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Leveraged Loan Insight & Analysis – 8/8/2016

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Fed Survey: 10% of banks reported tightening terms

The majority of banks surveyed reported little change in the last three months with only one domestic bank reporting easing terms to larger firms, according to the latest Federal Reserve Senior Loan Officer Opinion Survey. This is down from 13% of banks at this time last year and 10% and 20% in 2014 and 2013's summer surveys respectively. However, 7 banks, or 10% of domestic banks reported tightening terms in the recent survey, up from 4 banks or 6% at this time last year.

Aug 8 2016 TROne fifth of all domestic banks surveyed said spreads of loan rates over their bank's cost of funds have narrowed for larger firms for non-M&A transactions in the past three months down from 46% and 60% of banks in the July 2015 and 2014 surveys respectively. Only 12% of banks reported less frequent use of interest rate floors, down from roughly one third of banks in the prior two surveys. Conversely, 15.7% of banks reported wider spreads while 17% reported higher premiums charged on riskier loans compared to only 1 bank reporting easing premiums. Unlike the 30 percent of U.S. banks reporting loosening covenants in 2013, the share dropped and remained at 19 percent over the past two summer surveys falling to 4% in the most recent survey, which was outpaced by the 9% of banks reporting tighter covenants.

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