The May 1997 Senior Loan Officer Opinion Survey on Bank Lending Practices

The May 1997 Senior Loan Officer Opinion Survey on Bank Lending Practices posed questions about bank lending standards and terms, loan demand by businesses and households, and expectations about charge-off rates for consumer and C&I loans. Fifty-nine domestic banks and 24 U.S. branches and agencies of foreign banks participated in the survey. The responses suggest that over the past three months domestic banks have become even more accommodative lenders to businesses but have tightened credit to households. They also indicate that U.S. branches and agencies of foreign banks have taken some steps to restrict credit supply.

Citing stiff competition as their reason, large fractions of banks reported having eased terms on C&I and commercial real estate loans, though few banks reported having reduced standards for these loans. The responses on demand were mixed but suggest, on net, a slight strengthening for both types of business credit.

Once again, both standards and terms for consumer loans were tightened, and banks reported less demand for these loans. Standards on home mortgages were about unchanged, and demand weakened a little.

Lending to Businesses

(Table 1, questions 1-13 and 28-30; table 2, questions 1-10)

Like the January survey results, the May results suggest that standards for commercial and industrial loans did not change much over the preceding three months but that terms eased further. Very few domestic respondents reported having changed standards on C&I loans to large and small businesses, and just over 10 percent of domestic respondents eased standards for middle-market customers (chart). By contrast, 10 percent of foreign respondents, on net, tightened standards for C&I loans. Regarding terms for large and middle-market borrowers, one-third of domestic respondents reported having narrowed the spreads of loan rates over market rates, about one-fourth reduced costs of credit lines and eased loan covenants, and about one-tenth increased credit lines or eased collateralization requirements. Terms for small borrowers were eased by only a few banks. Small net fractions of foreign respondents reported having tightened various terms on C&I loans. This represents a shift for foreign banks, which reported having eased terms on these loans for the past several surveys. Those banks that eased standards or terms on C&I loans said they had done so because of more-aggressive competition from other banks and from nonbank sources of credit.

The banks that tightened cited a lower tolerance for risk and a deterioration in their current or expected capital position.

On net, domestic respondents reported no change in demand for C&I loans from large customers, but about 10 percent reported increased demand from middle-market and small borrowers. However, about 15 percent, on net, of foreign respondents, which typically lend to large firms, indicated weaker demand for C&I loans. Banks attributed stronger demand to increased financing needs for plant and equipment investment, inventories, and, for larger borrowers, mergers and acquisitions. Weaker demand was attributed to customers switching to other sources of credit and increases in customers' internal funds.

The May survey was the fourth consecutive survey to find little evidence of changes in the standards for commercial real estate loans (construction and land development loans and loans secured by nonfarm, nonresidential real estate) following the modest tightening of standards reported in late 1995 and early 1996. On net, about 5 percent of domestic respondents said that over the preceding three months they had eased their standards for these loans; but a similar fraction of foreign respondents said they had tightened their standards for these loans. With respect to terms on commercial real estate loans, about one-half of domestic banks and one-fifth of foreign banks reported having narrowed spreads over the preceding twelve months, but only small net fractions reported having changed other terms, including maximum loan size, maximum loan maturity, loan-to-value ratios, debt-service coverage ratios, and requirements for take-out financing.

As with C&I loans, those banks that eased terms most commonly said they had done so because of increased competition from banks and nonbanks; many also cited the increased liquidity of these loans resulting from a more-developed secondary market for them and the improved condition of the commercial real estate industry. Ninety percent of the domestic banks and 60 percent of the foreign banks said that their competitors had eased their standards for or terms on these loans over the preceding twelve months. On net, about 10 percent of domestic respondents and nearly 40 percent of foreign respondents reported having experienced increased demand for commercial real estate loans.

Lending to Households

(Table 1, questions 14-21)

Extending a trend that began in early 1996, significant fractions of banks reported having tightened standards on consumer loans. Nearly one-half the banks said they had tightened standards for new credit card accounts over the preceding three months, and one-fifth reported having tightened standards on other consumer loans. Nevertheless, banks' willingness to make consumer installment loans was unchanged from three months ago (chart). The net fraction of banks more willing to make these loans has hovered near zero for the past six surveys. Forty percent of the respondents lowered credit limits on credit card lines, and about 15 percent raised spreads of loan rates over market rates. Terms on other consumer loans were about unchanged. On net, 15 percent of the respondents reported a decline in demand for consumer loans.

Banks reported little change in their standards for approving mortgage applications of individuals to purchase homes. Ten percent more banks reported weaker demand for residential mortgages than reported stronger demand, but several of the banks said that demand was "substantially stronger," whereas none reported demand that was "substantially weaker."

