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Department of the Treasury
Briefing Book
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CREDIT CRUNCH

December 20, 1991

THE DEPUTY SECRETARY OF THE TREASURY
WASHINGTON

file

MEMORANDUM FOR WHITE HOUSE CHIEF OF STAFF SKINNER

FROM: DEPUTY SECRETARY ROBSON

SUBJECT: Credit Crunch Briefing Book

Attached you will find a briefing book containing information on the Administration's efforts to address the credit crunch. Contents include a summary of our activities, guidelines released by the federal bank and thrift regulators, speeches, and credit crunch testimony before Congress.

here: Wm. Taylor: career Fed bureaucrat, recently moved to FDIC — replacing Seidman — confirmed by Senate 2 months ago.

Bob Clarke: Texas lawyer from Houston, brought in by Jim Baker, head of OCC (Comptroller) at Treasury — not confirmed (turned down) for 2nd term.

NOT HERE

here: Tim Ryan: Head of OTS (Office of Thrift Supervision) within Treas.
(political — Repub —

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- **March 1st Guidelines:**
  Encourage lending to sound borrowers and recognize the need to work through temporary problems.

- **Mid-Summer Guidelines:**
  Economic sectors, such as real estate, experiencing temporary problems may need some flexibility in working through their problems.

- **October 8th Package:**
  Outlines the Administration's comprehensive plan to address the credit crunch.

- **November 7th Guidelines:**
  First time that all four agencies have established a common policy on the review and classification of commercial real estate loans and the use of appraisals.

- **December 16th Examiner's meeting in Baltimore**

Other Actions:

- **Regional Meetings:**
  Held to bring bankers, borrowers, regulators together to address credit crunch concerns and to discuss recently issued regulation.

- **General Exploratory Meetings:**
  Treasury and Administration officials have held several hundred meetings with regulators, bankers, and business people to explore new ways to address the credit crunch.

December 19, 1991

Summary of the Administration's Efforts to Address the Credit Crunch

Regulatory Guidance:

- **March 1st Guidelines:**
  - Encourage lending to sound borrowers and recognize the need to work through temporary problems.
  - Include accounting, financial disclosure and other technical guidelines that address troubled credits, loan concentrations and real estate valuations.
  - Restore confidence and improve the regulatory climate.

- **Mid-Summer Guidelines:**
  Economic sectors, such as real estate, which are experiencing temporary problems may need some flexibility in working through their problems.
  - Banks which choose to refinance sound "mini-perm" medium term real estate credits will not be automatically criticized by examiners for doing so.
  - Troubled debt restructurings (TDRs) should be undertaken in a way that improves the likelihood that the loan will be repaid in full.
  - Nonaccrual assets subject to FAS 15 restructurings should be returned to accrual status if the loan shows a period of sustained performance.

- **October 8th Package:**
  - Conform US Implementation of the Basle Capital Standards
  - Enhanced Examination Appeals Process
  - Improve Examination Management
  - Real Estate Valuation Policies and Use of Appraisals
  - Random Audit Program
  - Appraisal Costs
  - Further Clarification of HLT Definition
  - Convene National Meeting of Examiners
  - Bank Reform
  - Lender Liability Reform
  - President's Growth Initiatives
  - Nominees for Regulatory Positions
  - Bankruptcy Reform

TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

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Contact:
Claire Buchan
566-8773

EASING THE CREDIT CRUNCH TO PROMOTE ECONOMIC GROWTH

Secretary of the Treasury Nicholas Brady today announced new steps in the Administration's ongoing efforts to address "credit crunch" problems identified by the business community, bankers, and regulators. The steps build on the President's economic agenda and are aimed at sustaining the economic recovery.

"Maintaining the economic recovery depends on banks playing their traditional role, businesses making investments, and consumers purchasing goods and services," Brady said. Recent statistics show employment levels, housing starts, and industrial production rising. The Administration wants to insure that proper balance in the regulation of the banking sector continues the upward trend and that Congress passes other Administration economic growth proposals.

The Administration's new steps were developed in consultation with the Federal Reserve Board, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, and the Office of Thrift Supervision. They are designed to promote confidence and balance in the lending environment, and to help businesses and consumers in their economic activity.

The Administration's program builds on the previous efforts by the Treasury Department and financial regulators to assure that sound businesses and consumers can get needed credit. These efforts include encouraging lenders to make prudent loans and assuring that examiners perform their reviews in a balanced, sensible manner. The federal banking and thrift regulators have stated that they do not want the availability of credit to sound borrowers to be adversely affected by supervisory policies or depository institutions' misunderstandings about them.

In particular, the Administration, while avoiding any encouragement of regulatory laxity, wants to ensure that the specific guidance issued by the regulators over the past several months is being fully implemented by examiners in the field, and that additional opportunities for assuring balanced regulation are pursued. Among the areas addressed are:

NB-1491

- Directives that bankers should work constructively with borrowers experiencing temporary difficulties and facilitate the orderly restructuring of credits;

- Prudent refinancing of economically sound commercial real estate loans;

- Improved verification by regulatory supervisors that recent policy changes and clarifications are appropriately applied in each examination;

- Enhancements in the process for appeals of alleged misapplication of regulatory standards;

- Harmonization of the treatment of preferred stock in U.S. capital standards with other signatory countries under the Basle capital accord;

- Appropriate application of valuation standards especially in real estate credits so as to avoid a liquidation approach to valuation;

- Improved guidance in the appraisal process and steps to reduce excessive appraisal costs for lenders;

- Legislative action to make permanent recent EPA regulations to limit lender liability for environmental cleanup of loan collateral properties;

This program is in addition to the President's comprehensive economic growth package, which has been stalled in the Congress. These proposals designed for increasing job-creating investment include: reducing the capital gains tax, permanently extending the research and experimentation tax credit, establishing enterprise zones, and promoting saving through Family Savings Accounts and expanded Individual Retirement Accounts. "These proposals should be voted upon without delay," Brady said.

"Congress can also help by passing the Administration's comprehensive banking reform legislation and approving its nominees for top financial regulatory positions which are before the Senate. Holding up these measures and appointments creates further uncertainty about fiscal, monetary, and regulatory policies," Brady said.

Details of the Administration program are found on the attached fact sheet.

EASING THE CREDIT CRUNCH TO HELP PROMOTE ECONOMIC GROWTH

FACT SHEET

I. NEW REGULATORY ACTIONS TO BE IMPLEMENTED

A. Efforts to Improve Lending Environment

Conform U. S. Implementation of Basle Capital Standards

Conform U. S. treatment of Preferred Stock in Tier One capital with other countries under the Basle accord. No amendment to the Basle capital standards is needed.

Removing this ceiling will give bank holding companies an additional method of raising Tier One capital, as there are investors who prefer preferred stock to common shares.

This could result in an increase in Tier One capital and thus expand lending capacity.

The target date for completing this conforming change is October 31, 1991.

B. Build Banker Confidence

1. Enhanced Examination Appeals Process

Each agency has an existing appeals process for bankers who believe that examiners have made an error in their evaluation of loans. Although the guidelines issued March 1st encouraged bankers to take advantage of this mechanism, few bankers have done so.

Thus, it is recommended that the appeals process be strengthened by allowing a banker to appeal directly to senior officials or a Reserve Bank President separate from the supervisory process. Investigations would be conducted in a confidential manner.

Each regulatory agency will implement this system by November 15, 1991.

