

# Senior Loan Officer Opinion Survey on Bank Lending Practices August 2020

## Questionnaire for U.S. Chartered Commercial Banks

*This survey asks about your bank's lending policies with respect to, and borrower demand for, commercial and industrial (C&I) loans in the context of the Main Street Lending Program (MSLP). The survey refers to the time interval since mid-June, when MSLP lender registration began. The set of 14 questions ask about the C&I loan inquiries and approvals at your bank; the considerations regarding your bank's or borrowers' participation in the MSLP; and your bank's outlook on future MSLP demand and participation. For the purpose of this survey, we define "borrowers of an eligible size for the MSLP" as U.S. businesses with at most 15,000 employees in the previous 12 months or at most \$5 billion in annual revenues in 2019. For details on the MSLP, see <https://www.federalreserve.gov/monetarypolicy/mainstreetlending.htm>.*

## Table of Contents

Page

|  |          |
|--|----------|
| <b>Banks' Commercial and Industrial Lending and Participation in the Main Street Lending Program</b> | <b>1</b> |
|--|----------|

---

This report is authorized pursuant to sections, 2A,11, and 12A of the Federal Reserve Act (12 U.S.C. 225(a), 248(a), and 263) and Section 7 of the International Banking Act (12 U.S.C. 3105(c)(2)). Your voluntary cooperation in submitting this survey is needed to make the results comprehensive, accurate, and timely.

The Federal Reserve may not conduct or sponsor, and an organization is not required to respond to, a collection of information unless it displays a currently valid OMB control number. Public reporting burden for this information collection is estimated to average 2 hours per response, including time to gather and maintain data in the required form and to review instructions and complete the information collection. Comments regarding this burden estimate or any other aspect of this information collection, including suggestions for reducing the burden, may be sent to Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551, or via email to [regs.comments@frb.gov](mailto:regs.comments@frb.gov); and to the Office of Management and Budget, Paperwork Reduction Project (7100-0058), Washington, DC 20503.

## **Banks' Commercial and Industrial Lending and Participation in the Main Street Lending Program**

*Questions 1-6 solicit information on C&I loan inquiries by business borrowers, their characteristics, and the rate of C&I loan approvals at your bank.*

1. At your bank, apart from seasonal variation, how has the total number of *C&I loan inquiries from borrowers of an eligible size for the MSLP* changed since mid-June, regardless of whether those borrowers specifically inquired about an MSLP loan? Please consider informal inquiries as well as formal loan applications. (For the purpose of this survey, we define “borrowers of an eligible size for the MSLP” as U.S. businesses with at most 15,000 employees in the previous 12 months or at most \$5 billion in annual revenues in 2019.)
  1. Increased substantially.
  2. Increased somewhat.
  3. Stayed about the same.
  4. Decreased somewhat.
  5. Decreased substantially.
  6. My bank has not received any inquiries from borrowers of an eligible size for the MSLP.
  
2. At your bank, apart from seasonal variation, how has the number of *C&I loan inquiries from borrowers that are small enough to qualify for the Paycheck Protection Program (PPP)* changed since mid-June, regardless of whether those borrowers specifically inquired about PPP or MSLP loans? Please consider informal inquiries as well as formal loan applications. (For the purpose of this survey, the borrowers small enough to qualify for the PPP are U.S. businesses with at most 500 employees. For details on the PPP, see <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program>.)
  1. Increased substantially.
  2. Increased somewhat.
  3. Stayed about the same.
  4. Decreased somewhat.
  5. Decreased substantially.
  6. My bank has not received any inquiries from borrowers that are small enough to qualify for the PPP.