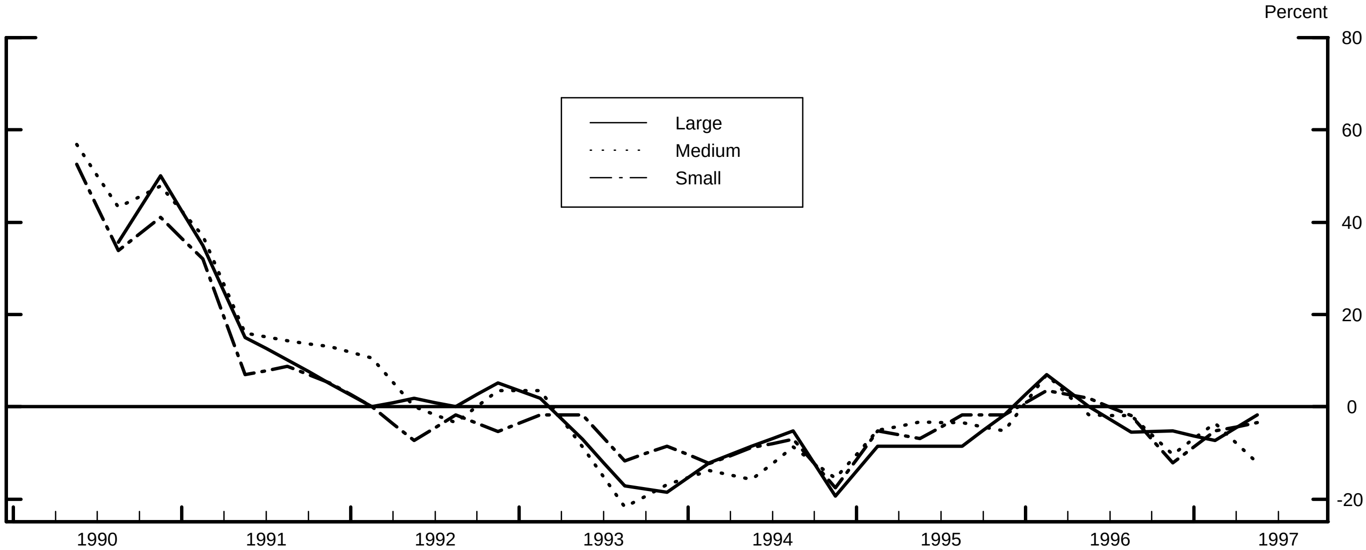
Expectations for Charge-off Rates

(Table 1, questions 22-27)

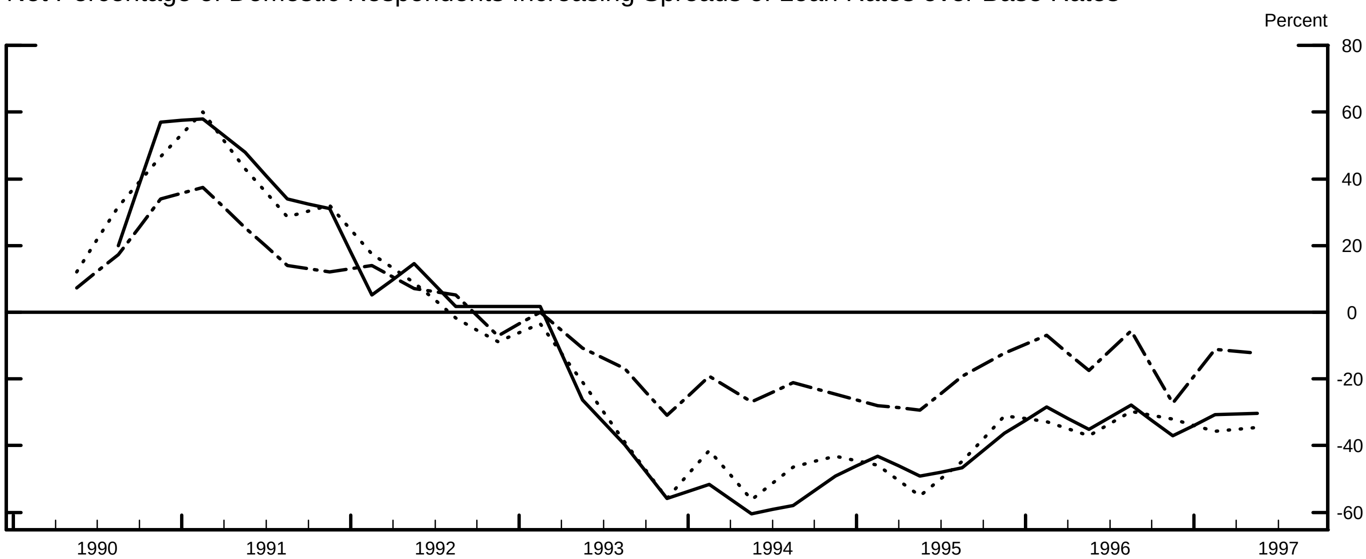
Additional questions on the survey asked loan officers how they expected charge-off rates for consumer and C&I loans to change over the remainder of 1997. About one-third of respondents, on net, expected charge-off rates for consumer loans to go up, an eventuality most attributed to a greater willingness on the part of households to declare bankruptcy; somewhat fewer blamed worsening household financial conditions and aggressive solicitations by their bank for these loans. Those banks that foresaw a lower charge-off rate on consumer loans mentioned tighter standards for these loans. One-fourth of the banks, on net, expected charge-off rates for C&I loans to go up. Banks pointed to eased standards for these loans, a deterioration in business financial conditions, and a deterioration in the economy generally as the reasons for their outlook. Several banks also noted that recent declines in the gross charge-off rate on C&I loans would translate into fewer future recoveries, raising the net charge-off rate.

