Approximately what is the percentage share of outstanding C&I loans at your bank that falls into the following industry categories? (Percentages may not sum to 100 due to rounding.)[2]

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Telecommunications service providers	3.3	3.4	1.6
Telecommunications equipment manufacturers	1.3	1.4	0.5
Internet commerce	0.5	0.5	0.1
Semiconductors	1.2	1.2	0.3
Computer hardware, software, and other high-tech sectors	2.5	2.6	1.1
All other C&I loans	91.6	91.2	96.5
Number of banks responding	56	32	24

7. For each of these industry categories, approximately what is the percentage of the outstanding C&I loans at your bank that is more than 30 days past due or not accruing interest?

8. Approximately what percentage of the loans outstanding in each of the same industry categories as of a year ago have since been charged off?

The results for questions 7 and 8 are not reported, because the number of banks that responded was insufficient to make the aggregate information meaningful.

2. Responses have been weighted by outstanding C&I loans.

9. Over the past year, how have your bank's credit standards for approving applications for C&I loans or credit lines to technology companies (firms in industry categories (a)-(e) in question 6) changed *relative* to credit standards on C&I loans or credit lines to non-technology companies?

A. Standards for investment-grade technology companies *relative* to standards for investment-grade non-technology companies:

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably more	9	19.1	7	24.1	2	11.1
Tightened somewhat more	17	36.2	11	37.9	6	33.3
Tightened about the same	21	44.7	11	37.9	10	55.6
Tightened less	0	0.0	0	0.0	0	0.0
Standards have eased for high-tech firms	0	0.0	0	0.0	0	0.0
Total	47	100.0	29	100.0	18	100.0

B. Standards for below-investment-grade technology companies *relative* to standards for below-investment-grade non-technology companies:

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably more	21	43.8	14	50.0	7	35.0
Tightened somewhat more	12	25.0	6	21.4	6	30.0
Tightened about the same	15	31.3	8	28.6	7	35.0
Tightened less	0	0.0	0	0.0	0	0.0
Standards have eased for high-tech firms	0	0.0	0	0.0	0	0.0
Total	48	100.0	28	100.0	20	100.0

10. For applications for C&I loans or credit lines from technology companies (firms in industry categories (a)-(e) in questions 6-8) that your bank currently is willing to approve, how have the terms of those loans changed over the past year *relative* to terms on C&I loans or credit lines to non-technology companies? (Please assign each category a number between 1 and 5 using the following scale: 1=tightened considerably more, 2=tightened somewhat more, 3=tightened about the same, 4=tightened less, 5=terms have eased for high-tech firms.)

A. Terms for investment-grade technology companies *relative* to terms for investment-grade non-technology companies:

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Price-related terms (fees and spreads)	2.36	2.36	2.35
Nonprice terms (covenants, collateral requirements, etc.)	2.33	2.36	2.29
Number of banks responding	45	28	17

B. Terms for below-investment-grade technology companies *relative* to terms for below-investment-grade non-technology companies:

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Price-related terms (fees and spreads)	1.94	1.96	1.90
Nonprice terms (covenants, collateral requirements, etc.)	1.85	1.92	1.76
Number of banks responding	47	26	21

Questions 11-12 *ask about* ***commercial real estate loans*** *at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 11 deals with changes in your bank's standards over the last three months and question 12 deals with changes in demand over the same period. 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.*

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

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	23	42.6	12	40.0	11	45.8
Remained basically unchanged	31	57.4	18	60.0	13	54.2
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	54	100.0	30	100.0	24	100.0

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

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	4	7.3	2	6.5	2	8.3
About the same	30	54.5	16	51.6	14	58.3
Moderately weaker	20	36.4	12	38.7	8	33.3
Substantially weaker	1	1.8	1	3.2	0	0.0
Total	55	100.0	31	100.0	24	100.0

Questions 13-14 *ask about* ***residential mortgage loans*** *at your bank. Question 13 deals with changes in your bank's credit standards over the past three months, and question 14 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.*

13. Over the past three months, how have your bank's credit standards for approving applications from individuals for mortgage loans to purchase homes changed?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	2	3.8	1	3.2	1	4.5
Remained basically unchanged	51	96.2	30	96.8	21	95.5
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	53	100.0	31	100.0	22	100.0

14. Apart from normal seasonal variation, how has demand for mortgages to purchase homes changed over the past three months? (Please consider only new originations as opposed to the refinancing of existing mortgages.)