2. Improve Examination Management

In order to further assure that consistent and balanced examination standards are applied, agencies will take the following steps:

a. Regional supervisory management will be required to:

i) make sure that the March 1st policy changes and clarifications, and all subsequent guidelines, have been effectively communicated to each examiner;

ii) make sure that these policy changes and guidelines have been explained to the banker by the examiner in each examination; and

iii) certify that these policy changes and clarifications, and all subsequent guidance, have been followed by examiners in each exam.

These policy changes and clarifications include the instruction that:

- bankers should work in an appropriate and constructive fashion with borrowers who may be experiencing temporary difficulties;

- income producing property loans are to be assessed on the income-producing capacity of the properties over time. Examiners should take into account the lack of liquidity and cyclical nature of real estate markets. Liquidation appraisal values are to be used only if the property is to be liquidated;

- banks with real estate concentrations should not automatically refuse new credit to sound real estate developers or to work with existing borrowers;

- regulatory agencies do <u>not</u> have rigid rules (or percentages) on asset concentrations, as bankers and regulators know well the benefits of adequate portfolio diversification;

- institutions attempting to raise capital by shrinking assets should avoid actions such as the sale of all high-quality assets. Such actions by themselves, or the refusal to make sound, new loans, fail to achieve an important goal of improving the quality of the institution's loan portfolio;

- bankers and examiners should not lump all real estate together: distinctions should be made. For example, credit for a residential builder, should not be automatically penalized by local oversupply conditions in commercial office development;

- bankers should facilitate the orderly restructuring of troubled credits by using established techniques under FASB 15, "Troubled Debt Restructurings"; and

- o banks should be able to prudently refinance commercial real estate loans without fear of regulatory retribution ("mini-perm" guidance).

b. The agencies will develop a method for regular communication with bankers by central office and/or regional senior personnel to determine banker views on the fairness and balance of examination standards and practices. Examples of this communication would include polling and regular meetings with bankers.

The agencies will implement these changes by November 15, 1991.

C. Improve Real Estate Guidance

1. Real Estate Valuation Policies

The bank and thrift regulatory agencies have been developing a uniform and comprehensive set of real estate examination guidelines, especially for real estate in troubled markets. These detailed guidelines cover loan classification procedures, indicators of troubled loans, proper analysis of appraisals and loan values, and proper reserve analysis.

These guidelines will be released by October 31, 1991 and will be distributed to all examiners -- and bankers.

2. Use of Appraisals

As a part of Subsection 1 above, a letter will be sent by the primary regulator to every bank chief executive outlining the guidelines for using appraisals emphasizing balance and appropriate time lines.

3. Random Audit Program

The regulatory agencies would establish quality control through a random audit program to determine how examiners are using appraisals in the loan documentation process.

This can be implemented by October 31, 1991.

4. Appraisal Costs

The Administration supports the actions taken recently by the regulatory agencies to limit the costs of appraisals on residential real estate loans by raising the minimum loan size subject to appraisal requirements to $100,000 from $50,000.

The Administration calls on the regulatory agencies to consider additional steps that can be taken administratively to lower the burden of appraisal costs, especially for home buyers and small business.

The agencies will report their recommendations to the Secretary of the Treasury by January 1, 1992.

D. Further Clarify the Definition of Highly Leveraged Transaction (HLT)

Leveraged borrowers in businesses such as cable television or broadcast media have cited the HLT definition as unreasonably restraining credit to their industries.

The agencies published their definition for public comment in the Federal Register. The comment period concluded on September 23, 1991, resulting in over 200 comment letters.

The regulatory agencies will review the comments and propose improvements to the definition by December 1, 1991.

E. Convene National Meeting of Examiners

The Treasury Secretary has requested that by mid-November, 1991, the regulatory agencies convene a meeting of all key supervisory management and senior field examination professionals.

Examiners would participate in a series of meetings about the economy and a thorough briefing on the policy changes and guidelines and their application.

II. PROPOSALS THAT WOULD HELP CURE THE CREDIT CRUNCH WHICH REQUIRE ACTION BY CONGRESS

The Administration supports a number of legislative proposals that would promote savings and economic growth, make the financial sector more efficient and create a better climate for lending. These include:

A. Banking Reform

The President's Banking Reform bill will spur confidence for investment by assuring that the United States has a modern banking system with stronger, safer banks.

Stronger, more competitive banks would have greater flexibility in working with borrowers to avoid future credit crunches.

B. <u>Lender Liability Reform</u>

Banks have been reluctant to make certain loans because of recent court cases that have found lenders liable for environmental clean-up costs, even when the bank's only interest in a property is a security interest to secure a loan.

To address this uncertainty concern, the EPA issued a proposed regulation interpreting the Superfund Act which would properly limit lenders' liability for any Superfund clean-up costs as long their participation is merely that of a lender, and not a long term operator.

To make this certainty permanent, the Administration is supportive of efforts to further clarify these rule changes in statute.

C. <u>The President's Growth Initiatives</u>

To increase demand and boost asset values, including real estate, the Administration continues to urge Congress to pass the President's growth package. The program would:

- reduce the capital gains tax rate;
- enhance personal savings through an expanded Individual Retirement Account (IRA) and Family Savings Account;
- make the Research and Experimentation (R&E) tax credit permanent;
- increase federal investment in science, technology and infrastructure;
- reform the education system; and
- keep the discipline of the budget agreement.

D. <u>Nominees for Regulatory Positions</u>

Three out of four bank and thrift regulatory agencies are without a Senate-confirmed head. Presidential nominees for regulatory positions awaiting Senate confirmation, include two members and the Chairman of the Federal Reserve Board, as well as the Comptroller of the Currency and the Chairman of the FDIC.

The Administration urges Congress to eliminate uncertainty about the direction of monetary policy and regulatory leadership by acting quickly to confirm the President's nominees. Congress' preoccupation with second guessing regulators has continued to exacerbate the credit crunch.

E. Bankruptcy Reform

Some in Congress and the American Bankers Association point out that recent court decisions, a developing social acceptability of bankruptcy, and aggressive tactics by borrowers have weakened bankruptcy practices and thus, reduced the willingness of bankers to lend.

The Justice Department has recently undertaken a comprehensive review of the bankruptcy law and practice. The President has asked the Acting Attorney General to complete this review, analyze pending legislative initiatives, and, together with the Secretary of the Treasury, evaluate their impact on credit extensions by financial institutions.

This report will be made to the Economic Policy Council in January 1992.

The Economic Policy Council and the regulatory agencies will continue to review the credit crunch and related issues.

DEPARTMENT OF THE TREASURY
WASHINGTON

INFORMATION

MEMORANDUM FOR SECRETARY BRADY
DEPUTY SECRETARY ROBSON
EPC EXECUTIVE SECRETARY HILL
ASSISTANT SECRETARY TUCKER-SORINI
DEPUTY ASSISTANT SECRETARY HILDEBRAND

THROUGH: Assistant Secretary Powell

FROM: Special Assistant Vogelpohl WV

SUBJECT: Observations of the National Examiners Meeting held in Baltimore on December 16 and 17.

Overview:
The meeting of 500 examiners from all four bank and thrift regulatory agencies added significant new understanding to the treatment and valuation of troubled assets -- especially troubled real estate. This is the first time that members of all four agencies were called together to discuss jointly issued regulatory guidance. The theme of the conference was best stated by FDIC Chairman Taylor who said "if a loan is producing some income, it ain't all bad."