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

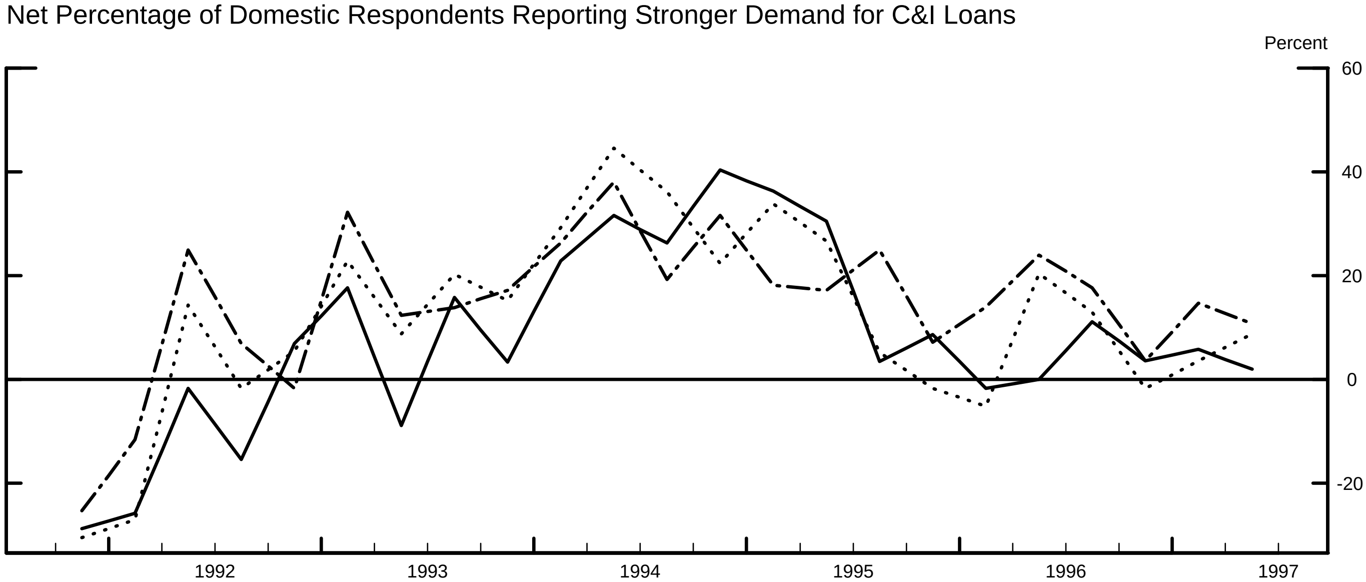
Net Percentage of Domestic Respondents Tightening Standards for C&I Loans



Net Percentage of Domestic Respondents Increasing Spreads of Loan Rates over Base Rates



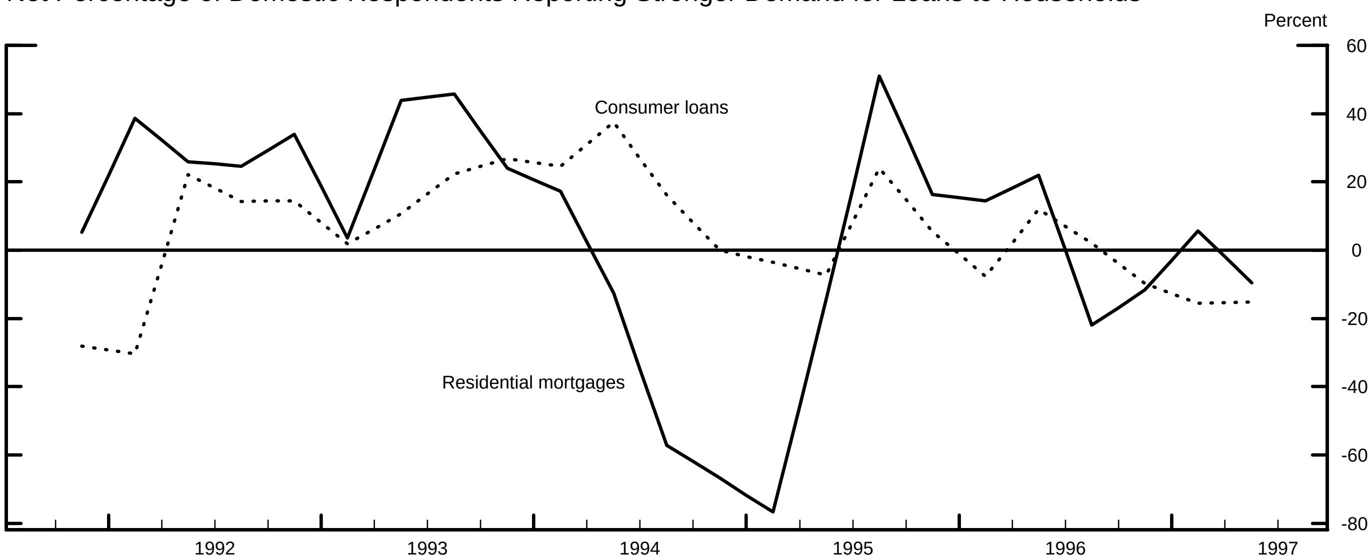
Net Percentage of Domestic Respondents Reporting Stronger Demand for C&I Loans



