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DIVISION OF MONETARY AFFAIRS

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TO: HEADS OF RESEARCH AT ALL FEDERAL RESERVE BANKS

Enclosed for distribution to respondents is a national summary of the July 2005 Senior Loan Officer Opinion Survey on Bank Lending Practices.

Enclosures

This document is available on the Federal Reserve Board's web site (http://www.federalreserve.gov/boarddocs/surveys).

Board of Governors of the Federal Reserve System

The July 2005 Senior Loan Officer Opinion Survey on Bank Lending Practices

The July 2005 Senior Loan Officer Opinion Survey on Bank Lending Practices addressed changes in the supply of, and demand for, bank loans to businesses and households over the past three months. The survey also queried banks about their current holdings and recent originations and securitizations of nontraditional mortgage products. This article is based on responses from fifty-four domestic banking institutions and twenty U.S. branches and agencies of foreign banks.

Domestic commercial banks reported a further easing of lending standards and terms for commercial and industrial (C&I) loans and commercial real estate loans over the past three months. At U.S. branches and agencies of foreign banks, in contrast, lending standards and terms for these types of loans were little changed over the same period. On net, domestic banks experienced stronger demand for C&I loans over the past three months, while foreign institutions indicated that demand for business loans was about unchanged. Both domestic and foreign institutions reported stronger demand for commercial real estate loans, on balance. A notable net fraction of domestic respondents reported stronger demand for loans to purchase homes over the past three months, while a small net percentage of banks also experienced a strengthening in demand for consumer loans. On net, credit standards for residential mortgages and consumer loans were about unchanged in the July survey, but a significant proportion of respondents indicated increased willingness to make consumer installment loans.

In response to a set of special questions on nontraditional mortgage products, domestic banks generally reported that such loans accounted for less than a quarter of their residential mortgage originations and of the mortgages on their books. More than one-half of respondents, however, noted that the share of mortgage originations accounted for by nontraditional mortgage products had been higher over the past twelve months than over the previous twelve-month period.

C&I Lending

(Table 1, questions 1-6; Table 2, questions 1-6)

In the July survey, domestic banks reported a further net easing of standards and terms for C&I loans. About 15 percent of respondents, on net, reported having eased their credit standards for loans to large and middle-market firms over the past three months, a slightly lower net fraction than in recent surveys. On balance, 50 percent of domestic banks indicated that they had reduced the costs of credit lines for such firms in July, up from 40 percent in the April survey. About 45 percent—a somewhat smaller net percentage than in the previous survey—reported that they had narrowed spreads of loan rates over their cost of funds. Domestic respondents also reported having eased other lending terms over the past three months: More than one-fifth of banks, on net, increased the maximum size and the maximum maturity of credit lines they are willing to extend to large and middle-market firms. In contrast, U.S. branches and agencies of foreign banks—customers of which are likely to be larger firms—indicated that their lending standards and terms for C&I loans were little changed over the past three months. For C&I loans to small firms, 11 percent of domestic banks, on net, noted that they had eased their lending standards—down from almost 25 percent in April—and about one-third of respondents reported having trimmed spreads of loan rates over their cost of funds.

As in recent surveys, almost all domestic banks that reported having eased their lending standards and terms in the July survey cited more-aggressive competition from other banks or nonbank lenders as an important reason for having done so. Large fractions of those respondents also cited an increased tolerance for risk and a more favorable or less uncertain economic outlook as reasons for their move toward a less-stringent lending posture.

Demand for business loans reportedly strengthened over the past three months. Forty percent of domestic banks saw stronger demand for C&I loans from large and middle-market firms, on balance—about the same share as in the April survey. In contrast, foreign institutions reported that demand for C&I loans was about unchanged over the past three months. About one-third of domestic respondents also experienced stronger loan demand from small firms. As was the case in the April survey, a large majority of the domestic respondents that saw stronger loan demand pointed to borrowers' increased financing needs for accounts receivable and inventories as well as for investment in plant and equipment as having driven the rise in demand. A substantial fraction of domestic banks also pointed to a rise in merger and acquisition activity as having boosted demand for C&I loans. Regarding future business, 27 percent of domestic and 16 percent of foreign respondents, on net, indicated that inquiries from potential business borrowers had increased over the past three months, down from about 40 percent and 20 percent, respectively, in the April survey.

Commercial Real Estate Lending
(Table 1, questions 7-8; Table 2, questions 7-8)

On net, 13 percent of domestic banks reported an easing of lending standards on commercial real estate loans over the past three months, about half the fraction that did so in the April survey. Only one of the thirteen foreign branches and agencies active in commercial real estate lending reported having eased standards for this type of loan. Almost one-fourth of domestic respondents, on net, experienced an increase in demand for commercial real estate loans over the past three months, about the same share as in the April survey. On net, 15 percent of foreign institutions indicated that demand for this type of loan had increased, down from one-third in April.

Lending to Households
(Table 1, questions 9-24)

About one-fifth of domestic institutions reported in the July survey that they had become more willing to make consumer installment loans over the previous three months, a somewhat larger share than in April. However, standards and terms on credit card and non-credit-card consumer loans were reportedly little changed, on net, over the same period. A modest net fraction of banks reported stronger demand for consumer loans in the July survey.