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	19	35.8	13	41.9	6	27.3
About the same	28	52.8	15	48.4	13	59.1
Moderately weaker	6	11.3	3	9.7	3	13.6
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	53	100.0	31	100.0	22	100.0

***Questions 15-20** ask about **consumer lending** at your bank. Question 15 deals with changes in your bank's willingness to make consumer loans over the past three months. Questions 16-19 deal with changes in credit standards and loan terms over the same period. Question 20 deals with changes in demand for consumer loans over the past three months. If your bank's lending policies have not changed over the past three months, please report them as unchanged even if the policies are either restrictive or accommodative relative to longer-term norms. If your bank's policies have tightened or eased over the past three months, please so report them regardless of how they stand relative to longer-term norms. Also, please report changes in enforcement of existing policies as changes in policies.*

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

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Much more willing	0	0.0	0	0.0	0	0.0
Somewhat more willing	2	3.6	1	3.2	1	4.2
About unchanged	51	92.7	28	90.3	23	95.8
Somewhat less willing	2	3.6	2	6.5	0	0.0
Much less willing	0	0.0	0	0.0	0	0.0
Total	55	100.0	31	100.0	24	100.0

16. Over the past three months, how have your bank's credit standards for approving applications for credit cards from individuals or households changed?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	4	11.4	3	15.0	1	6.7
Remained basically unchanged	31	88.6	17	85.0	14	93.3
Eased somewhat	0	0.0	0	0.0	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	35	100.0	20	100.0	15	100.0

17. Over the past three months, how have your bank's credit standards for approving applications for consumer loans other than credit card loans changed?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	6	10.9	6	19.4	0	0.0
Remained basically unchanged	48	87.3	24	77.4	24	100.0
Eased somewhat	1	1.8	1	3.2	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	55	100.0	31	100.0	24	100.0

18. 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	Large Banks	Other Banks
	Mean	Mean	Mean
Credit limits	2.91	2.94	2.86
Spreads of interest rates charged on outstanding balances over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.97	2.89	3.07
Minimum percent of outstanding balances required to be repaid each month	3.00	3.00	3.00
Minimum required credit score (increased score=tightened, reduced score=eased)	2.88	2.83	2.93
Other	3.00	3.00	3.00
Number of banks responding	32	18	14

19. Over the past three months, how has your bank changed the following terms on consumer loans other than credit card loans? (Please assign each term a number between 1 and 5 using the following scale: 1=tightened considerably, 2=tightened somewhat, 3=remained basically unchanged, 4=eased somewhat, 5=eased considerably.)

	All Respondents	Large Banks	Other Banks
	Mean	Mean	Mean
Maximum maturity	3.00	3.00	3.00
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.84	2.71	3.00
Minimum required down payment	2.96	2.94	3.00
Minimum required credit score (increased score=tightened, reduced score=eased)	2.85	2.84	2.88
Other	3.02	3.03	3.00
Number of banks responding	55	31	24

20. Apart from normal seasonal variation, how has demand for consumer loans of all types changed over the past three months?

	All Respondents		Large Banks		Other Banks	
	Banks	Pct	Banks	Pct	Banks	Pct
Substantially stronger	2	3.6	1	3.2	1	4.2
Moderately stronger	11	20.0	5	16.1	6	25.0
About the same	32	58.2	20	64.5	12	50.0
Moderately weaker	9	16.4	5	16.1	4	16.7
Substantially weaker	1	1.8	0	0.0	1	4.2
Total	55	100.0	31	100.0	24	100.0

Table 2

SENIOR LOAN OFFICER OPINION SURVEY ON BANK LENDING PRACTICES
AT SELECTED BRANCHES AND AGENCIES OF FOREIGN BANKS IN THE UNITED STATES[1]
(Status of policy as of August 2001)

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

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

	All Respondents	
	Banks	Pct
Tightened considerably	2	10.0
Tightened somewhat	8	40.0
Remained basically unchanged	10	50.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	20	100.0

2. For applications for C&I loans or credit lines--other than those to be used to finance mergers and acquisitions--from 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
	Mean
Maximum size of credit lines	2.55
Costs of credit lines	2.45
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.50
Premiums charged on riskier loans	2.30
Loan covenants	2.50
Collateralization requirements	2.70
Other	3.00
Total	20

1. As of June 30, 2000, the 20 respondents had combined assets of $277 billion, compared to $906 billion for all foreign-related banking institutions in the United States. The sample is selected from among the largest foreign-related banking institutions in those Federal Reserve Districts where such institutions are common.

3. If your bank has tightened or eased its credit standards or its terms for C&I loans or credit lines over the past three months (as described in questions 1 and 2), how important have been the following possible reasons for the change? (Please respond to either A, B, or both as appropriate and rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

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

	All Respondents
	Mean
Deterioration in your parent bank's current or expected capital position	1.33
Less favorable or more uncertain economic outlook	2.67
Worsening of industry-specific problems	2.80
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.13
Reduced tolerance for risk	1.93
Decreased liquidity in the secondary market for these loans	1.87
Increase in defaults by below-investment-grade borrowers in public debt markets.	2.13
Other	1.00
Number of banks responding	15

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

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

4. Apart from normal seasonal variation, how has demand for C&I loans changed over the past three months? (Please consider only funds actually disbursed as opposed to requests for new or increased lines of credit.)