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

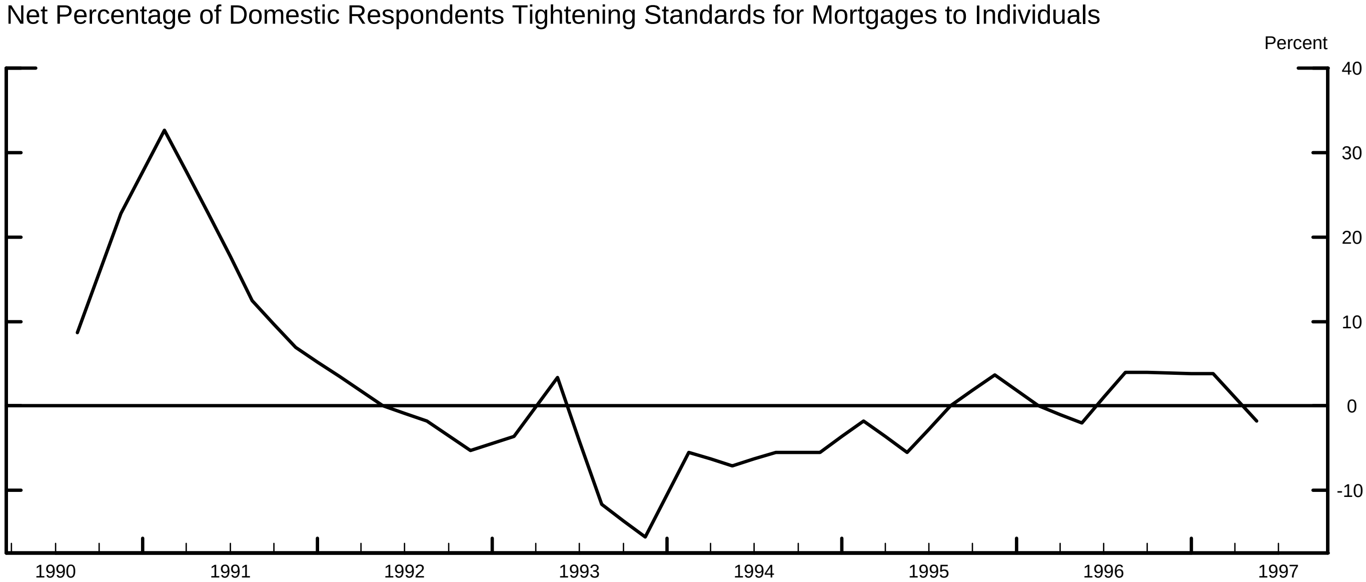


Table 1

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

(Number of banks and percent of banks answering question)
(By volume of total domestic assets, in $billions, as of December 31, 1996[1])

Questions 1-11 *ask about* ***commercial and industrial loans*** *at your bank: Questions 1-5 deal with changes in your bank's lending policies over the past three months, and questions 6-11 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 been eased or tightened 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, middle-market, and small firms changed?

a. Standards for large firms (annual sales of more than $250 million)

	All Respondents		$15.0 and over		Under $15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Tightened considerably	1	1.8	1	3.2	0	0.0
Tightened somewhat	0	0.0	0	0.0	0	0.0
Remained basically unchanged	53	94.6	29	93.5	24	96.0
Eased somewhat	2	3.6	1	3.2	1	4.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	56	100.0	31	100.0	25	100.0

b. Standards for middle-market firms (annual sales of $50 million to $250 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	0	0.0	0	0.0	0	0.0
Remained basically unchanged	51	87.9	25	80.6	26	96.3
Eased somewhat	7	12.1	6	19.4	1	3.7
Eased considerably	0	0.0	0	0.0	0	0.0
Total	58	100.0	31	100.0	27	100.0

1. As of December 31, 1996, 31 respondents had domestic assets of $15 billion or more; combined assets of these banks totaled $1.3 trillion, compared to $1.56 trillion for the entire panel of 59 banks, and $3.9 trillion for all domestically chartered federally insured commercial banks.

c. 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	0	0.0	0	0.0	0	0.0
Tightened somewhat	0	0.0	0	0.0	0	0.0
Remained basically unchanged	55	96.5	27	93.1	28	100.0
Eased somewhat	2	3.5	2	6.9	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	57	100.0	29	100.0	28	100.0

2. For applications for C&I loans or credit lines--other than those to be used to finance mergers and acquisitions--from large firms that your bank currently is willing to approve, how have the terms of those loans changed over the last 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 sizes of credit lines	3.07	3.23	2.92
Costs of credit lines	3.23	3.29	3.16
Spreads of loan rates over base rates	3.32	3.35	3.28
Loan covenants	3.21	3.26	3.16
Collateralization requirements	3.11	3.13	3.08
Other	3.00	3.00	3.00
Number of banks responding	56	31	25