Credit standards on residential mortgage loans were reportedly unchanged in the July survey. Demand for mortgages to purchase homes strengthened over the past three months: One-fifth of domestic respondents, on net, reported stronger demand for such loans.

The July survey included a set of special questions on banks' current holdings and recent originations and securitizations of residential mortgages that could be categorized as nontraditional mortgage products. These products include—but are not limited to—adjustable-rate mortgages with multiple payment options, interest-only mortgages, and so-called "Alt-A" products, such as mortgages with limited income verification and mortgages secured by non-owner-occupied properties.[1]

About one-third of domestic respondents indicated that the share of residential mortgages on their books that could be classified as nontraditional mortgage products was less than 5 percent, and another third reported that the share of such products was between 5 percent and 15 percent. These shares are roughly similar if the responses are weighted by the respondent banks' dollar volumes of residential mortgages outstanding at the end of the first quarter. Only one bank indicated that nontraditional mortgage products accounted for more than one-half of residential mortgages on its books.

About one-third of domestic respondents reported that over the past twelve months the share of their residential mortgage originations that could be categorized as nontraditional products had been less than 5 percent. An additional 41 percent of respondents indicated that their share of nontraditional mortgage originations was between 5 percent and 25 percent over the same period. Banks reporting shares in this range accounted for 72 percent of all residential mortgages on the books of the

[1] The number of banks that responded to these special questions varied from forty-five to forty-nine depending on the question. According to first-quarter Call Reports, the respondent banks accounted for as little as 48 percent and for as much as 60 percent of all residential real estate loans on the books of domestic commercial banks as of March 31, 2005.

respondents at the end of the first quarter, with the largest of them reporting shares between 16 percent and 25 percent.

More than one-half of respondent banks indicated that the share of nontraditional residential mortgage originations over the past twelve months was higher than it had been over the previous twelve-month period. Twelve percent of respondents noted that this share was substantially higher.

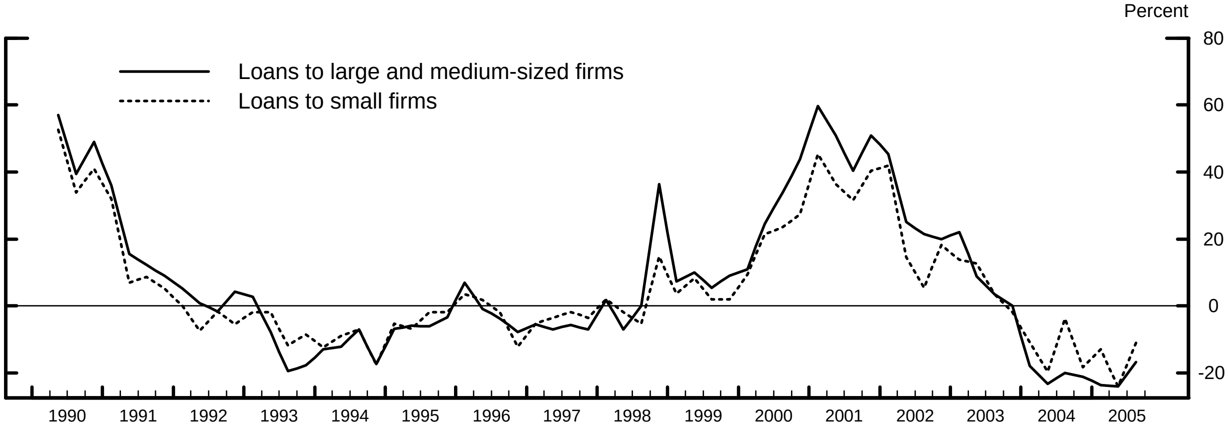
A large majority of respondents reported that their bank had securitized less than one-quarter of nontraditional mortgages originated over the past year. These institutions accounted for about one-half of the residential mortgages on the respondents' books. In contrast, three large banks—which accounted for almost 40 percent of the respondents' residential mortgages outstanding—indicated that the share of nontraditional mortgage originations that had been securitized exceeded 75 percent. On balance, a majority of the banks indicated that they were less likely to securitize nontraditional mortgage products than traditional mortgages. However, three large institutions—which accounted for almost 40 percent of the residential mortgages of the respondents—indicated that they were somewhat more likely to securitize nontraditional mortgage products.

Banks were also asked about the share of residential mortgages on their books used to finance purchases of second homes or homes for investment purposes. A substantial majority of banks indicated that this share was less than 10 percent. Banks with larger mortgage portfolios reporting in this range generally reported higher proportions of such mortgages. Most respondents also indicated that over the past year, the share of residential mortgage originations used to finance purchases of second homes or homes for investment purposes was less than 10 percent. One-fourth of the respondents noted that the share of originations accounted for by such loans was moderately higher over the past twelve months than in the previous twelve-month period. Banks with larger mortgage portfolios were more likely to report an increase in this share.