	All Respondents	
	Banks	Pct
Substantially stronger	0	0.0
Moderately stronger	1	5.0
About the same	14	70.0
Moderately weaker	5	25.0
Substantially weaker	0	0.0
Total	20	100.0

5. If demand for C&I loans has strengthened or weakened over the past three months (as described in question 4), how important have been the following possible reasons for the change? (Please respond to either A, B, or both as appropriate and rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

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

	All Respondents
	Mean
Customer inventory financing needs increased	1.00
Customer accounts receivable financing needs increased	1.00
Customer investment in plant or equipment increased	2.00
Customer internally generated funds decreased	2.00
Customer merger or acquisition financing needs increased	2.00
Customer borrowing shifted to your bank from other bank or nonbank sources because these other sources became less attractive	2.00
Other	1.00
Number of banks responding	1

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

	All Respondents
	Mean
Customer inventory financing needs decreased	1.20
Customer accounts receivable financing needs decreased	1.20
Customer investment in plant or equipment decreased	2.00
Customer internally generated funds increased	1.20
Customer merger or acquisition financing needs decreased	2.40
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	1.60
Other	1.00
Number of banks responding	5

Over the past year, many firms in the telecommunications and other high-technology sectors posted widespread losses and there have been numerous credit defaults. ***Questions 6-10*** *ask about bank lending to these* ***technology companies*** *over the past year. When assigning a technology company to one of the industry categories specified below, please do so on the basis of the company's main line of business. Question 6 asks about the share of technology company obligations in your bank's loan portfolio. Questions 7-8 ask about delinquency and charge-off rates on loans to technology firms. Questions 9-10 ask about changes over the past year in your bank's credit standards and loan terms for technology companies.*

6. Approximately what is the percentage share of outstanding C&I loans at your bank that falls into the following industry categories? (Percentages may not sum to 100 due to rounding.)[2]

	All Respondents
	Mean
Telecommunications service providers	6.9
Telecommunications equipment manufacturers	2.5
Internet commerce	0.0
Semiconductors	1.2
Computer hardware, software, and other high-tech sectors	4.4
All other C&I loans	85.8
Number of banks responding	20

7. For each of these industry categories, approximately what is the percentage of the outstanding C&I loans at your bank that is more than 30 days past due or not accruing interest?

8. Approximately what percentage of the loans outstanding in each of the same industry categories as of a year ago have since been charged off?

The results for questions 7 and 8 are not reported, because the number of banks that responded was insufficient to make the aggregate information meaningful.

2. Responses have been weighted by outstanding C&I loans.

9. Over the past year, how have your bank's credit standards for approving applications for C&I loans or credit lines to technology companies (firms in industry categories (a)-(e) in question 6) changed *relative* to credit standards on C&I loans or credit lines to non-technology companies?

A. Standards for investment-grade technology companies *relative* to standards for investment-grade non-technology companies:

	All Respondents	
	Banks	Pct
Tightened considerably more	5	26.3
Tightened somewhat more	10	52.6
Tightened about the same	4	21.1
Tightened less	0	0.0
Standards have eased for high-tech firms	0	0.0
Total	19	100.0

B. Standards for below-investment-grade technology companies *relative* to standards for below-investment-grade non-technology companies:

	All Respondents	
	Banks	Pct
Tightened considerably more	12	66.7
Tightened somewhat more	5	27.8
Tightened about the same	1	5.6
Tightened less	0	0.0
Standards have eased for high-tech firms	0	0.0
Total	18	100.0

10. For applications for C&I loans or credit lines from technology companies (firms in industry categories (a)-(e) in questions 6-8) that your bank currently is willing to approve, how have the terms of those loans changed over the past year *relative* to terms on C&I loans or credit lines to non-technology companies? (Please assign each category a number between 1 and 5 using the following scale: 1=tightened considerably more, 2=tightened somewhat more, 3=tightened about the same, 4=tightened less, 5=terms have eased for high-tech firms.)

A. Terms for investment-grade technology companies *relative* to terms for investment-grade non-technology companies:

	All Respondents
	Mean
Price-related terms (fees and spreads)	2.11
Nonprice terms (covenants, collateral requirements, etc.)	1.95
Number of banks responding	19

B. Terms for below-investment-grade technology companies *relative* to terms for below-investment-grade non-technology companies:

	All Respondents
	Mean
Price-related terms (fees and spreads)	1.61
Nonprice terms (covenants, collateral requirements, etc.)	1.50
Number of banks responding	18

Questions 11-12 *ask about* ***commercial real estate loans*** *at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 11 deals with changes in your bank's standards over the last three months. Question 12 deals with changes in demand over the past three months. 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.*

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

	All Respondents	
	Banks	Pct
Tightened considerably	0	0.0
Tightened somewhat	2	18.2
Remained basically unchanged	9	81.8
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	11	100.0

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

	All Respondents	
	Banks	Pct
Substantially stronger	0	0.0
Moderately stronger	0	0.0
About the same	10	90.9
Moderately weaker	1	9.1
Substantially weaker	0	0.0
Total	11	100.0