3. For applications for C&I loans or credit lines--other than those to be used to finance mergers and acquisitions--from middle-market firms that your bank currently is willing to approve, how have the terms of those loans changed over the last 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 sizes of credit lines	3.09	3.19	2.96
Costs of credit lines	3.26	3.35	3.15
Spreads of loan rates over base rates	3.34	3.45	3.22
Loan covenants	3.19	3.26	3.11
Collateralization requirements	3.07	3.10	3.04
Other	3.02	3.03	3.00
Number of banks responding	58	31	27

4. 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 last 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 sizes of credit lines	2.96	3.00	2.93
Costs of credit lines	3.09	3.17	3.00
Spreads of loan rates over base rates	3.09	3.17	3.00
Loan covenants	3.05	3.10	3.00
Collateralization requirements	3.02	3.10	2.93
Other	3.04	3.03	3.04
Number of banks responding	57	29	28

5. If your bank 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 1-4), how important were 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 the tightening of 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	1.00	1.00	1.00
A less favorable economic outlook	1.50	1.50	1.50
A worsening of industry-specific problems	1.17	1.00	1.25
Less aggressive competition from other commercial banks	1.00	1.00	1.00
Less aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.00	1.00	1.00
Reduced tolerance for risk	1.67	1.50	1.75
Other	1.00	1.00	1.00
Number of banks responding	6	2	4

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	1.12	1.14	1.08
A more favorable economic outlook	1.24	1.29	1.17
An improvement in industry-specific problems	1.21	1.29	1.08
More aggressive competition from other commercial banks	2.55	2.43	2.75
More aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	2.12	2.00	2.33
Increased tolerance for risk	1.15	1.14	1.17
Other	1.06	1.10	1.00
Number of banks responding	33	21	12

6. For large 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	11	20.4	9	31.0	2	8.0
About the same	33	61.1	17	58.6	16	64.0
Moderately weaker	10	18.5	3	10.3	7	28.0
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	54	100.0	29	100.0	25	100.0

7. If demand for C&I loans by large firms strengthened or weakened over the past three months, how important were the following possible reasons for the change? (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, and 3=very important.)

A. If stronger demand (answer 1 or 2 to question 6), possible reasons:

	All Respondents	$15.0 and over	Under $15.0
	Mean	Mean	Mean
Customer inventory financing needs increased	1.36	1.33	1.50
Customer investment in plant or equipment increased	1.64	1.78	1.00
Customer internally generated funds decreased	1.09	1.11	1.00
Customer borrowing shifted from other sources to your bank because these other sources became less attractive	1.36	1.33	1.50
Customer merger or acquisition financing increased	2.27	2.22	2.50
Other	1.00	1.00	1.00
Number of banks responding	11	9	2

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

	All Respondents	$15.0 and over	Under $15.0
	Mean	Mean	Mean
Customer inventory financing needs decreased	1.20	1.33	1.14
Customer investment in plant or equipment decreased	1.20	1.33	1.14
Customer internally generated funds increased	1.80	1.67	1.86
Customer borrowing shifted from your bank to other sources because these other sources became more attractive	2.10	1.67	2.29
Customer merger or acquisition financing decreased	1.50	2.00	1.29
Other	1.20	1.00	1.29
Number of banks responding	10	3	7

8. For 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	14	24.6	13	43.3	1	3.7
About the same	34	59.6	15	50.0	19	70.4
Moderately weaker	9	15.8	2	6.7	7	25.9
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	57	100.0	30	100.0	27	100.0

9. If demand for C&I loans by middle-market firms strengthened or weakened over the past three months, how important were the following possible reasons for the change? (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, and 3=very important.)

A. If stronger demand (answer 1 or 2 to question 8), possible reason:

	All Respondents	$15.0 and over	Under $15.0
	Mean	Mean	Mean
Customer inventory financing needs increased	1.71	1.69	2.00
Customer investment in plant or equipment increased	2.00	2.00	2.00
Customer internally generated funds decreased	1.14	1.15	1.00
Customer borrowing shifted from other sources to your bank because these other sources became less attractive	1.14	1.15	1.00
Customer merger or acquisition financing increased	1.93	1.92	2.00
Other	1.00	1.00	1.00
Number of banks responding	14	13	1

B. If weaker loan demand (answer 4 or 5 to question 8), possible reasons:

	All Respondents	$15.0 and over	Under $15.0
	Mean	Mean	Mean
Customer inventory financing needs decreased	1.33	2.00	1.14
Customer investment in plant or equipment decreased	1.44	1.50	1.43
Customer internally generated funds increased	1.89	2.00	1.86
Customer borrowing shifted from your bank to other sources because these other sources became more attractive	1.67	2.50	1.43
Customer merger or acquisition financing decreased	1.11	1.00	1.14
Other	1.44	2.00	1.29
Number of banks responding	9	2	7

10. 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 for 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	8	14.3	6	21.4	2	7.1
About the same	46	82.1	21	75.0	25	89.3
Moderately weaker	2	3.6	1	3.6	1	3.6
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	56	100.0	28	100.0	28	100.0

11. If demand for C&I loans by small firms strengthened or weakened over the past three months, how important were the following possible reasons for the change? (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, and 3=very important.)