3. At your bank, apart from seasonal variation, how has the number of *C&I loan inquiries from borrowers that are too large to be eligible for the MSLP* changed since mid-June? Please consider informal inquiries as well as formal loan applications.
1. Increased substantially.
  2. Increased somewhat.
  3. Stayed about the same.
  4. Decreased somewhat.
  5. Decreased substantially.
  6. My bank has not received any inquiries from borrowers that are too large for the MSLP.
4. For borrowers of an eligible size for the MSLP that made a C&I loan inquiry at your bank, how common were the following *characteristics*? (Please rate each possible characteristic using the following scale: 1=not common (e.g., less than 30 percent), 2=somewhat common (e.g., between 30 percent and 70 percent), 3=very common (more than 70 percent).)
- A. The borrower was a new client at my bank.
  - B. The borrower suffered significant reductions in revenue or employment due to the COVID-19 crisis that go beyond seasonal or trend changes.
  - C. The borrower had access to alternative sources of funds other than bilateral loans, such as equity, corporate bonds, commercial paper, or syndicated loans.
  - D. The borrower had access to bank credit products other than C&I loans, such as commercial real estate loans, home equity lines of credit, or credit cards.
  - E. The borrower could also qualify for PPP loans.

5. What share of borrowers that are of an eligible size for the MSLP and made a C&I loan inquiry were approved for credit at your bank since mid-June? (Please consider approval for both MSLP loans and other types of loans.)
  1. More than 60%
  2. Between 40% and 60%
  3. Between 20% and 40%
  4. Between 10% and 20%
  5. Less than 10%
  
6. Of the total number of C&I loans your bank approved for borrowers of an eligible size for the MSLP, what share were MSLP loans, as opposed to other types of loans?
  1. More than 20%
  2. Between 10% and 20%
  3. Between 5% and 10%
  4. Between 2.5% and 5%
  5. Less than 2.5% but above 0%
  6. My bank has not approved any loans intended for the MSLP or is not a registered MSLP lender.

*Questions 7-12 solicit information on considerations regarding your bank's or borrowers' participation in the MSLP.*

7. What best describes your banks operational MSLP status? (“Registered” refers to whether your bank is a registered lender at the MSLP or not. For details on MSLP lender registration, see <https://www.bostonfed.org/supervision-and-regulation/supervision/special-facilities/main-street-lending-program/information-for-lenders>)
1. My bank is now underwriting MSLP loans and submitting them to the program for purchase.
  2. My bank is registered and working to operationalize the program in the expectation of making loans in coming weeks.
  3. My bank is registered but still evaluating the program and how it works.
  4. My bank is registered but will likely only make loans if financial conditions deteriorate.
  5. My bank is not registered, but will likely register in the coming weeks.
  6. My bank is not registered, but would likely register if financial conditions deteriorate.
  7. My bank is not registered and will likely not register in the future.
8. If your bank is not registered for the MSLP, how important were the following reasons in your bank's decision to not register for the MSLP? (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)
- A. My bank was able to address the credit needs of most borrowers of an eligible size for MSLP without MSLP participation.
  - B. My bank judged that participation in the PPP was sufficient to address the credit needs of most of our borrowers of an eligible size for the MSLP.
  - C. MSLP registration requirements were too burdensome.
  - D. Typical borrowers at my bank would not qualify for MSLP loans for reasons other than size, or would not be interested in MSLP loans. (You will be asked to provide details under Question 10.)
  - E. Key loan terms under the MSLP were not attractive enough for my bank. (You will be asked provide details under Question 11.)
  - F. Other reason (please specify).

9. For borrowers of an eligible size for the MSLP that made a C&I loan inquiry and to which *your bank did not approve an MSLP loan, even though your bank was registered for the MSLP*, how important were the following reasons in preventing participation in the MSLP? (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)
- A. The firm was already in poor financial condition before the COVID-19 crisis, such that the firm would likely be unable to repay the loan.
  - B. The firm was creditworthy before the COVID-19 crisis, but too severely impacted to remain viable and hence unable to repay the loan.
  - C. My bank approved a PPP loan instead, which was considered a better option than an MSLP loan.
  - D. The firm's planned use of an MSLP bank loan was not financially sound.
  - E. The borrower did not qualify for MSLP loans for reasons other than size or was not interested in an MSLP loan. (You will be asked to provide details under Question 10.)
  - F. Key loan terms under the MSLP were not attractive enough to make participation profitable for my bank. (You will be asked to provide details under Question 11.)
  - G. Other reason (please specify).