While no exact formulas were given to the examiners on how to treat each loan in each submarket, "real world" interactive sessions were conducted by senior staff to help examiners make better decisions. The sessions included: valuation of troubled real estate, accounting for nonaccrual assets, classification of troubled real estate and an outlook for real estate. Comptroller Clarke, Director Ryan, Governor LaWare and Chairman Taylor attended the "break-out" sessions given by their staff, and significantly contributed to the understanding of the issues.

Observations:
I attended the working sessions and spoke with examiners from each agency from each region of the country. This is what they are thinking:

o Examiners have accepted the mandate to be fair, reasonable, flexible and responsible, every day on each exam.

o Their newly clarified objective is to "go down the middle of the road" on valuations.

o While the BIF needs to be protected, this is not necessarily accomplished by being overly pessimistic on valuing assets.

o There is deep concern about the first 3 quarters of 1992. Many examiners believe that the real estate problem has not yet bottomed out. There could be significant increases in classified loans and in provisions for loan loss even in light of day to day application of the new guidelines. The major areas of concern are California and to a lesser extent the midwest.

- Giving examiners from different agencies facing the similar problems the opportunity to fashion solutions, should create a more consistent, stable and predictable regulatory environment.

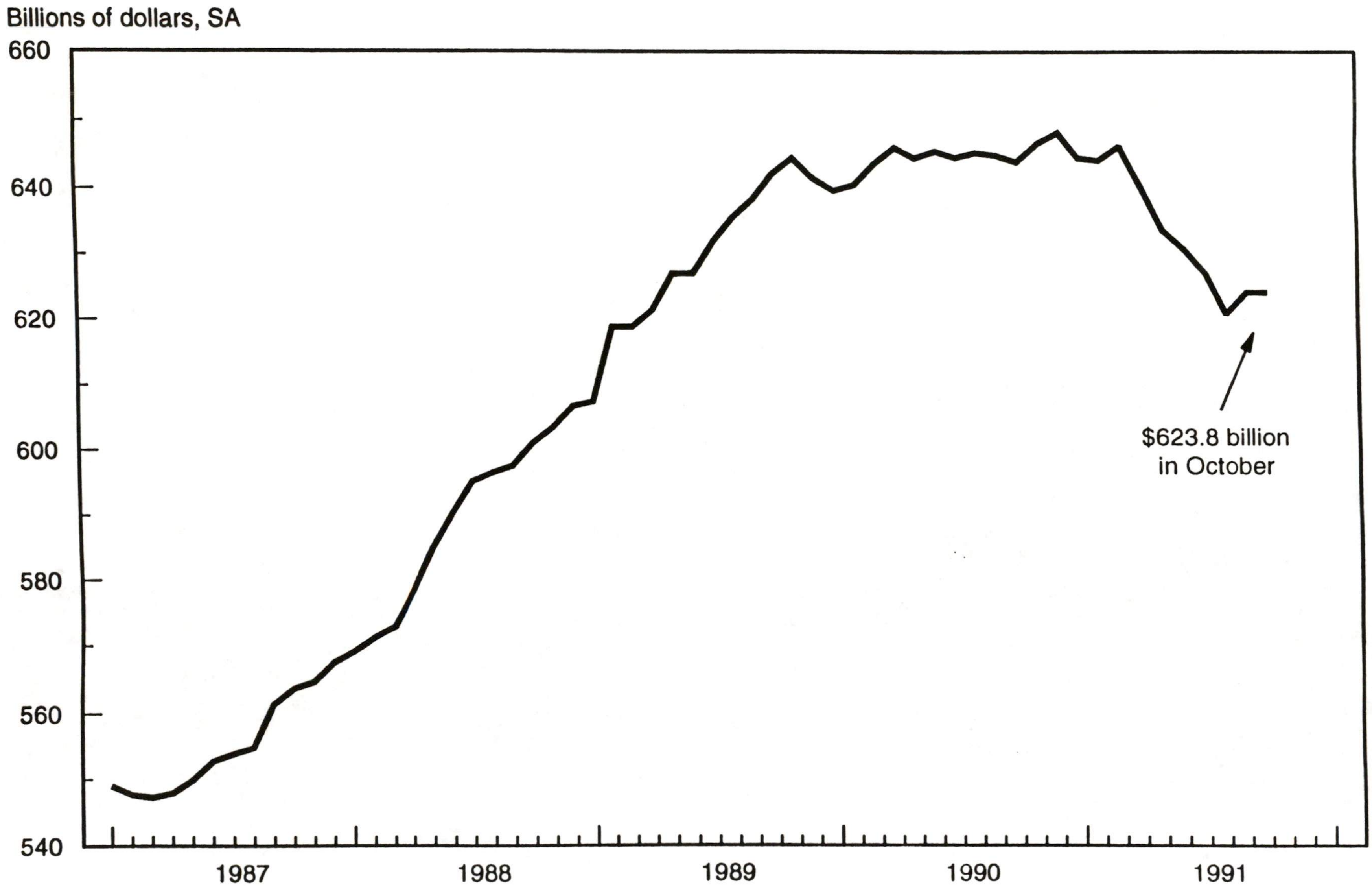
- Examiners did not perceive the conference or the Administration speeches negatively as the press portrayed. One examiner declared "those reporters must not have been listening to the same people I listened to."

- All of the senior Washington staff, including the principals, interacted frequently with the examiners.

- Comptroller Clarke was extremely interactive, discussing regulatory problems at every opportunity. The examiners were so pleased with his performance, that during the last session they gave him a 45 second standing ovation.

cc: UNDER SECRETARY GLAUBER
ASSISTANT SECRETARY MCLOUGLIN
DEPUTY ASSISTANT SECRETARY DUGAN
DIRECTOR RODGERS

Commercial and Industrial Bank Loans



Note: Data are monthly.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON D.C. 20551

DIVISION OF MONETARY AFFAIRS

November 8, 1991

TO: HEADS OF RESEARCH AT ALL FEDERAL RESERVE BANKS

Enclosed are copies of a national summary of the October 1991 Senior Loan Officer Opinion Survey on Bank Lending Practices for distribution to respondents.

Sincerely yours,

Donald L. Kohn

Donald L. Kohn
Director

Enclosures

The October 1991 Senior Loan Officer Opinion Survey on Bank Lending Practices[1]

In addition to the questions about changes in bank lending standards and terms, the October 1991 Senior Loan Officer Opinion Survey on Bank Lending Practices sought insights about recent patterns in the demand for business and household loans. The survey also inquired about various aspects of residential mortgage and mortgage-related securities holdings.

Nearly all banks--both domestically chartered banks and U.S. branches and agencies of foreign banks--indicated that they had kept their credit standards for approving business loan applications unchanged since the August survey. This is the slowest pace of tightening of credit standards recorded since the quarterly surveys again started inquiring about standards in May 1990.[2] On the other hand, a considerable number of banks reported that terms on business loans made since August have become more stringent. Terms for small-business borrowers were generally less affected.

Domestic banks reported that business loan demand from firms of all sizes had weakened further over the past few months, although there was some evidence of strength at foreign banks. Demand for consumer installment loans also weakened recently as did demand for home equity loans (though to a lesser extent).

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1. This document was prepared in the Division of Monetary Affairs (James A. Wilcox, with research assistance by Andrew Laing), Board of Governors of the Federal Reserve System.

2. In light of the historical tendency of banks to report that they have tightened standards, the virtual absence of reported tightening of standards in the current survey might be interpreted as indicating that standards actually have been eased. This feature of the survey data is discussed in "Survey Evidence of Tighter Credit Conditions: What Does It Mean?" by Stacey L. Schreft and Raymond E. Owens in the March/April 1991 issue of the Federal Reserve Bank of Richmond's Economic Review.