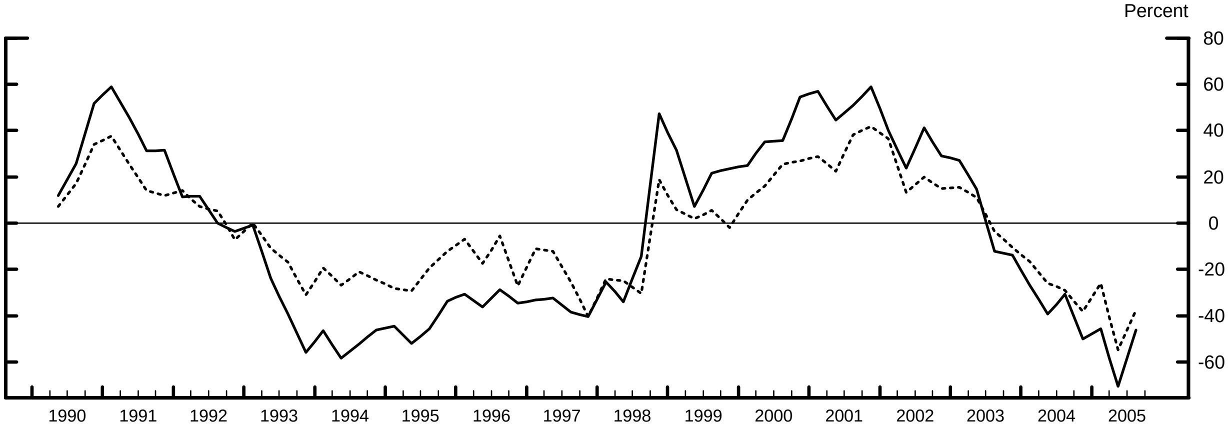
This document was prepared by Fabio Natalucci with the research assistance of Arshia Burney and Jason Grimm, Division of Monetary Affairs, Board of Governors of the Federal Reserve System.

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

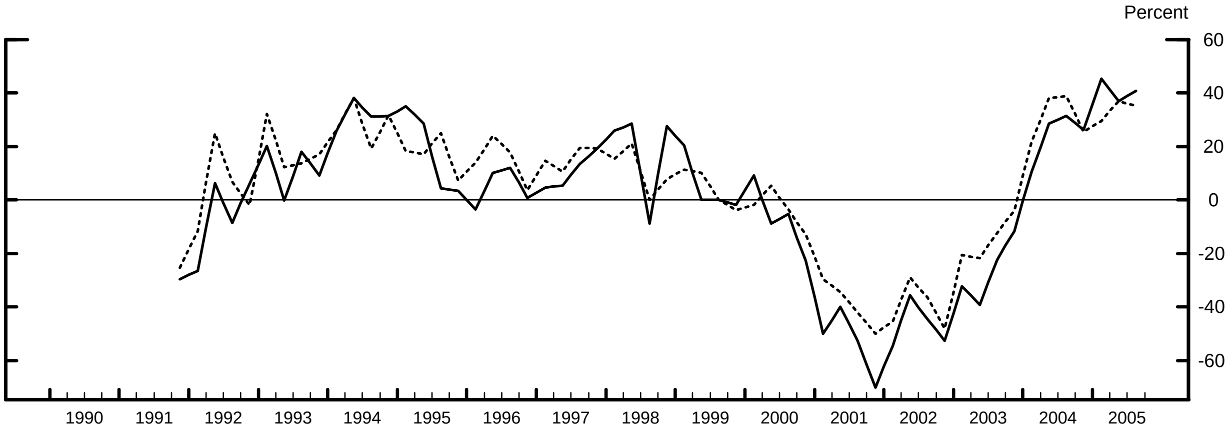
Net Percentage of Domestic Respondents Tightening Standards for C&I Loans