A. If stronger demand (answer 1 or 2 to question 10). possible reasons

	All Respondents	$15.0 and over	Under $15.0
	Mean	Mean	Mean
Customer inventory financing needs increased	1.88	1.67	2.50
Customer investment in plant or equipment increased	2.00	1.83	2.50
Customer internally generated funds decreased	1.13	1.17	1.00
Customer borrowing shifted from other sources to your bank because these other sources became less attractive	1.25	1.33	1.00
Customer merger or acquisition financing increased	1.25	1.33	1.00
Other	1.13	1.17	1.00
Number of banks responding	8	6	2

B. If weaker loan demand (answer 4 or 5 to question 10), possible reasons

	All Respondents	$15.0 and over	Under $15.0
	Mean	Mean	Mean
Customer inventory financing needs decreased	1.50	2.00	1.00
Customer investment in plant or equipment decreased	1.00	1.00	1.00
Customer internally generated funds increased	1.50	2.00	1.00
Customer borrowing shifted from your bank to other sources because these other sources became more attractive	1.50	2.00	1.00
Customer merger or acquisition financing decreased	1.00	1.00	1.00
Other	2.50	2.00	3.00
Number of banks responding	2	1	1

***Questions 12 and 13** ask about **commercial real estate loans** at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate: Question 12 deals with changes in your bank's credit standards over the past three months, and question 13 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 been eased or tightened 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.*

12. 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	6.9	2	6.7	2	7.1
Remained basically unchanged	47	81.0	21	70.0	26	92.9
Eased somewhat	7	12.1	7	23.3	0	0.0
Eased considerably	0	0.0	0	0.0	0	0.0
Total	58	100.0	30	100.0	28	100.0

13. Over the past three months, how has the 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	3	5.2	3	10.0	0	0.0
Moderately stronger	13	22.4	10	33.3	3	10.7
About the same	32	55.2	13	43.3	19	67.9
Moderately weaker	10	17.2	4	13.3	6	21.4
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	58	100.0	30	100.0	28	100.0

***Questions 14 and 15** ask about **home mortgage loans** at your bank: Question 14 deals with changes in your bank's credit standards over the past three months, and question 15 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 been eased or tightened 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.*

14. 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	1	1.9	0	0.0	1	3.7
Remained basically unchanged	51	94.4	26	96.3	25	92.6
Eased somewhat	2	3.7	1	3.7	1	3.7
Eased considerably	0	0.0	0	0.0	0	0.0
Total	54	100.0	27	100.0	27	100.0

15. 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	6	11.3	4	15.4	2	7.4
Moderately stronger	4	7.5	3	11.5	1	3.7
About the same	28	52.8	10	38.5	18	66.7
Moderately weaker	15	28.3	9	34.6	6	22.2
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	53	100.0	26	100.0	27	100.0

Questions 16-21 *ask about* ***consumer lending*** *at your bank: Questions 16-18 deal with changes in your bank's willingness to make, and in its credit standards for, consumer loans over the past three months; question 19 deals with changes in demand over the same period; and questions 20 and 21 deal with changes in loan terms 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 been eased or tightened 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.*

16. 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	0	0.0	0	0.0	0	0.0
Somewhat more	2	3.8	1	4.2	1	3.6
About unchanged	48	92.3	21	87.5	27	96.4
Somewhat less	2	3.8	2	8.3	0	0.0
Much less	0	0.0	0	0.0	0	0.0
Total	52	100.0	24	100.0	28	100.0

17. 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	1	2.1	1	4.2	0	0.0
Tightened somewhat	21	43.8	16	66.7	5	20.8
Remained basically unchanged	26	54.2	7	29.2	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	48	100.0	24	100.0	24	100.0

18. 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	11	21.2	6	25.0	5	17.9
Remained basically unchanged	40	76.9	18	75.0	22	78.6
Eased somewhat	1	1.9	0	0.0	1	3.6
Eased considerably	0	0.0	0	0.0	0	0.0
Total	52	100.0	24	100.0	28	100.0

19. 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	9.4	2	8.0	3	10.7
About the same	35	66.0	15	60.0	20	71.4
Moderately weaker	13	24.5	8	32.0	5	17.9
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	53	100.0	25	100.0	28	100.0

20. 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	2.61	2.38	2.86
Spreads of interest rates charged on outstanding balances over market rates	2.85	2.75	2.95
Minimum percent of outstanding balances required to be repaid each month	2.96	2.92	3.00
Other	2.83	2.75	2.91
Number of banks responding	46	24	22

21. 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 20.)