The number of banks reporting further tightening of standards for approving commercial real estate loans declined markedly. Very few banks indicated that they had raised lending standards for residential mortgages.

A considerable number of banks reported faster growth of their holdings of residential mortgages over the past six months compared with the previous six months. A nearly equal number of banks reported slower growth. Banks that did report slower residential mortgage growth most often cited weakened underlying demand as the reason for that slower growth, although some cited securitization as the reason. On balance, little change was noted in the demand for residential mortgages over the past three months compared with the previous three months. About half of domestic banks reported that their holdings of collateralized mortgage obligations (CMOs) had expanded relative to their other assets. Domestic banks most commonly reported that they had substituted CMOs for other mortgage-backed securities and for U.S. Treasury and agency securities, rather than for direct holdings of mortgages.

Banks' willingness to provide consumer credit over the last three months appeared to increase some.

Lending Standards and Terms

Nonmerger-related C&I loans: credit standards. Few domestic banks reported that they had raised standards for approving business loans for nonmerger-related purposes, and the number of banks reporting further tightening of lending standards again declined. Nor were business lending standards at branches and agencies of foreign banks generally tightened. As in previous surveys, the primary reasons given by domestic banks that did report tightening over the prior three months were concerns about the economic outlook and about industry-specific problems. Half the banks that gave reasons for tightening business loan standards also noted regulatory pressures.

Nonmerger-related C&I loans: price and nonprice terms of credit. In the October survey, the number of banks reporting additional tightening of terms on business loans remained about the same as in the August survey. Significant minorities of both domestic and foreign banks again responded that they had increased the costs of credit lines and the spreads of loan rates over base rates. Relatively less tightening of terms was reported to have been applied to loans to small firms.

Commercial real estate loans: credit standards. Compared with the August survey, on average about half as many domestic banks indicated that they had further tightened credit standards for the various categories of commercial real estate lending. In October, only about one bank in seven reported having tightened lending standards for construction and land development loans. The number of banks that tightened standards for loans for commercial office buildings, for industrial structures, and for other nonfarm nonresidential purposes also declined noticeably since the last survey.

Household loans: residential mortgage standards. In contrast to the August survey, which showed that about one-sixth of domestic respondents had tightened credit standards for approving home purchase loan applications from individuals, the October survey offered little evidence that the standards had been tightened further; only three of fifty-five responding banks had done so.

Household loans: willingness to make consumer loans. With regard to banks' willingness to make consumer loans, the balance shifted from no net change in the August survey to a modest increase in willingness to lend in the three months ending in October.

The Demand for Loans

Business loans. A significant minority of domestic banks reported that the demand for business loans had weakened over the past three months compared with the prior three months. This pattern held across both large and small banks and across firms of all sizes.[3] Banks that noted weaker business loan demand most often cited decreases in their customers' funding needs for inventories and fixed investment. By contrast, foreign banks tended to report somewhat stronger business loan demand, apparently to some extent as a result of shifts from other banks.

Household loans. The demand for residential mortgages during the past three months relative to that during the prior three months was generally unchanged, according to domestic banks. At the same time, demand for home equity lines of credit, on balance, was somewhat weaker. And there were clear indications that the demand for consumer installment loans fell, with about one-quarter of banks responding that it had weakened.

Holdings of Mortgages and Mortgage-Backed Securities

The October survey inquired about various aspects of banks' holdings of residential mortgages and mortgage-related assets. Nearly one-third of domestic banks reported that growth of residential mortgages strengthened over the past six months compared with the previous six months. About the same fraction of banks reported that growth of their mortgage holdings had weakened. Banks that did report slower mortgage growth most often cited a weakened underlying demand for mortgages as the reason. Few banks reported

3. Large banks are those with at least $10 billion of assets.

that a shift in customer demand away from adjustable-rate mortgages and toward fixed-rate mortgages had affected the amount of mortgages they had securitized.

About half of domestic banks indicated that their holdings of collateralized mortgage obligations had increased over the past six months relative to their holdings of other interest-earning assets. By comparison, foreign banks tended to report relatively weak CMO growth. Of the domestic banks reporting relatively fast CMO growth, approximately equal numbers of banks indicated that CMOs were substituted for mortgage-backed pass-through securities and for U.S. Treasury and agency securities. There was little indication that CMO growth came at the expense of direct holdings of mortgages. Domestic banks responded most commonly that their CMOs have an average life of less than three years, while foreign banks generally indicated that their CMOs have lives of three to five years.

Table 1

SENIOR LOAN OFFICER OPINION SURVEY ON BANK LENDING PRACTICES
AT SELECTED LARGE BANKS IN THE UNITED STATES
(Status of policy as of October 1991)
(Number of banks and percent of banks answering question)

(By volume of total domestic assets, in $ billions, as of June 30, 1991[1])
(By type of bank)

NOTE: Questions on this survey dealing with changes in lending policies over the last three months also have appeared on these quarterly surveys since mid-1990. In answering these questions, please keep in mind that they refer to changes in policy rather than actual policy stance so that, for example, a restrictive lending stance that has been in place since the survey taken three months ago should be reported as an "unchanged" policy on this survey.

1. In the last 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--from large corporate, middle market and small business customers changed: (Please report changes in enforcement of existing standards as changes in standards. The middle market has been categorized as consisting of firms with annual sales of between $50 and $250 million; in answering this question, refer either to this definition or to any other that may be employed at your bank; please indicate the definition used if it is other than the one suggested. "Large" borrowers would then be those larger than middle market customers and "small" borrowers those that are smaller.)

a. for large firms

	Tightened considerably		Tightened somewhat		Basically unchanged		Eased somewhat		Eased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	0	0.0	3	5.0	57	95.0	0	0.0	0	0.0	60
$10.0 and Over	0	0.0	2	6.5	29	93.5	0	0.0	0	0.0	31
Under $10.0	0	0.0	1	3.4	28	96.6	0	0.0	0	0.0	29

b. for middle market firms

	Tightened considerably		Tightened somewhat		Basically unchanged		Eased somewhat		Eased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	0	0.0	8	13.3	52	86.7	0	0.0	0	0.0	60
$10.0 and Over	0	0.0	6	19.4	25	80.6	0	0.0	0	0.0	31
Under $10.0	0	0.0	2	6.9	27	93.1	0	0.0	0	0.0	29

c. for small businesses

	Tightened considerably		Tightened somewhat		Basically unchanged		Eased somewhat		Eased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	0	0.0	4	7.0	52	91.2	1	1.8	0	0.0	57
$10.0 and Over	0	0.0	4	13.3	25	83.3	1	3.3	0	0.0	30
Under $10.0	0	0.0	0	0.0	27	100.0	0	0.0	0	0.0	27

1 As of June 30, 1991, 30 respondents had domestic assets of $10 billion or more; combined assets of these banks totaled $746 billion, compared to $942 billion for the entire panel of 60 banks, and $3.0 trillion for all domestically chartered federally insured commercial banks.

Note: In question 2 "mean" refers to average rank, with 1 most important, 2 next most important and so on.