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

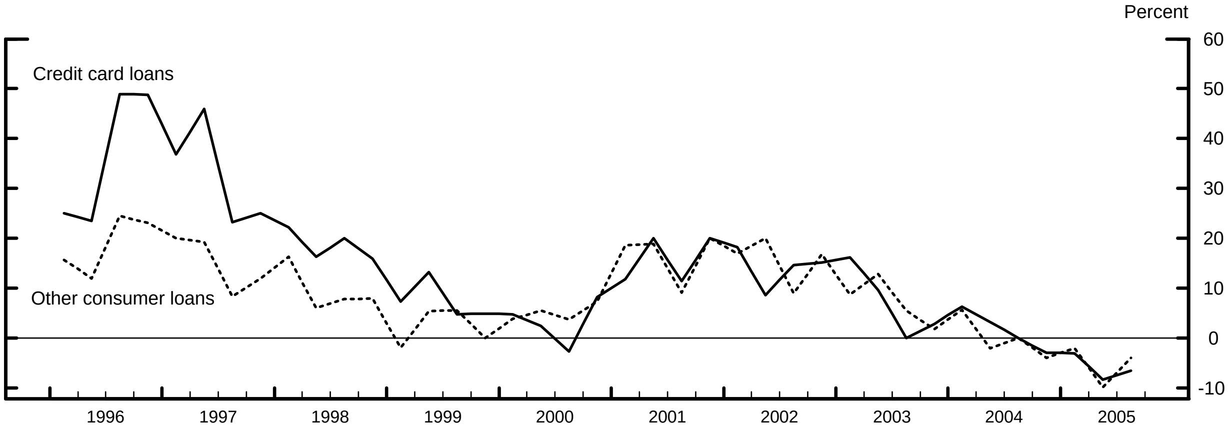


Net Percentage of Domestic Respondents Reporting Stronger Demand for C&I Loans

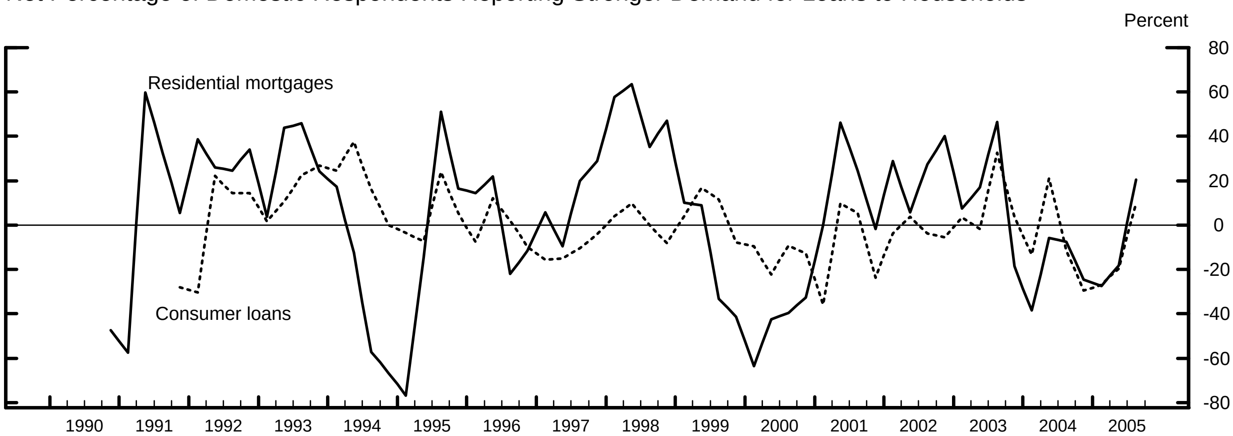


Measures of Supply and Demand for Loans to Households

Net Percentage of Domestic Respondents Tightening Standards for Consumer Loans



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



Net Percentage of Domestic Respondents Tightening Standards for Mortgages to Individuals

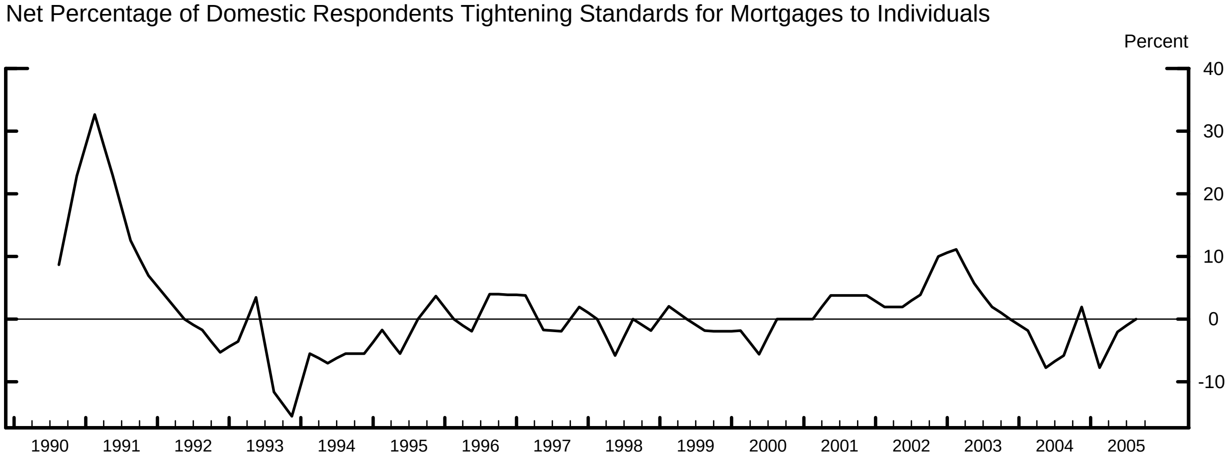


Table 1

Senior Loan Officer Opinion Survey on Bank Lending Practices at Selected Large Banks in the United States [1]

(Status of policy as of July 2005)

Questions 1-6 *ask about* ***commercial and industrial*** *(C&I) loans at your bank. Questions 1-3 deal with changes in your bank's lending policies over the past three months. Questions 4-5 deal with changes in demand for C&I loans over the past three months. Question 6 asks about changes in prospective demand for C&I loans at your bank, as indicated by the volume of recent inquiries about the availability of new credit lines or increases in existing lines. If your bank's lending policies have not changed over the past three months, please report them as unchanged even if the policies are either restrictive or accommodative relative to longer-term norms. If your bank's policies have tightened or eased over the past three months, please so report them regardless of how they stand relative to longer-term norms. Also, please report changes in enforcement of existing policies as changes in policies.*

1. Over the past three months, how have your bank's credit standards for approving applications for C&I loans or credit lines--other than those to be used to finance mergers and acquisitions--to large and middle-market firms and to small firms changed? (If your bank defines firm size differently from the categories suggested below, please use your definitions and indicate what they are.)