	All Respondents	$15.0 and over	Under $15.0
	Mean	Mean	Mean
Maximum maturities	2.98	2.91	3.04
Spreads of loan rates over market rates	3.02	3.00	3.04
Minimum required down payment	3.00	2.96	3.04
Other	2.96	2.91	3.00
Number of banks responding	48	23	25

Questions 22-27 *deal with expectations about* ***loan quality*** *developments at your bank over the remainder of this year.*

22. How do you expect the net charge-off rate on consumer loans at your bank to change over the remainder of this year?

	All Respondents		$15.0 and over		Under $15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Increase substantially	0	0.0	0	0.0	0	0.0
Increase somewhat	23	43.4	13	50.0	10	37.0
Remain about the same	22	41.5	10	38.5	12	44.4
Decrease somewhat	8	15.1	3	11.5	5	18.5
Decrease substantially	0	0.0	0	0.0	0	0.0
Total	53	100.0	26	100.0	27	100.0

23. If you expect the net charge-off rate on consumer loans to increase (answer 1 or 2 to question 22), how important are the following possible reasons for your expectation? (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

	All Respondents	$15.0 and over	Under $15.0
	Mean	Mean	Mean
More aggressive past solicitations by your bank for these loans	1.78	1.69	1.90
Other previous easing of standards or terms for these loans	1.30	1.31	1.30
A deterioration in the economy	1.30	1.31	1.30
A deterioration in household financial conditions	1.91	2.15	1.60
An increased willingness to declare bankruptcy	2.57	2.62	2.50
The average age of your consumer loan portfolio is increasing, raising the share of older (seasoned) loans which typically have a relatively greater likelihood of becoming troubled	1.30	1.23	1.40
Other	1.22	1.31	1.10
Number of banks responding	23	13	10

24. If you expect the net charge-off rate on consumer loans to decrease (answer 4 or 5 to question 22), how important are the following possible reasons for your expectation? (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

	All Respondents	$15.0 and over	Under $15.0
	Mean	Mean	Mean
Less aggressive past solicitations for these loans by your bank	1.63	1.33	1.80
Other previous tightening of standards or terms for these loans	2.00	1.67	2.20
An improvement in the economy	1.25	1.33	1.20
An improvement in household financial conditions	1.13	1.33	1.00
A decreased willingness to declare bankruptcy	1.00	1.00	1.00
The average age of your consumer loan portfolio is decreasing, lowering the share of older (seasoned) loans which typically have a relatively greater likelihood of becoming troubled	1.00	1.00	1.00
Other	1.63	2.00	1.40
Number of banks responding	8	3	5

25. How do you expect the net charge-off rate on commercial and industrial loans at your bank to change over the remainder of this year?

	All Respondents		$15.0 and over		Under $15.0	
	Banks	Pct	Banks	Pct	Banks	Pct
Increase substantially	0	0.0	0	0.0	0	0.0
Increase somewhat	16	27.1	9	29.0	7	25.0
Remain about the same	41	69.5	20	64.5	21	75.0
Decrease somewhat	2	3.4	2	6.5	0	0.0
Decrease substantially	0	0.0	0	0.0	0	0.0
Total	59	100.0	31	100.0	28	100.0

26. If you expect the net charge-off rate on commercial and industrial loans to increase (answer 1 or 2 to question 25), how important are the following possible reasons for your expectation? (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

	All Respondents	$15.0 and over	Under $15.0
	Mean	Mean	Mean
Previous easing of standards or terms for these loans	1.56	1.67	1.43
A deterioration in the economy	1.56	1.67	1.43
A deterioration in business financial conditions	1.69	1.78	1.57
The average age of your business loan portfolio is increasing, raising the share of older (seasoned) loans which typically have a relatively greater likelihood of becoming troubled	1.31	1.33	1.29
Other	1.56	1.44	1.71
Number of banks responding	16	9	7

27. If you expect the net charge-off rate on commercial and industrial loans to decrease (answer 4 or 5 to question 25), how important are the following possible reasons for your expectation? (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

	All Respondents	$15.0 and over
	Mean	Mean
Tightened standards or terms for these loans	1.00	1.00
An improvement in the economy	1.50	1.50
An improvement in business financial conditions	2.00	2.00
The average age of your business loan portfolio is decreasing, lowering the share of older (seasoned) loans which typically have a relatively greater likelihood of becoming troubled	1.00	1.00
Other	3.00	3.00
Number of banks responding	2	2

Questions 28-30 *are additional questions on* ***commercial real estate lending.***

28. Over the past year, how has your bank changed the following terms on commercial real estate loans, including land development loans and loans backed 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	3.12	3.21	3.04
Maximum loan maturity	3.07	3.10	3.04
Spreads of loan rates over your bank's cost of funds	3.54	3.59	3.50
Loan-to-value ratios	3.02	3.03	3.00
Requirements for take-out financing	2.95	3.00	2.89
Debt-service coverage ratios	3.07	3.21	2.93
Other	3.02	3.00	3.04
Number of banks responding	57	29	28

29. If your bank tightened or eased its terms on commercial real estate loans over the past year (as described in question 28), how important were 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 loan terms:

	All Respondents	$15.0 and over	Under $15.0
	Mean	Mean	Mean
A less favorable economic outlook	1.44	1.60	1.25
A worsening of the condition of or the outlook for commercial real estate	1.56	1.60	1.50
Less aggressive competition from other commercial banks	1.00	1.00	1.00
Less aggressive competition from nonbank lenders	1.11	1.20	1.00
Other	1.78	1.60	2.00
Number of banks responding	9	5	4