2. If your bank's credit standards for approving applications for C&I loans or credit lines from either large corporate, middle market, or small business customers--other than those to be used to finance mergers and acquisitions--have been tightened over the last three months (answers i. or ii. to questions 1.a, 1.b, or 1.c) what were the main reasons? (Please rank.)

i. current pressures on your bank's capital position
ii. pressures on your bank's capital position expected to develop owing to a deterioration in the quality of your loan portfolio or other factors
iii. a less favorable economic outlook
iv. industry specific problems
v. regulatory pressures
vi. increase in the attractiveness of holding other types of assets (please specify which)
vii. other (please specify)

	Pressures on bank's capital position		Deterioration in quality of loan portfolio		Less favorable economic outlook		Industry specific problems		Regulatory pressures		Increased attractiveness of other assets		Other		
	Banks	Mean	Banks	Mean	Banks	Mean	Banks	Mean	Banks	Mean	Banks	Mean	Banks	Mean	Total Banks
All Respondents	1	4.0	1	5.0	6	1.5	4	1.8	3	2.3	1	4.0	2	1.0	7
$10.0 and Over	1	4.0	1	5.0	5	1.4	4	1.8	2	2.0	0	0	0	0	5
Under $10.0	0	0	0	0	1	2.0	0	0	1	3.0	1	4.0	2	1.0	2

3. With respect to applications for C&I loans or credit lines--other than those to be used to finance mergers and acquisitions--from large corporate firms that your bank currently is willing to approve, please indicate how terms have changed in the last three months with respect to:

a. maximum size of credit lines

	Decreased considerably		Decreased somewhat		Basically unchanged		Increased somewhat		Increased considerably		
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Total Banks
All Respondents	1	1.7	16	27.6	41	70.7	0	0.0	0	0.0	58
$10.0 and Over	0	0.0	10	33.3	20	66.7	0	0.0	0	0.0	30
Under $10.0	1	3.6	6	21.4	21	75.0	0	0.0	0	0.0	28

b. costs of credit lines

	Increased considerably		Increased somewhat		Basically unchanged		Decreased somewhat		Decreased considerably		
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Total Banks
All Respondents	0	0.0	17	29.3	39	67.2	2	3.4	0	0.0	58
$10.0 and Over	0	0.0	11	36.7	18	60.0	1	3.3	0	0.0	30
Under $10.0	0	0.0	6	21.4	21	75.0	1	3.6	0	0.0	28

c. spreads of loan rates over base rates

	Increased considerably		Increased somewhat		Basically unchanged		Decreased somewhat		Decreased considerably		
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Total Banks
All Respondents	0	0.0	21	36.2	34	58.6	3	5.2	0	0.0	58
$10.0 and Over	0	0.0	11	36.7	18	60.0	1	3.3	0	0.0	30
Under $10.0	0	0.0	10	35.7	16	57.1	2	7.1	0	0.0	28

d. loan covenants

	Tightened considerably		Tightened somewhat		Basically unchanged		Eased somewhat		Eased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	0	0.0	7	12.3	49	86.0	1	1.8	0	0.0	57
$10.0 and Over	0	0.0	4	13.8	25	86.2	0	0.0	0	0.0	29
Under $10.0	0	0.0	3	10.7	24	85.7	1	3.6	0	0.0	28

e. collateralization requirements

	Tightened considerably		Tightened somewhat		Basically unchanged		Eased somewhat		Eased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	0	0.0	8	14.0	49	86.0	0	0.0	0	0.0	57
$10.0 and Over	0	0.0	4	13.8	25	86.2	0	0.0	0	0.0	29
Under $10.0	0	0.0	4	14.3	24	85.7	0	0.0	0	0.0	28

4. With respect to 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, please indicate how terms have changed in the last three months with respect to:

a. maximum size of credit lines

	Decreased considerably		Decreased somewhat		Basically unchanged		Increased somewhat		Increased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	1	1.7	11	18.6	46	78.0	1	1.7	0	0.0	59
$10.0 and Over	1	3.3	6	20.0	22	73.3	1	3.3	0	0.0	30
Under $10.0	0	0.0	5	17.2	24	82.8	0	0.0	0	0.0	29

b. costs of credit lines

	Increased considerably		Increased somewhat		Basically unchanged		Decreased somewhat		Decreased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	0	0.0	16	27.1	43	72.9	0	0.0	0	0.0	59
$10.0 and Over	0	0.0	10	33.3	20	66.7	0	0.0	0	0.0	30
Under $10.0	0	0.0	6	20.7	23	79.3	0	0.0	0	0.0	29

c. spreads of loan rates over base rates

	Increased considerably		Increased somewhat		Basically unchanged		Decreased somewhat		Decreased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	0	0.0	19	32.2	40	67.8	0	0.0	0	0.0	59
$10.0 and Over	0	0.0	11	36.7	19	63.3	0	0.0	0	0.0	30
Under $10.0	0	0.0	8	27.6	21	72.4	0	0.0	0	0.0	29

d. loan covenants

	Tightened considerably		Tightened somewhat		Basically unchanged		Eased somewhat		Eased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	0	0.0	18	30.5	40	67.8	1	1.7	0	0.0	59
$10.0 and Over	0	0.0	10	33.3	19	63.3	1	3.3	0	0.0	30
Under $10.0	0	0.0	8	27.6	21	72.4	0	0.0	0	0.0	29

e. collateralization requirements

	Tightened considerably		Tightened somewhat		Basically unchanged		Eased somewhat		Eased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	1	1.7	15	25.4	43	72.9	0	0.0	0	0.0	59
$10.0 and Over	1	3.3	9	30.0	20	66.7	0	0.0	0	0.0	30
Under $10.0	0	0.0	6	20.7	23	79.3	0	0.0	0	0.0	29

5. With respect to applications for C&I loans or credit lines from small businesses that your bank currently is willing to approve, please indicate how terms have changed in the last three months with respect to:

a. maximum size of credit lines

	Decreased considerably		Decreased somewhat		Basically unchanged		Increased somewhat		Increased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	0	0.0	0	0.0	57	98.3	1	1.7	0	0.0	58
$10.0 and Over	0	0.0	0	0.0	28	96.6	1	3.4	0	0.0	29
Under $10.0	0	0.0	0	0.0	29	100.0	0	0.0	0	0.0	29

b. costs of credit lines

	Increased considerably		Increased somewhat		Basically unchanged		Decreased somewhat		Decreased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	0	0.0	7	11.9	51	86.4	1	1.7	0	0.0	59
$10.0 and Over	0	0.0	4	13.3	25	83.3	1	3.3	0	0.0	30
Under $10.0	0	0.0	3	10.3	26	89.7	0	0.0	0	0.0	29

c. spreads of loan rates over base rates

	Increased considerably		Increased somewhat		Basically unchanged		Decreased somewhat		Decreased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	0	0.0	7	12.1	51	87.9	0	0.0	0	0.0	58
$10.0 and Over	0	0.0	3	10.3	26	89.7	0	0.0	0	0.0	29
Under $10.0	0	0.0	4	13.8	25	86.2	0	0.0	0	0.0	29

d. loan covenants

	Tightened considerably		Tightened somewhat		Basically unchanged		Eased somewhat		Eased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	0	0.0	9	15.5	48	82.8	1	1.7	0	0.0	58
$10.0 and Over	0	0.0	5	17.2	23	79.3	1	3.4	0	0.0	29
Under $10.0	0	0.0	4	13.8	25	86.2	0	0.0	0	0.0	29

e. collateralization requirements

	Tightened considerably		Tightened somewhat		Basically unchanged		Eased somewhat		Eased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	1	1.7	8	13.8	49	84.5	0	0.0	0	0.0	58
$10.0 and Over	1	3.4	3	10.3	25	86.2	0	0.0	0	0.0	29
Under $10.0	0	0.0	5	17.2	24	82.8	0	0.0	0	0.0	29

6. In the last three months, how have your bank's credit standards changed for approving applications for construction and land development loans? (Please report changes in enforcement of existing standards as changes in standards.)

