Leveraged Loan Insight & Analysis – 11/9/2015

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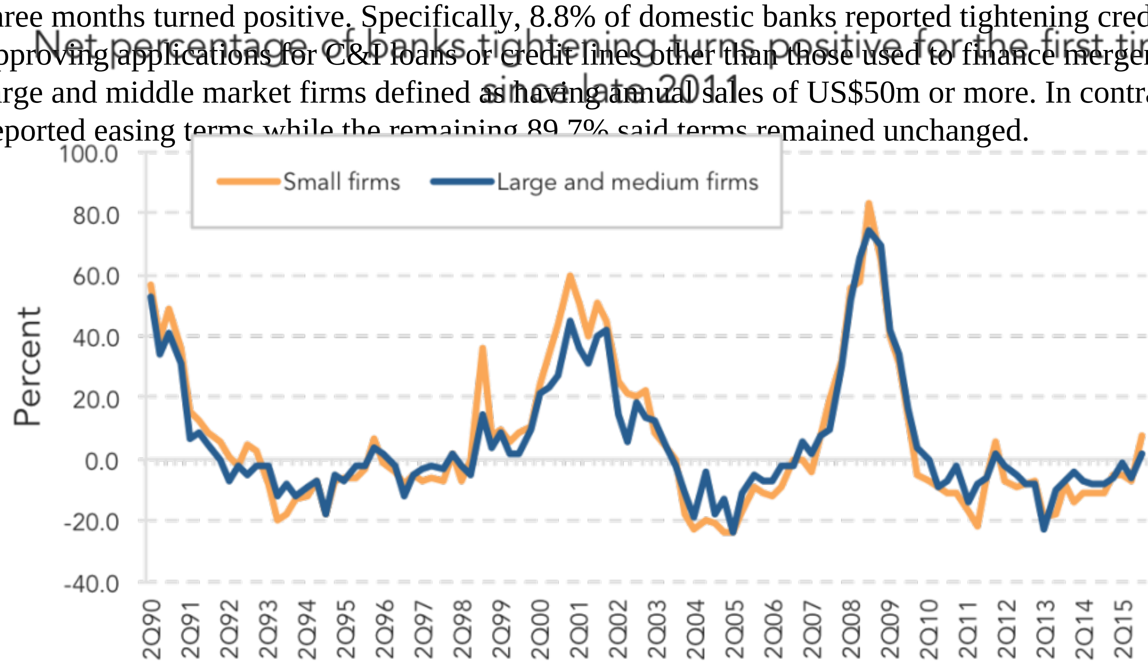
For the first time since late 2011, the net percentage of domestic banks reporting tightening terms over the past three months turned positive. Specifically, 8.8% of domestic banks reported tightening credit standards for approving applications for C&I loans or credit lines other than those used to finance mergers and acquisitions to large and middle market firms defined as having annual sales of US$50m or more. In contrast, 1.5% of banks reported easing terms while the remaining 89.7% said terms remained unchanged.



For smaller firms, with annual sales below US$50m, 2.9% reported tightening while 1.5% reported easing with the rest unchanged. When asked to rate possible reasons for tightening, 31.6% cited ‘worsening of industry-specific problems’ as a ‘very important’ driver while an equal share rated it ‘somewhat important’ and the remaining 36.8% reported it was ‘not important’. Meanwhile, 21.1%, representing 4 banks reported that increased concerns about the effects of legislative changes, supervisory actions, or changes in accounting standards were a ‘very important’ driver while 5.3% said it was ‘somewhat important’ and the remaining 74% said it was ‘not important.’ Five percent cited decreased liquidity in the secondary market for the loans as a ‘very important’ driver, however 73.7% said it was not an important driver while 21.1% said it was ‘somewhat important.’

Source: Federal Reserve Senior Loan Officer Opinion Survey

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