**Supporting Statement B for the**
**Senior Loan Officer Opinion Survey on Bank Lending Practices**
**(FR 2018; OMB No. 7100-0058)**

**Overview of Statistical Methods**

## Statistical Methods

This voluntary survey is conducted with a senior loan officer at each respondent bank, generally through an electronic submission, up to six times a year. Senior staff at the Reserve Banks with knowledge of bank lending practices email the survey questions to a senior loan officer at each respondent bank. Federal Reserve Banks conduct follow-up telephone interviews with institutions that did not respond or if the responses require further information. The Reserve Banks electronically transmit survey responses to the Federal Reserve Board, where the data are tabulated and summarized in a public release, which is made available on the Federal Reserve's website. The survey results also are discussed in annual *Federal Reserve Bulletin* articles.

The reporting panel of this survey consists of up to 80 large domestically chartered commercial banks and up to 24 large U.S. branches and agencies of foreign banks. Other types of respondents, such as other depository institutions, bank holding companies, or other financial entities, may be surveyed if appropriate.

The purpose of the survey is to provide qualitative and limited quantitative information on credit availability and demand, as well as evolving developments and lending practices in the U.S. loan markets. A portion of the questions in each survey typically covers special topics of timely interest. The questions on the FR 2018 survey are drafted with the intent to elicit useful information without imposing undue reporting burden. The Federal Reserve has sought to limit the difficulty and quantitative content of survey questions, insofar as an adequate understanding of the subject matter allows. To understand certain banking practices, however, the Federal Reserve occasionally needs to ask quantitative questions. When quantitative information is requested, respondents generally are asked to provide approximate or rough estimates, usually in terms of percentages rather than dollar amounts. A respondent may decline to answer a particular question when answering would entail excessive burden. Experience has shown that only a small number of respondents decline to answer any particular question. Response rates overall have been high and resulted in adequate and informative answers.

Since May 1990, the survey has included approximately 20 questions designed to measure changes in credit standards and terms on bank loans and perceived changes in the demand for bank credit. The survey has also included special questions about developments in banking practices. The Federal Reserve distributes two versions of the survey, one to domestically chartered institutions and one to U.S. branches and agencies of foreign banks. The survey tailored to the branches and agencies of foreign banks contains fewer questions. Specifically, it omits the recurring questions on consumer lending because the branches and agencies typically make few, if any, consumer loans.

The respondents' answers provide information that is critical to the Federal Reserve's monitoring of bank lending practices and credit markets. The Federal Reserve relies on the regular opportunity to solicit information from banks within the framework of the survey. Survey results from 1997 to present are available to the public on the Federal Reserve Board's website. The survey results also are discussed in the semiannual *Monetary Policy Report* to Congress.[1]

The information obtained from the survey provides valuable insights on credit market and banking developments and is helpful in the formulation of monetary policy. Information from the survey is reported regularly to the Board of Governors and to the Federal Open Market Committee (FOMC) as an official memorandum to FOMC participants and in other internal briefing materials. This information has been particularly valuable in recent years as it has provided the Federal Reserve with insight into the effects of the financial crisis on the availability of credit to households and businesses. The survey has also attracted considerable attention from the business press and is used in academic research on banking and macroeconomic activity.[2] Aggregate survey responses have been used to study the effects of the more stringent international capital requirements commonly referred to as Basel III.[3] The results are also included in the Federal Reserve Board's reports to Congress on *Availability of Credit to Small Businesses*, which are produced every five years pursuant to Section 2227 of the Economic Growth and Regulatory Paperwork Reduction Act of 1996. The survey results have also been useful in enabling the Federal Reserve to keep abreast of complex banking developments that have evolved over time.

In the last several years, the survey has provided critical information on a number of important banking topics. Recent special questions have addressed issues in rapidly changing credit markets: banks' involvement in the syndicated loan market; banks' assessment of the levels of lending standards relative to longer-term norms, and banks' expectations about changes in asset quality and credit standards over the coming year. Regarding lending to households, the survey has provided valuable information on timely topics including the response of residential real estate lending to regulatory changes, credit card lending, and automobile lending.

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[1] See http://www.federalreserve.gov/boarddocs/SnLoanSurvey/.

[2] Examples of academic research include William F. Bassett III, Mary Beth Chosak, John C. Driscoll, and Egon Zakrajsek (2014). "Changes in Bank Lending Standards and the Macroeconomy," *Journal of Monetary Economics*, 62(1), pp. 23-40, and Jose M. Berrospide and Rochelle M. Edge (2011). "The Effects of Bank Capital on Lending: What Do We Know, and What Does it Mean?" *International Journal of Central Banking*, 6(4), pp. 5-54.

[3] Examples of Basel III research include BIS (2010). "Assessing the Macroeconomic Impact of the Transition to Stronger Capital and Liquidity Requirements," Macroeconomic Assessment Group. Basel, Switzerland: Bank for International Settlements, and Angela Maddaloni and Jose-Luis Peydro (2011). "Bank Risk-Taking, Securitization, Supervision, and Low Interest Rates: Evidence from U.S. and Euro Area Lending Standards," *Review of Financial Studies*, 24(6), pp. 2121-2165.