	Tightened considerably		Tightened somewhat		Essentially unchanged		Eased somewhat		Eased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	2	3.4	7	12.1	49	84.5	0	0.0	0	0.0	58
$10.0 and Over	2	6.9	4	13.8	23	79.3	0	0.0	0	0.0	29
Under $10.0	0	0.0	3	10.3	26	89.7	0	0.0	0	0.0	29

7. Apart from construction and land development loans, in the last three months, how have your bank's credit standards changed for approving applications for nonfarm nonresidential real estate loans used to finance: (Please report changes in enforcement of existing standards as changes in standards.)

a. commercial office buildings

	Tightened considerably		Tightened somewhat		Basically unchanged		Eased somewhat		Eased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	3	5.1	9	15.3	47	79.7	0	0.0	0	0.0	59
$10.0 and Over	2	6.7	6	20.0	22	73.3	0	0.0	0	0.0	30
Under $10.0	1	3.4	3	10.3	25	86.2	0	0.0	0	0.0	29

b. industrial structures

	Tightened considerably		Tightened somewhat		Basically unchanged		Eased somewhat		Eased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	0	0.0	6	10.2	53	89.8	0	0.0	0	0.0	59
$10.0 and Over	0	0.0	5	16.7	25	83.3	0	0.0	0	0.0	30
Under $10.0	0	0.0	1	3.4	28	96.6	0	0.0	0	0.0	29

c. other nonfarm nonresidential purposes

	Tightened considerably		Tightened somewhat		Basically unchanged		Eased somewhat		Eased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	2	3.4	6	10.2	51	86.4	0	0.0	0	0.0	59
$10.0 and Over	1	3.3	4	13.3	25	83.3	0	0.0	0	0.0	30
Under $10.0	1	3.4	2	6.9	26	89.7	0	0.0	0	0.0	29

8.a. In the last three months, how have your bank's credit standards changed for approving mortgage applications from individuals to purchase homes? (Please report changes in enforcement of existing standards as changes in standards.)

	Tightened considerably		Tightened somewhat		Basically unchanged		Eased somewhat		Eased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	0	0.0	4	6.9	54	93.1	0	0.0	0	0.0	58
$10.0 and Over	0	0.0	4	12.9	27	87.1	0	0.0	0	0.0	31
Under $10.0	0	0.0	0	0.0	27	100.0	0	0.0	0	0.0	27

8.b. If your bank has tightened its standards for approving mortgage loan applications from individuals (responses i or ii to question 8.a), please indicate which of the following measures this involved: (more than one may apply)

	Higher income standards to qualify		Higher down-payments		More stringent insurance coverage requirements		Other		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	0	0	0	0	3	75.0	3	75.0	4
$10.0 and Over	0	0	0	0	3	75.0	3	75.0	4

9.a. Please indicate your bank's willingness to make general purpose loans to individuals now as opposed to three months ago. "Loans to individuals" here include standard consumer installment loans plus loans taken down under home equity lines of credit.

	Much More		Somewhat More		About Unchanged		Somewhat Less		Much Less		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	0	0.0	5	8.8	52	91.2	0	0.0	0	0.0	57
$10.0 and Over	0	0.0	0	0.0	29	100.0	0	0.0	0	0.0	29
Under $10.0	0	0.0	5	17.9	23	82.1	0	0.0	0	0.0	28

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

	Much More		Somewhat More		About Unchanged		Somewhat Less		Much Less		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	0	0.0	6	10.5	51	89.5	0	0.0	0	0.0	57
$10.0 and Over	0	0.0	0	0.0	29	100.0	0	0.0	0	0.0	29
Under $10.0	0	0.0	6	21.4	22	78.6	0	0.0	0	0.0	28

10.a. Please characterize the growth of residential mortgages held in your bank's portfolio over the last six months compared with ...ge growth over the previous six months. Apart from normal seasonal variation, growth of residential mortgages over the last ...nths was:

	Much Stronger		Somewhat stronger		About the same		Somewhat weaker		Much weaker		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	2	3.5	14	24.6	24	42.1	15	26.3	2	3.5	57
$10.0 and Over	0	0.0	7	23.3	13	43.3	8	26.7	2	6.7	30
Under $10.0	2	7.4	7	25.9	11	40.7	7	25.9	0	0.0	27

10.b. If the growth of residential mortgages has weakened at your bank over the last six months (answers iv. or v. to question 10.a), what were the main reasons? (More than one may apply; please rank.)

i. the underlying demand for residential mortgage weakened.
ii. your bank initiated or stepped up efforts to remove residential mortgages from its balance sheet through securitization, as part of the bank's strategy to shift from holding mortgages to holding mortgage-backed pass-through securities and/or collateralized mortgage obligations (CMOs).
iii. your bank initiated or stepped up efforts to remove residential mortgages from its balance sheet through securitization, as part of the bank's strategy to slow asset growth.
iv. other (please specify).

	Underlying demand weakened		Shifted to mort.-backed pass-through and/or CMOs		Strategy to slow asset growth		Other		Total
	Banks	Mean	Banks	Mean	Banks	Mean	Banks	Mean	Banks
All Respondents	9	1.3	3	1.0	2	1.0	8	1.3	17
$10.0 and Over	6	1.5	2	1.0	2	1.0	4	1.3	10
Under $10.0	3	1.0	1	1.0	0	0	4	1.3	7

10.c. If your bank did step up the amount of residential mortgages it securitized over the last six months (answer ii. or iii. to question 10.b), to what extent was this facilitated by a shift in customer demand away from adjustable-rate mortgages and toward fixed-rate mortgages.?

	Considerably		Somewhat		Not significantly		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	0	0.0	1	25.0	3	75.0	4
$10.0 and Over	0	0.0	1	25.0	3	75.0	4

11.a. Please characterize the growth of collateralized mortgage obligations (CMOs) at your bank compared with the growth of other interest-earning assets at your bank over the last six months.

i. CMO growth was substantially higher than the growth of other assets.
ii. CMO growth was somewhat higher than the growth of other assets.
iii. CMO growth was basically the same as the growth of other assets.
iv. CMO growth was somewhat lower than the growth of other assets.
v. CMO growth was substantially lower than the growth of other assets.

	CMO growth substantially higher		CMO growth somewhat higher		CMO growth basically same		CMO growth somewhat lower		CMO growth substantially lower		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	8	19.5	13	31.7	10	24.4	3	7.3	7	17.1	41
$10.0 and Over	4	18.2	6	27.3	4	18.2	3	13.6	5	22.7	22
Under $10.0	4	21.1	7	36.8	6	31.6	0	0.0	2	10.5	19

11.b. If CMOs at your bank rose faster than other interest-earning assets over the last six months (answers i. or ii. to question 11.a), what were the main reasons? (More than one may apply; please rank.)

i. The relatively high growth of CMOs reflected their substitution for mortgage-backed pass-through securities
ii. The relatively high growth of CMOs reflected their substitution for treasury and agency securities other than mortgage-backed pass-through securities.
iii. The relatively high growth of CMOs reflected their substitution for 1-to-4 family mortgages.
iv. The relatively high growth of CMOs reflected weak overall loan demand and represents a temporary use of funds pending the reemergence of stronger loan demand.
v. Other (please specify).