B. Possible reasons for easing loan terms:

	All Respondents	$15.0 and over	Under $15.0
	Mean	Mean	Mean
A more favorable economic outlook	1.42	1.45	1.38
An improvement in the condition of or the outlook for commercial real estate	1.50	1.59	1.38
More aggressive competition from other commercial banks	2.53	2.64	2.38
More aggressive competition from nonbank lenders	2.29	2.27	2.31
A more developed market for securities collateralized by these loans has increased the loans' liquidity	1.61	1.77	1.38
Other	1.05	1.00	1.13
Number of banks responding	38	22	16

30. Over the past year, how have your competitors' credit standards for or terms on 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	0	0.0	0	0.0	0	0.0
Remained basically unchanged	6	10.9	2	7.4	4	14.3
Eased somewhat	39	70.9	20	74.1	19	67.9
Eased considerably	10	18.2	5	18.5	5	17.9
Total	55	100.0	27	100.0	28	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
(Status of policy as of May 1997)

(Number of banks and percent of banks answering question[1])

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 been eased or tightened 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	6	25.0
Remained basically unchanged	15	62.5
Eased somewhat	3	12.5
Eased considerably	0	0.0
Total	24	100.0

2. For applications for C&I loans or credit lines--other than those to be used to finance mergers and acquisitions--that your bank currently is willing to approve, how have the terms of those loans changed over the past three months? (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 sizes of credit lines	2.75
Costs of credit lines	3.08
Spreads of loan rates over base rates	2.88
Loan covenants	2.96
Collateralization requirements	2.88
Other	2.88
Total	24

1. As of December 31, 1996, the 24 respondents had combined assets of $189.3 billion, compared to $658.2 billion for all foreign-related banking institutions in the United States.

3. If your bank 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 were 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, and 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	1.86
A less favorable economic outlook	1.14
A worsening of industry-specific problems	1.14
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	1.71
Other	1.43
Number of banks responding	7

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	1.50
An improvement in industry-specific problems	1.33
More aggressive competition from other commercial banks	2.17
More aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	2.00
Increased tolerance for risk	1.67
Other	1.33
Number of banks responding	6

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	2	8.3
About the same	17	70.8
Moderately weaker	4	16.7
Substantially weaker	1	4.2
Total	24	100.0

5.If demand for C&I loans strengthened or weakened over the past three months, how important were the following possible reasons for the change? (Please rate each possible reason using the following scale:1=not important, 2=somewhat important, and 3=very important.)

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

	All Respondents
	Mean
Customer inventory financing needs increased	1.50
Customer investment in plant or equipment increased	1.50
Customer internally generated funds decreased	1.00
Customer borrowing shifted from other sources to your bank because these other sources became less attractive	1.00
Customer merger or acquisition financing increased	2.50
Other	2.00
Number of banks responding	2

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

	All Respondents
	Mean
Customer inventory financing needs decreased	1.20
Customer investment in plant or equipment decreased	1.20
Customer internally generated funds increased	1.80
Customer borrowing shifted from your bank to other sources because these other sources became more attractive	2.00
Customer merger or acquisition financing decreased	2.00
Other	1.40
Number of banks responding	5

Questions 6-10 *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 been eased or tightened 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 8-10 deal with changes in your bank's and your competitors' terms for these loans over the past year.*

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	1	5.9
Remained basically unchanged	16	94.1
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	17	100.0

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	1	5.9
Moderately stronger	6	35.3
About the same	10	58.8
Moderately weaker	0	0.0
Substantially weaker	0	0.0
Total	17	100.0

8. Over the past year, how has your bank changed the following terms on commercial real estate loans, including land development loans and loans backed 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	2.94
Spreads of loan rates over your bank's cost of funds	3.19
Loan-to-value ratios	3.00
Requirements for take-out financing	3.06
Debt-service coverage ratios	3.06
Other	3.06
Total	16

9. If your bank tightened or eased its terms on commercial real estate loans over the past year (as described in questions 8), how important were 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, and 3=very important.)

A. Possible reasons for tightening loan terms:

	All Respondents
	Mean
A less favorable economic outlook	2.00
A worsening of the condition of or the outlook for commercial real estate	3.00
Less aggressive competition from other commercial banks	3.00
Less aggressive competition from nonbank lenders	3.00
Other	1.00
Number of banks responding	1

B. Possible reasons for easing loan terms:

	All Respondents
	Mean
A more favorable economic outlook	1.25
An improvement in the condition of or the outlook for commercial real estate	1.50
More aggressive competition from other commercial banks	2.00
More aggressive competition from nonbank lenders	1.75
A more developed market for securities collateralized by these loans has increased the loans' liquidity	1.75
Other	1.00
Number of banks responding	4

10. Over the past year, how have your competitors' credit standards for or terms on commercial real estate loans changed?

	All Respondents	
	Banks	Pct
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	4	36.4
Eased somewhat	5	45.5
Eased considerably	2	18.2
Total	11	100.0