

DRAFT

SURVEY OF TERMS OF BUSINESS LENDING (FR 2028A) INSTRUCTIONS

Purpose

The Federal Reserve System uses data from this survey to measure the cost of business borrowing from U.S.-chartered banks and U.S. branches and agencies of non-U.S. (foreign) banks for analysis of developments in business credit markets.

Reporting Burden

Public reporting burden for this collection of information is estimated to average 3.4 hours per response, including the time to gather and maintain data in the required form and to review instructions and complete the information collection. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to: Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, N.W., Washington, DC 20551; and to the Office of Management and Budget, Paperwork Reduction Project (7100-0061), Washington, DC 20503.

Survey Scope

This survey covers commercial and industrial (C&I) loans to U.S. addressees when funds are disbursed to borrowers during the report period. The report period covers the first full business week of February, May, August, and November.

For U.S. commercial banks: The definition of "commercial and industrial loans" corresponds to that used for Item 4 of Schedule RC-C, Part I, of the quarterly Report of Condition (FFIEC 031&041). Include all such C&I loans to U.S. addressees made during the report period.

For FFIEC 031 and 041 reporters, C&I loans to U.S. addressees are reported in Item 4.a of Schedule RC-C, Part I excluding items noted below. For banks with foreign offices (FFIEC 031 reporters), include all such loans that are booked at U.S. (domestic) offices of the reporting bank (Column B of the FFIEC 031) as well as at non-U.S. offices, whether in the Bahamas, the Cayman Islands, or other locations, for which records are maintained at U.S. offices.

For U.S. branches and agencies of non-U.S. (foreign) banks: The definition of "commercial and industrial loans" corresponds to all loans to U.S. addressees that are booked at the U.S. offices of the branch or agency or at non-U.S. offices, whether in the Bahamas, the Cayman Islands, or other locations, for which records are maintained at U.S. offices. These loans are reported, respectively in Item 4 of Schedule C, Part I, excluding items noted below, of the quarterly Report of Assets and Liabilities of U.S.

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Branches and Agencies of Foreign Banks (FFIEC 002) and item 2.c(1) of the Report of Assets and Liabilities of Non-U.S. Branches that Are Managed or Controlled by a U.S. Branch or Agency of a Foreign (Non-U.S.) Bank (FFIEC 002S). Include all such C&I loans to U.S. addressees made during the report period by the respondent U.S. branch or agency (excluding those held in its IBF) (Item 4.a of Schedule C, Column A minus Column B).

"U.S. addressee" encompasses borrowers domiciled in the fifty states of the United States, the District of Columbia, or U.S. territories and possessions, including U.S. offices or subsidiaries of non-U.S. (foreign) businesses. For further detail, please refer to the Glossary entry for "domicile" in the instructions for the quarterly condition report (FFIEC 031&041 or FFIEC 002).

Include:

- New loans, takedowns under revolving credit agreements, notes written under credit lines, and renewals. Renewals include new loans under revolving credit agreements that roll over earlier loans, including conversions of revolving credits into term loans.
- Loans disbursed *during* the report period, even if the loans are not entered onto your institution's books or loan record system until after the report period.
- Your institution's portion of drawn loan participations and syndications when funds are disbursed during the reporting period. (See the glossary entry for syndications in the instructions for the quarterly condition report.)
- Overnight loans.

Exclude:

- *Construction and land development loans that are not secured by real estate.*
- Loans denominated in non-U.S. currencies.
- Loans of less than \$3,000 - *7,500*
- Loans disbursed *before* the report period that are entered onto your institution's books or loan record system during the report period.
- Loans purchased in the secondary loan market.
- Purchased open market paper, such as commercial paper and acceptances, and factored loans (that is, purchased accounts receivable).
- Loans made by an international division, international operations subsidiary, or Edge or Agreement subsidiary of your institution.
- Loans made to non-U.S. addressees (business firms domiciled outside of the fifty states of the United States, the District of Columbia, or U.S. territories and possessions).
- ~~Construction and land development loans secured by real estate, even if for commercial and industrial purposes.~~

SURVEY OF TERMS OF BUSINESS LENDING (FR 2028A)

Questions and Answers

Survey Scope

- 1) The survey covers the first full business weeks of February, May, August, and November. Do we report loans made each day?

A. Report loans made only on the days your Federal Reserve Bank asks you to report. Depending on the size of your institution, your Federal Reserve Bank may negotiate the number of days on which loans made should be reported. Once this determination is made, loans should be reported on consistent days each quarter.

- 2) It is burdensome to eliminate loans of less than \$3,000 from our report. May we include them?

A. Yes, you may include loans of less than \$3,000 if it is easier for you to do so.

- 3) Under what circumstances is a drawdown under a line of credit considered a rollover? When should we report such loans on the FR 2028A?

A. A new drawdown under a line of credit that is used to pay off a previous drawdown is a rollover and should be reported on the FR 2028A. For example, many drawdowns under lines of credit that are priced off of the 30-day LIBOR have a maturity of 30 days. Such drawdowns may be rolled over after 30 days; that is, a new drawdown is used to pay off the maturing drawdown. In this case, the new loan should be reported on the FR 2028A. In contrast, many drawdowns priced off of the prime rate have no stated maturity, and so they do not need to be rolled over. NOTE: Outstanding prime-based loans should not be reported when the prime rate changes. Similarly, term loans that reprice from time to time (for example, those priced off of the 30-, 60-, or 90-day LIBOR), are not new loans, and so such loans should not be reported when they reprice.

- 4) Should we report business credit card loans?

A. In principle, single charges of more than \$3,000 should be reported since they are included in C&I loans on the Call Report and the FFIEC 002 and they exceed the

threshold for inclusion on the FR 2028A. Report single charges that exceed ~~\$3,000~~. Do not report outstanding balances. However, if virtually all business credit card charges at your institution are under the ~~\$3,000~~ threshold and it would be a burden to report the larger ones, you may exclude them. If you do not know the size of the charges that make up the balance, you may exclude them.

- 5) Should we report business loans disbursed under overdraft facilities?

A. On the Call Report, loans resulting from unplanned overdrafts are excluded from C&I loans (they are reported in other loans), so they should not be reported here. However, loans extended under cash management arrangements that would be included in C&I loans on the Call Report should be reported if they exceed the ~~\$3,000~~ threshold for inclusion on the FR 2028A.

- 6) Loans are posted to our computerized record system with a lag of a few days. Can we report the loans that are posted to our computerized record system during the survey week rather than loans that are disbursed during the survey week?

A. No. The lag between the date of disbursement and the date the loan is posted would lead to errors since some of the reported loans would not have been extended during the survey week. As a result, their terms would not necessarily be similar to those on loans that were extended during the survey week.

Column 1: Date made

- 7) Can we report the date the loan is posted rather than the date the loan was disbursed?

A. No, because then the Federal Reserve would compare the rates charged on the loans to market rates on the days the loans were posted rather than the days the loans were disbursed. Because market rates can move significantly from day to day, this reporting error could lead to errors in the measurement of loan spreads. In addition, for loans with short maturities, this type of misreporting can lead to loans having reported dates of maturity before the reported date that they were made.