	Substitution for mort.-backed pass-through sec.		Substitution for treasury and agency sec.		Substitution for 1 to 4 family mortgages		Other		Total
	Banks	Mean	Banks	Mean	Banks	Mean	Banks	Mean	Banks
All Respondents	8	1.5	10	1.7	0	0	13	1.4	20
$10.0 and Over	5	1.4	6	2.0	0	0	5	1.2	10
Under $10.0	3	1.7	4	1.3	0	0	8	1.5	10

12. Please characterize the average life of the fixed-rate CMOs held by your bank at the end of September.

	Under 3 years		3 to 5 years		5 to 10 years		over 10 years		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	26	56.5	11	23.9	8	17.4	1	2.2	46
$10.0 and Over	12	50.0	5	20.8	6	25.0	1	4.2	24
Under $10.0	14	63.6	6	27.3	2	9.1	0	0.0	22

13. Please characterize the demand for business loans from large corporate customers in the last three months compared with demand in the preceding three months. Apart from normal seasonal variation, this loan demand in the last three months was:

	Substantially stronger		Moderately stronger		About the same		Moderately weaker		Substantially weaker		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	0	0.0	3	5.1	36	61.0	17	28.8	3	5.1	59
$10.0 and Over	0	0.0	2	6.5	18	58.1	10	32.3	1	3.2	31
Under $10.0	0	0.0	1	3.6	18	64.3	7	25.0	2	7.1	28

14. If large corporate customer loan demand either weakened or strengthened in the last three months, please check all primary reasons that apply.

a. Inventory financing needs

	Increased		Decreased		Total
	Banks	Pct	Banks	Pct	Banks
All Respondents	1	5.9	16	94.1	17
$10.0 and Over	1	10.0	9	90.0	10
Under $10.0	0	0.0	7	100.0	7

b. Investment in plant or equipment

	Increased		Decreased		Total
	Banks	Pct	Banks	Pct	Banks
All Respondents	1	5.9	16	94.1	17
$10.0 and Over	0	0.0	11	100.0	11
Under $10.0	1	16.7	5	83.3	6

c. Customer financing at other banks

	Increased Banks	Increased Pct	Decreased Banks	Decreased Pct	Total Banks
All Respondents	0	0.0	2	100.0	2
$10.0 and Over	0	0.0	1	100.0	1
Under $10.0	0	0.0	1	100.0	1

d. Customer financing from nonbank financial institutions or in capital markets

	Increased Banks	Increased Pct	Decreased Banks	Decreased Pct	Total Banks
All Respondents	8	66.7	4	33.3	12
$10.0 and Over	5	62.5	3	37.5	8
Under $10.0	3	75.0	1	25.0	4

e. Other. (Please specify.)

	Increased Banks	Increased Pct	Decreased Banks	Decreased Pct	Total Banks
All Respondents	1	100.0	0	0.0	1
Under $10.0	1	100.0	0	0.0	1

15. Please characterize the demand for business loans from middle market firms in the last three months compared with demand in the preceding three months. Apart from normal seasonal variation, this loan demand in the last three months was:

	Substantially stronger Banks	Substantially stronger Pct	Moderately stronger Banks	Moderately stronger Pct	About the same Banks	About the same Pct	Moderately weaker Banks	Moderately weaker Pct	Substantially weaker Banks	Substantially weaker Pct	Total Banks
All Respondents	1	1.7	5	8.5	29	49.2	21	35.6	3	5.1	59
$10.0 and Over	0	0.0	4	13.3	14	46.7	11	36.7	1	3.3	30
Under $10.0	1	3.4	1	3.4	15	51.7	10	34.5	2	6.9	29

16. If middle market customer loan demand was either weaker or stronger in the last three months, please check all primary reasons that apply.

a. Inventory financing needs

	Increased Banks	Increased Pct	Decreased Banks	Decreased Pct	Total Banks
All Respondents	3	12.5	21	87.5	24
$10.0 and Over	3	23.1	10	76.9	13
Under $10.0	0	0.0	11	100.0	11

b. Investment in plant or equipment

	Increased Banks	Increased Pct	Decreased Banks	Decreased Pct	Total Banks
All Respondents	5	20.8	19	79.2	24
$10.0 and Over	3	21.4	11	78.6	14
Under $10.0	2	20.0	8	80.0	10

c. Customer financing at other banks

	Increased Banks	Increased Pct	Decreased Banks	Decreased Pct	Total Banks
All Respondents	4	50.0	4	50.0	8
$10.0 and Over	2	50.0	2	50.0	4
Under $10.0	2	50.0	2	50.0	4

d. Customer financing from nonbank financial institutions or in capital markets

	Increased Banks	Increased Pct	Decreased Banks	Decreased Pct	Total Banks
All Respondents	3	75.0	1	25.0	4
$10.0 and Over	2	100.0	0	0.0	2
Under $10.0	1	50.0	1	50.0	2

e. Other. (Please specify.)

	Increased Banks	Increased Pct	Decreased Banks	Decreased Pct	Total Banks
All Respondents	0	0.0	3	100.0	3
$10.0 and Over	0	0.0	1	100.0	1
Under $10.0	0	0.0	2	100.0	2

17. Please characterize the demand for business loans from small businesses in the last three months compared with demand in the preceding three months. Apart from normal seasonal variation, this loan demand in the last three months was:

	Substantially stronger		Moderately stronger		About the same		Moderately weaker		Substantially weaker		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	0	0.0	1	1.7	42	71.2	14	23.7	2	3.4	59
$10.0 and Over	0	0.0	0	0.0	20	66.7	9	30.0	1	3.3	30
Under $10.0	0	0.0	1	3.4	22	75.9	5	17.2	1	3.4	29

18. If small business loan demand was either weaker or stronger in the last three months, please check all primary reasons that apply.

a. Inventory financing needs

	Increased Banks	Increased Pct	Decreased Banks	Decreased Pct	Total Banks
All Respondents	1	8.3	11	91.7	12
$10.0 and Over	1	14.3	6	85.7	7
Under $10.0	0	0.0	5	100.0	5

b. Investment in plant or equipment

	Increased Banks	Increased Pct	Decreased Banks	Decreased Pct	Total Banks
All Respondents	1	8.3	11	91.7	12
$10.0 and Over	1	14.3	6	85.7	7
Under $10.0	0	0.0	5	100.0	5

ustomer financing at other banks

	Increased		Decreased		Total
	Banks	Pct	Banks	Pct	Banks
All Respondents	3	75.0	1	25.0	4
$10.0 and Over	2	100.0	0	0.0	2
Under $10.0	1	50.0	1	50.0	2

d. Customer financing from nonbank financial institutions or in capital markets

	Increased		Decreased		Total
	Banks	Pct	Banks	Pct	Banks
All Respondents	1	100.0	0	0.0	1
$10.0 and Over	1	100.0	0	0.0	1

19. Please characterize the demand for residential mortgages to purchase homes in the last three months compared with demand in the preceding three months. Apart from normal seasonal variation, this loan demand in the last three months was:

	Substantially stronger		Moderately stronger		About the same		Moderately weaker		Substantially weaker		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	1	1.8	16	28.1	26	45.6	14	24.6	0	0.0	57
$10.0 and Over	0	0.0	8	26.7	14	46.7	8	26.7	0	0.0	30
Under $10.0	1	3.7	8	29.6	12	44.4	6	22.2	0	0.0	27