10. If your bank did not approve an MSLP loan or has not registered for the MSLP because *the borrowers would not qualify or not be interested in MSLP loans*, how important were the following considerations? (Please rate each possible consideration using the following scale: 1=not important, 2=somewhat important, 3=very important.)

- A. The borrower's debt-to-adjusted EBITDA was too high to meet the requirements for an MSLP loan.
- B. The interest rate was too high for the borrower.
- C. The principal amortization schedule was too steep for the borrower.
- D. The 5-year maturity term was too short for the borrower.
- E. The minimum loan size was too high for the borrower.
- F. The origination and transaction fees were too high for the borrower.
- G. The expectation to retain employees during the term of the MSLP loan was too restrictive for the borrower.
- H. The required certifications and covenants were too restrictive for the borrower, such as those restricting debt repayments, compensation, or capital distributions.
- I. Other MSLP loan terms were not attractive (please specify).

11. If your bank did not approve an MSLP loan or has not registered for the MSLP because *key MSLP loan terms were not attractive enough for your bank*, how important were the following considerations? (Please rate each possible consideration using the following scale: 1=not important, 2=somewhat important, 3=very important.)

- A. The maximum loan size was too low for my bank.
- B. The origination and servicing fees were too low for my bank.
- C. The lender's retention share was too high for my bank.
- D. The loss-sharing with the MSLP in the event of a default was too uncertain.
- E. The required certifications and covenants were too restrictive for my bank.
- F. Other MSLP loan terms were not attractive (please specify).

12. For borrowers to whom your bank approved a C&I loan intended for the MSLP, *how common were the following characteristics?* (Please rate each possible borrower characteristic using the following scale: 1=not common (e.g., less than 30 percent), 2=somewhat common (e.g., 30 percent to 70 percent), 3=very common (more than 70 percent).)
- A. The borrower was a new client at my bank.
  - B. The borrower suffered significant reductions in revenue or employment due to the COVID-19 crisis that go beyond seasonal or trend changes.
  - C. The borrower intended to use the proceeds to cover payroll and other expenditures for a few months.
  - D. The borrower intended to use the proceeds to fund new capital expenditures.
  - E. The borrower intended to use the proceeds to rollover maturing bank loans or other debt, or to offset a credit line cancellation.
  - F. The borrower had access to alternative sources of funds other than bilateral loans, such as equity, corporate bonds, commercial paper, or syndicated loans.
  - G. The borrower had access to other bank credit products such as commercial real estate loans, home equity loans, or credit cards.
  - H. The borrower could also qualify for PPP loans.
  - I. My bank has not yet participated in the MSLP.

*Finally, **Questions 13-14** ask about your bank's outlook regarding future inquiries by eligible borrowers and your bank's future participation in the MSLP.*

13. Looking forward over the next three months and assuming that economic activity progresses in line with consensus forecasts, how do you expect the number of C&I loan inquiries from borrowers of an eligible size for the MSLP to change at your bank compared to their current level, apart from seasonal variation? I expect the number of inquiries to:
  1. Increase substantially.
  2. Increase somewhat.
  3. Stay about the same.
  4. Decrease somewhat.
  5. Decrease substantially.
  6. My bank does not expect to receive any inquiries from borrowers of an eligible size for the MSLP.
  
14. Looking forward over the next three months and assuming that economic activity progresses in line with consensus forecasts, how do you expect your bank's willingness to extend MSLP loans to borrowers of an eligible size change compared to its current level? I expect my bank's willingness to:
  1. Increase significantly.
  2. Increase somewhat.
  3. Stay about the same.
  4. Decrease somewhat.
  5. Decrease significantly.
  6. My bank does not expect to participate in the MSLP.