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

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
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	45	83.3	26	78.8	19	90.5
Eased somewhat	8	14.8	6	18.2	2	9.5
Eased considerably	1	1.9	1	3.0	0	0.0
Total	54	100.0	33	100.0	21	100.0

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

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	1	1.9	0	0.0	1	4.8
Remained basically unchanged	46	85.2	27	81.8	19	90.5
Eased somewhat	6	11.1	5	15.2	1	4.8
Eased considerably	1	1.9	1	3.0	0	0.0
Total	54	100.0	33	100.0	21	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 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	3.24	3.33	3.10
Maximum maturity of loans or credit lines	3.24	3.33	3.10
Costs of credit lines	3.52	3.64	3.33
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.46	3.42	3.52
Premiums charged on riskier loans	3.22	3.24	3.19
Loan covenants	3.19	3.21	3.14
Collateralization requirements	3.15	3.12	3.19
Other (please specify)	0.00	0.00	0.00
Number of banks responding	54	33	21

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	3.08	3.09	3.05
Maximum maturity of loans or credit lines	3.13	3.16	3.10
Costs of credit lines	3.32	3.38	3.24
Spreads of loan rates over your bank’s cost of funds (wider spreads=tightened, narrower spreads=eased)	3.38	3.31	3.48
Premiums charged on riskier loans	3.08	3.13	3.00
Loan covenants	3.08	3.13	3.00
Collateralization requirements	3.04	3.06	3.00
Other (please specify)	3.50	3.50	0.00
Number of banks responding	53	32	21

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	1.17	1.00	1.33
Less favorable or more uncertain economic outlook	1.33	1.00	1.67
Worsening of industry-specific problems (please specify industries)	1.67	2.00	1.33
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.17	1.00	1.33
Reduced tolerance for risk	1.17	1.00	1.33
Decreased liquidity in the secondary market for these loans	1.17	1.00	1.33
Increase in defaults by borrowers in public debt markets	1.17	1.00	1.33
Other (please specify)	3.00	3.00	0.00
Number of banks responding	6	3	3

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	1.18	1.09	1.40
More favorable or less uncertain economic outlook	1.55	1.48	1.70
Improvement in industry-specific problems (please specify industries)	1.30	1.35	1.20
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	2.64	2.57	2.80
Increased tolerance for risk	1.58	1.65	1.40
Increased liquidity in the secondary market for these loans	1.31	1.36	1.20
Reduction in defaults by borrowers in public debt markets	1.36	1.43	1.20
Other (please specify)	3.00	3.00	3.00
Number of banks responding	33	23	10

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	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Substantially stronger	1	1.9	0	0.0	1	4.8
Moderately stronger	27	50.0	17	51.5	10	47.6
About the same	20	37.0	13	39.4	7	33.3
Moderately weaker	6	11.1	3	9.1	3	14.3
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	54	100.0	33	100.0	21	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	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Substantially stronger	1	1.9	1	3.0	0	0.0
Moderately stronger	22	40.7	13	39.4	9	42.9
About the same	27	50.0	17	51.5	10	47.6
Moderately weaker	4	7.4	2	6.1	2	9.5
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	54	100.0	33	100.0	21	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	1.97	1.95	2.00
Customer accounts receivable financing needs increased	2.00	1.95	2.08
Customer investment in plant or equipment increased	1.91	1.95	1.85
Customer internally generated funds decreased	1.19	1.16	1.25
Customer merger or acquisition financing needs increased	1.94	2.05	1.75
Customer borrowing shifted to your bank from other bank or nonbank sources because these other sources became less attractive	1.61	1.58	1.67
Other (please specify)	1.00	1.00	0.00
Number of banks responding	32	19	13

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	1.86	2.00	1.67
Customer accounts receivable financing needs decreased	1.83	2.00	1.50
Customer investment in plant or equipment decreased	2.00	2.25	1.67
Customer internally generated funds increased	1.67	1.75	1.50
Customer merger or acquisition financing needs decreased	1.86	2.00	1.67
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	1.71	1.75	1.67
Other (please specify)	2.00	0.00	2.00
Number of banks responding	7	4	3

6. At your bank, how has the number of inquiries from potential business borrowers regarding the availability and terms of new credit lines or increases in existing lines changed over the past three months? (Please consider only inquiries for additional C&I lines as opposed to the refinancing of existing loans.)