20. Please characterize the demand for home equity lines of credit in the last three months compared with demand in the preceding three months. Apart from normal seasonal variation, this loan demand in the last three months was:

	Substantially stronger		Moderately stronger		About the same		Moderately weaker		Substantially weaker		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	1	1.9	5	9.6	33	63.5	12	23.1	1	1.9	52
$10.0 and Over	0	0.0	3	10.7	15	53.6	9	32.1	1	3.6	28
Under $10.0	1	4.2	2	8.3	18	75.0	3	12.5	0	0.0	24

21. Please characterize the demand for consumer installment loans in the last three months compared with demand in the preceding three months. Apart from normal seasonal variation, this loan demand in the last three months was:

	Substantially stronger		Moderately stronger		About the same		Moderately weaker		Substantially weaker		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	0	0.0	1	1.8	39	68.4	16	28.1	1	1.8	57
$10.0 and Over	0	0.0	0	0.0	19	65.5	9	31.0	1	3.4	29
Under $10.0	0	0.0	1	3.6	20	71.4	7	25.0	0	0.0	28

Table 2

SENIOR LOAN OFFICER OPINION SURVEY ON BANK LENDING PRACTICES
AT SELECTED BRANCHES AND AGENCIES OF FOREIGN BANKS IN THE UNITED STATES
(Status of policy as of October 1991)
(Number of banks and percent of banks answering question)
(By volume of total domestic assets, in $ billions, as of June 30, 1991[1])

NOTE: Questions on this survey dealing with changes in lending policies over the last three months also have appeared on these quarterly surveys since mid-1990. In answering these questions, please keep in mind that they refer to changes in policy rather than actual policy stance so that, for example, a restrictive lending stance that has been in place since the survey taken three months ago should be reported as an "unchanged" policy on this survey.

1. In the last 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: (Please report changes in enforcement of existing standards as changes in standards.)

	Tightened considerably		Tightened somewhat		Basically unchanged		Eased somewhat		Eased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	1	5.6	1	5.6	15	83.3	1	5.6	0	0.0	18

2. If 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--have been tightened in the last three months (answers i. or ii. to question 1) what were the main reasons? (Please rank.)

i. current pressures on your bank's capital position
ii. pressures on your bank's capital position expected to develop owing to a deterioration in the quality of your loan portfolio or other factors
iii. a less favorable economic outlook
iv. industry specific problems
v. regulatory pressures
vi. increase in the attractiveness of holding other types of assets (please specify which)
vii. other (please specify)

	Pressures on bank's capital position		Deterioration in quality of loan portfolio		Less favorable economic outlook		Industry specific problems		Regulatory pressures		Increased attractiveness of other assets		Other		Total
	Banks	Mean	Banks	Mean	Banks	Mean	Banks	Mean	Banks	Mean	Banks	Mean	Banks	Mean	Banks
All Respondents	2	2.0	1	2.0	1	1.0	0	0	0	0	0	0	0	0	2

3. With respect to 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, please indicate how terms have changed in the last three months with respect to:

a. maximum size of credit lines

	Decreased considerably		Decreased somewhat		Basically unchanged		Increased somewhat		Increased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	0	0.0	4	22.2	13	72.2	1	5.6	0	0.0	18

1 As of June 30, 1991, respondents had combined assets of $90 billion, compared to $438 billion for all foreign-related banking institutions in the United States.

Note: In question 2 "mean" refers to average rank, with 1 most important, 2 next most important and so on.

b. costs of credit lines

	Increased considerably		Increased somewhat		Basically unchanged		Decreased somewhat		Decreased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	0	0.0	3	16.7	15	83.3	0	0.0	0	0.0	18

c. spreads of loan rates over base rates

	Increased considerably		Increased somewhat		Basically unchanged		Decreased somewhat		Decreased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	0	0.0	5	27.8	12	66.7	1	5.6	0	0.0	18

d. loan covenants

	Tightened considerably		Tightened somewhat		Basically unchanged		Eased somewhat		Eased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	1	5.6	2	11.1	15	83.3	0	0.0	0	0.0	18

e. collateralization requirements

	Tightened considerably		Tightened somewhat		Basically unchanged		Eased somewhat		Eased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	1	5.6	2	11.1	15	83.3	0	0.0	0	0.0	18

4. In the last three months, how have your bank's credit standards changed for approving applications for construction and land development loans? (Please report changes in enforcement of existing standards as changes in standards.)

	Tightened considerably		Tightened somewhat		Essentially unchanged		Eased somewhat		Eased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	1	5.6	2	11.1	15	83.3	0	0.0	0	0.0	18

5. Apart from construction and land development loans, in the last three months, how have your bank's credit standards changed for approving applications for nonfarm nonresidential real estate loans used to finance: (Please report changes in enforcement of existing standards as changes in standards.)

a. commercial office buildings

	Tightened considerably		Tightened somewhat		Basically unchanged		Eased somewhat		Eased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	0	0.0	2	11.1	16	88.9	0	0.0	0	0.0	18

b. industrial structures

	Tightened considerably		Tightened somewhat		Basically unchanged		Eased somewhat		Eased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	0	0.0	2	11.8	15	88.2	0	0.0	0	0.0	17

c. other nonfarm nonresidential purposes

	Tightened considerably		Tightened somewhat		Basically unchanged		Eased somewhat		Eased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	0	0.0	2	11.8	15	88.2	0	0.0	0	0.0	17

6.a. Please characterize the growth of collateralized mortgage obligations (CMOs) at your bank compared with the growth of other interest-earning assets at your bank over the last six months.

i. CMO growth was substantially higher than the growth of other assets.
ii. CMO growth was somewhat higher than the growth of other assets.
iii. CMO growth was basically the same as the growth of other assets.
iv. CMO growth was somewhat lower than the growth of other assets.
v. CMO growth was substantially lower than the growth of other assets.

	CMO growth substantially higher		CMO growth somewhat higher		CMO growth basically same		CMO growth somewhat lower		CMO growth substantially lower		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	0	0.0	0	0.0	2	33.3	2	33.3	2	33.3	6

7. Please characterize the average life of the fixed-rate CMOs held by your bank at the end of September.

	Under 3 years		3 to 5 years		5 to 10 years		over 10 years		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	1	16.7	4	66.7	1	16.7	0	0.0	6

8. Please characterize the demand for business loans in the last three months compared with demand in the preceding three months. Apart from normal seasonal variation, loan demand in the last three months was:

	Substantially stronger		Moderately stronger		About the same		Moderately weaker		Substantially weaker		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	0	0.0	6	33.3	9	50.0	3	16.7	0	0.0	18

9. If business loan demand either weakened or strengthened in the last three months, please check all primary reasons that apply.

a. Inventory financing needs

	Increased		Decreased		Total
	Banks	Pct	Banks	Pct	Banks
All Respondents	3	60.0	2	40.0	5

b. Investment in plant or equipment

	Increased		Decreased		Total
	Banks	Pct	Banks	Pct	Banks
All Respondents	2	33.3	4	66.7	6

c. Customer financing at other banks

	Increased		Decreased		Total
	Banks	Pct	Banks	Pct	Banks
All Respondents	1	16.7	5	83.3	6

d. Customer financing from nonbank financial institutions or in capital markets

	Increased		Decreased		Total
	Banks	Pct	Banks	Pct	Banks
All Respondents	1	25.0	3	75.0	4

e. Other. (Please specify.)

	Increased		Decreased		Total
	Banks	Pct	Banks	Pct	Banks
All Respondents	2	100.0	0	0.0	2