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
The number of inquiries has increased substantially	1	1.9	0	0.0	1	4.8
The number of inquiries has increased moderately	16	30.8	11	35.5	5	23.8
The number of inquiries has stayed about the same	32	61.5	19	61.3	13	61.9
The number of inquiries has decreased moderately	3	5.8	1	3.2	2	9.5
The number of inquiries has decreased substantially	0	0.0	0	0.0	0	0.0
Total	52	100.0	31	100.0	21	100.0

***Questions 7-8** ask about **commercial real estate loans** at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 7 deals with changes in your bank's standards over the last three months. Question 8 deals with changes in demand. If your bank's lending standards or terms have not changed over the relevant period, please report them as unchanged even if they are either restrictive or accommodative relative to longer-term norms. If your bank's standards or terms have tightened or eased over the relevant period, please so report them regardless of how they stand relative to longer-term norms. Also, please report changes in enforcement of existing standards as changes in standards.*

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

	All Respondents		**Large Banks**		**Other Banks**	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	3	5.6	2	6.1	1	4.8
Remained basically unchanged	41	75.9	23	69.7	18	85.7
Eased somewhat	10	18.5	8	24.2	2	9.5
Eased considerably	0	0.0	0	0.0	0	0.0
Total	54	100.0	33	100.0	21	100.0

8. 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	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Substantially stronger	0	0.0	0	0.0	0	0.0
Moderately stronger	16	29.6	10	30.3	6	28.6
About the same	35	64.8	22	66.7	13	61.9
Moderately weaker	3	5.6	1	3.0	2	9.5
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	54	100.0	33	100.0	21	100.0

Questions 9-18 *ask about* ***residential mortgage loans*** *at your bank. Question 9 deals with changes in your bank's credit standards over the past three months, and question 10 deals with changes in demand over the same period. Questions 11-15 ask about non-traditional residential mortgages such as those with alternative payment options or limited income verification. Questions 16-18 ask about the share of residential mortgages that have been used to finance second homes or investment properties. If your bank's credit standards have not changed over the relevant period, 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 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.*

9. 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	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	2	4.1	2	6.5	0	0.0
Remained basically unchanged	45	91.8	28	90.3	17	94.4
Eased somewhat	2	4.1	1	3.2	1	5.6
Eased considerably	0	0.0	0	0.0	0	0.0
Total	49	100.0	31	100.0	18	100.0

10. 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	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Substantially stronger	1	2.0	1	3.2	0	0.0
Moderately stronger	16	32.7	10	32.3	6	33.3
About the same	25	51.0	16	51.6	9	50.0
Moderately weaker	7	14.3	4	12.9	3	16.7
Substantially weaker	0	0.0	0	0.0	0	0.0
Total	49	100.0	31	100.0	18	100.0

11. About what share of the dollar volume of residential mortgages currently on your bank's books could be categorized as non-traditional mortgage products? (Non-traditional mortgage products include, but are not limited to, adjustable-rate mortgages with multiple payment options, interest-only mortgages, and the so-called ''Alt-A'' products such as mortgages with limited income verification and mortgages secured by non-owner-occupied properties. Please exclude standard adjustable-rate mortgages and common hybrid adjustable-rate mortgages--those for which the interest rate is initially fixed for a multi-year period and subsequently adjusts more frequently.)

	All Respondents		**Large Banks**		**Other Banks**	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Less than 5 percent	18	38.3	6	21.4	12	63.2
Between 5 percent and 15 percent	15	31.9	9	32.1	6	31.6
Between 16 percent and 25 percent	7	14.9	7	25.0	0	0.0
Between 26 percent and 50 percent	6	12.8	5	17.9	1	5.3
More than 50 percent	1	2.1	1	3.6	0	0.0
Total	47	100.0	28	100.0	19	100.0

12. Over the past twelve months, about what share of the dollar volume of residential mortgages originated by your bank could be categorized as non-traditional mortgage products (as defined in question 11)?

	All Respondents		**Large Banks**		**Other Banks**	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Less than 5 percent	16	34.8	6	21.4	10	55.6
Between 5 percent and 15 percent	10	21.7	5	17.9	5	27.8
Between 16 percent and 25 percent	9	19.6	8	28.6	1	5.6
Between 26 percent and 50 percent	8	17.4	6	21.4	2	11.1
Between 51 percent and 75 percent	3	6.5	3	10.7	0	0.0
More than 75 percent	0	0.0	0	0.0	0	0.0
Total	46	100.0	28	100.0	18	100.0

13. How did the share of non-traditional residential mortgages originated by your bank over the past twelve months (as answered in question 12) compare with the share of such loans originated during the previous twelve-month period?

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Substantially higher	6	12.2	6	19.4	0	0.0
Moderately higher	21	42.9	15	48.4	6	33.3
About the same	22	44.9	10	32.3	12	66.7
Moderately lower	0	0.0	0	0.0	0	0.0
Substantially lower	0	0.0	0	0.0	0	0.0
Total	49	100.0	31	100.0	18	100.0

14. Over the past twelve months, about what share of the dollar volume of non-traditional mortgage originations (as answered in question 12) did your bank securitize?

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Less than 25 percent	39	86.7	24	82.8	15	93.8
Between 25 percent and 50 percent	1	2.2	1	3.4	0	0.0
Between 51 percent and 75 percent	2	4.4	2	6.9	0	0.0
More than 75 percent	3	6.7	2	6.9	1	6.3
Total	45	100.0	29	100.0	16	100.0

15. Is your bank more or less likely to securitize non-traditional mortgage products (as defined in question 11) than traditional mortgage products?

	All Respondents		Large Banks		Other Banks	
	Banks	Percent	Banks	Percent	Banks	Percent
Substantially more likely	3	6.5	2	6.7	1	6.3
Somewhat more likely	6	13.0	5	16.7	1	6.3
About as likely	20	43.5	13	43.3	7	43.8
Somewhat less likely	8	17.4	7	23.3	1	6.3
Substantially less likely	9	19.6	3	10.0	6	37.5
Total	46	100.0	30	100.0	16	100.0

16. About what share of the dollar volume of residential mortgages currently on your bank's books were used to finance purchases of second homes or homes for investment purposes?

	All Respondents		Large Banks		Other Banks	
	Banks	Percent	Banks	Percent	Banks	Percent
Less than 5 percent	20	41.7	8	27.6	12	63.2
Between 5 percent and 10 percent	20	41.7	15	51.7	5	26.3
Between 11 percent and 15 percent	3	6.3	3	10.3	0	0.0
Between 16 percent and 25 percent	5	10.4	3	10.3	2	10.5
More than 25 percent	0	0.0	0	0.0	0	0.0
Total	48	100.0	29	100.0	19	100.0

17. Over the past twelve months, about what share of the dollar volume of residential mortgages originated by your bank were used to finance purchases of second homes or homes for investment purposes?

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Less than 5 percent	20	41.7	9	30.0	11	61.1
Between 5 percent and 10 percent	18	37.5	13	43.3	5	27.8
Between 11 percent and 20 percent	7	14.6	5	16.7	2	11.1
Between 21 percent and 30 percent	3	6.3	3	10.0	0	0.0
Between 31 percent and 50 percent	0	0.0	0	0.0	0	0.0
More than 50 percent	0	0.0	0	0.0	0	0.0
Total	48	100.0	30	100.0	18	100.0

18. How did the share of mortgages originated by your bank over the past twelve months that were used to finance purchases of second homes or homes for investment purposes (as answered in question 17) compare with the share of such loans originated during the previous twelve-month period?

	All Respondents		Large Banks		Other Banks	
	Banks	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Substantially higher	0	0.0	0	0.0	0	0.0
Moderately higher	12	25.0	9	30.0	3	16.7
About the same	36	75.0	21	70.0	15	83.3
Moderately lower	0	0.0	0	0.0	0	0.0
Substantially lower	0	0.0	0	0.0	0	0.0
Total	48	100.0	30	100.0	18	100.0

Questions 19-24 *ask about* ***consumer lending*** *at your bank. Question 19 deals with changes in your bank's willingness to make consumer loans over the past three months. Questions 20-23 deal with changes in credit standards and loan terms over the same period. Question 24 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.*

19. 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	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Much more willing	1	1.9	1	3.1	0	0.0
Somewhat more willing	10	19.2	6	18.8	4	20.0
About unchanged	41	78.8	25	78.1	16	80.0
Somewhat less willing	0	0.0	0	0.0	0	0.0
Much less willing	0	0.0	0	0.0	0	0.0
Total	52	100.0	32	100.0	20	100.0

20. 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	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
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	29	93.5	17	100.0	12	85.7
Eased somewhat	2	6.5	0	0.0	2	14.3
Eased considerably	0	0.0	0	0.0	0	0.0
Total	31	100.0	17	100.0	14	100.0

21. 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	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Tightened considerably	0	0.0	0	0.0	0	0.0
Tightened somewhat	1	2.0	1	3.1	0	0.0
Remained basically unchanged	47	92.2	29	90.6	18	94.7
Eased somewhat	3	5.9	2	6.3	1	5.3
Eased considerably	0	0.0	0	0.0	0	0.0
Total	51	100.0	32	100.0	19	100.0

22. Over the past three months, how has your bank changed the following terms and conditions 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	3.11	3.14	3.07
Spreads of interest rates charged on outstanding balances over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.89	2.79	3.00
Minimum percent of outstanding balances required to be repaid each month	2.75	2.64	2.86
Minimum required credit score (increased score=tightened, reduced score=eased)	3.04	3.07	3.00
The extent to which loans are granted to some customers that do not meet credit scoring thresholds (increased=eased, decreased=tightened)	2.96	3.07	2.86
Other (please specify)	3.00	2.50	4.00
Number of banks responding	28	14	14

23. Over the past three months, how has your bank changed the following terms and conditions 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	3.06	3.03	3.10
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.06	2.97	3.20
Minimum required downpayment	3.02	3.00	3.05
Minimum required credit score (increased score=tightened, reduced score=eased)	3.06	3.09	3.00
The extent to which loans are granted to some customers that do not meet credit scoring thresholds (increased=eased, decreased=tightened)	2.98	3.00	2.95
Other (please specify)	3.00	3.00	0.00
Number of banks responding	52	32	20

24. 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	**Percent**	**Banks**	**Percent**	**Banks**	**Percent**
Substantially stronger	1	2.0	1	3.2	0	0.0
Moderately stronger	13	25.5	7	22.6	6	30.0
About the same	28	54.9	16	51.6	12	60.0
Moderately weaker	8	15.7	7	22.6	1	5.0
Substantially weaker	1	2.0	0	0.0	1	5.0
Total	51	100.0	31	100.0	20	100.0

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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 March 31, 2005. The combined assets of the 33 large banks totaled $3.97 trillion, compared with $4.18 trillion for the entire panel of 54 banks and $7.34 trillion for all domestically-chartered, federally insured commercial banks.

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 July 2005)

Questions 1-6 *ask about* ***commercial and industrial*** *(C&I) loans at your bank. Questions 1-3 deal with changes in your bank's lending policies over the past three months. Questions 4-5 deal with changes in demand for C&I loans over the past three months. Question 6 asks about changes in prospective demand for C&I loans at your bank, as indicated by the volume of recent inquiries about the availability of new credit lines or increases in existing lines. If your bank's lending policies have not changed over the past three months, please report them as unchanged even if the policies are either restrictive or accommodative relative to longer-term norms. If your bank's policies have tightened or eased over the past three months, please so report them regardless of how they stand relative to longer-term norms. Also, please report changes in enforcement of existing policies as changes in policies.*

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

	All Respondents	
	Banks	**Percent**
Tightened considerably	0	0.0
Tightened somewhat	2	10.0
Remained basically unchanged	16	80.0
Eased somewhat	2	10.0
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--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	3.15
Maximum maturity of loans or credit lines	3.05
Costs of credit lines	3.25
Spreads of loan rates over your bank’s cost of funds (wider spreads=tightened, narrower spreads=eased)	3.35
Premiums charged on riskier loans	3.10
Loan covenants	3.30
Collateralization requirements	3.10
Other (please specify)	2.50
Number of banks responding	20

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 bank’s current or expected capital position	1.40
Less favorable or more uncertain economic outlook	1.60
Worsening of industry-specific problems (please specify industries)	2.20
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.00
Reduced tolerance for risk	1.80
Decreased liquidity in the secondary market for these loans	1.40
Increase in defaults by borrowers in public debt markets	1.00
Other (please specify)	1.00
Number of banks responding	5

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

	All Respondents
	Mean
Improvement in your bank’s current or expected capital position	1.29
More favorable or less uncertain economic outlook	1.29
Improvement in industry-specific problems (please specify industries)	1.43
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	2.44
Increased tolerance for risk	1.14
Increased liquidity in the secondary market for these loans	1.71
Reduction in defaults by borrowers in public debt markets	1.57
Other (please specify)	1.00
Number of banks responding	9

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

	All Respondents	
	Banks	**Percent**
Substantially stronger	0	0.0
Moderately stronger	3	15.0
About the same	15	75.0
Moderately weaker	2	10.0
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	1.50
Customer accounts receivable financing needs increased	2.00
Customer investment in plant or equipment increased	1.50
Customer internally generated funds decreased	1.00
Customer merger or acquisition financing needs increased	2.33
Customer borrowing shifted to your bank from other bank or nonbank sources because these other sources became less attractive	2.00
Other (please specify)	0.00
Number of banks responding	3

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

	All Respondents
	Mean
Customer inventory financing needs decreased	2.00
Customer accounts receivable financing needs decreased	2.00
Customer investment in plant or equipment decreased	2.00
Customer internally generated funds increased	2.00
Customer merger or acquisition financing needs decreased	3.00
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	2.00
Other (please specify)	0.00
Number of banks responding	1

6. At your bank, how has the number of inquiries from potential business borrowers regarding the availability and terms of new credit lines or increases in existing lines changed over the past three months? (Please consider only inquiries for additional C&I lines as opposed to the refinancing of existing loans.)

	All Respondents	
	Banks	**Percent**
The number of inquiries has increased substantially	0	0.0
The number of inquiries has increased moderately	4	21.1
The number of inquiries has stayed about the same	14	73.7
The number of inquiries has decreased moderately	0	0.0
The number of inquiries has decreased substantially	1	5.3
Total	19	100.0

Questions 7-8 *ask about* ***commercial real estate loans*** *at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 7 deals with changes in your bank's standards over the last three months. Question 8 deals with changes in demand. If your bank's lending standards or terms have not changed over the relevant period, please report them as unchanged even if they are either restrictive or accommodative relative to longer-term norms. If your bank's standards or terms have tightened or eased over the relevant period, please so report them regardless of how they stand relative to longer-term norms. Also, please report changes in enforcement of existing standards as changes in standards.*

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

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

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

	All Respondents	
	Banks	**Percent**
Substantially stronger	0	0.0
Moderately stronger	2	15.4
About the same	11	84.6
Moderately weaker	0	0.0
Substantially weaker	0	0.0
Total	13	100.0

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1. As of March 31, 2005, the 20 respondents had combined assets of $437 billion, compared with $991 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.