Phoenix Management Services
"Lending Climate in America" Survey

1st Quarter 2012
Summary, Trends and Implications

PHOENIX
"LENDING CLIMATE IN AMERICA"
QUARTERLY SURVEY

1st Quarter 2012

SUMMARY, TRENDS AND IMPLICATIONS

1. **United States banks posted the lowest revenue growth rate in 2011 since the Great Depression. Banks that had a diversified platform of services fared much better in 2011 than those banks with an emphasis on capital market services. Respondents were asked: "What do you feel best characterizes how U.S. banks will fare in 2012"?**

   Thirty four percent of respondents said that financial regulatory action, or lack thereof, will determine which areas of banking are most profitable. Until the industry has a sense of what to expect, revenue growth will be challenging in 2012. Twenty one percent of lenders suggested as firms react to industry weakness in capital markets, more traditional retail and commercial banking products will drive revenue growth in 2012. Twenty one percent of lenders believe as with any cyclical business, the capital markets groups of U.S. banks are in for a rebound in 2012 as deal activity should increase from lows experienced in 2011. Nineteen percent of respondents believe U.S. based banks need to continue to reduce headcount and trim expenses, especially in the less profitable areas such as capital markets. The remaining five percent of lenders chose "Other" as their response to the aforementioned question.

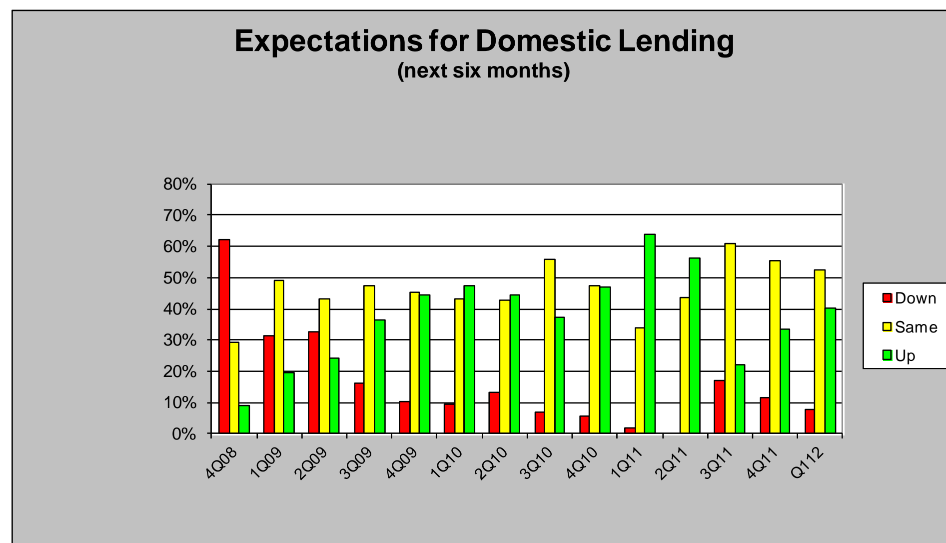
2. **The Federal Reserve recently announced their intentions to provide open communication with regard to their economic and interest rate forecasts. Considering the impact of a change in benchmark interest rates, respondents were asked: "How do you feel about the new disclosure proposal by a historically reserved government entity?**

   Forty five percent of respondents believe as with any forecast, it is just that, a forecast. The disclosure won't reveal anything markets have not already analyzed and priced in accordingly. Twenty two percent of lenders responded it is an attempt to satisfy the private sector's call for greater transparency from the government. If the change to more open communication comes to action, it would be well received by the market. Seventeen percent of those asked believe the public release of long range forecasts will allow businesses to more accurately predict future financing costs providing a greater degree of certainty. The overall result will be better managed public and private enterprises. Fourteen percent of respondents opined the potential greater transparency could disappoint when deviations occur and the subsequent reactions could have dramatic consequences. The current way of communicating monetary policy is how it should be governed. The final two percent of lenders chose "Other" as their appropriate response to the question.

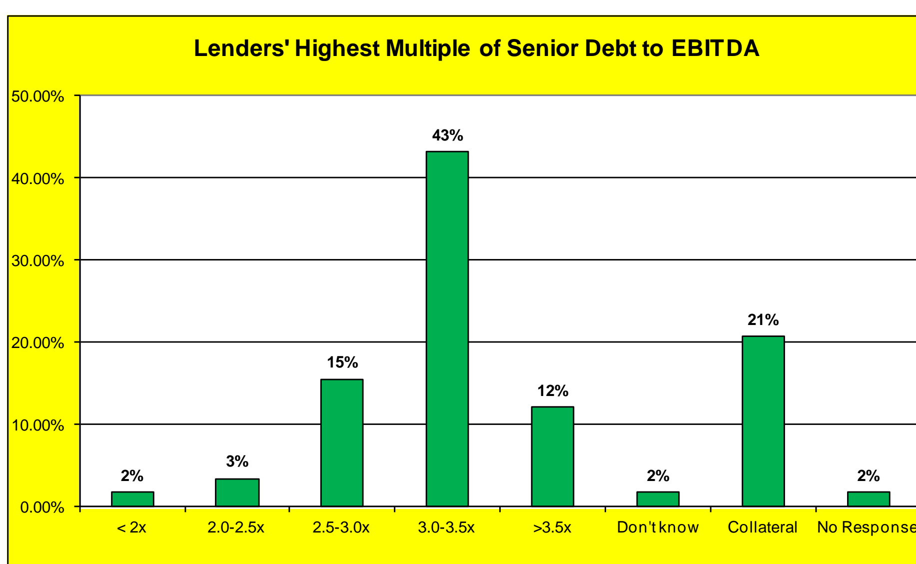
3. **During the Republican Party presidential caucuses, private equity firms have become a hot topic of debate. Even before Republican candidates took center stage, there have been calls to overhaul the favorable tax structure (capital gains vs. corporate tax rates) benefiting private equity firms. Respondents were asked: "Do you feel this will have a snowball effect leading to increased regulation?**

   More than half (fifty seven percent) of lenders responded no matter the presidential outcome or economic climate, PE regulation will be reviewed in 2012. While proposed changes to the industry may not be fully implemented in 2012, the future will eventually yield less favorable tax treatment and added oversight. Twenty eight percent of lenders believe that the attention private equity is receiving is augmented by the presidential race and will subside over time. The current favorable tax situation is legal and industry efforts to lobby against any detrimental legislation will prove hard to overcome. Seven percent of respondents believe the net effect of private equity firms as financial buyers is positive. With the current state of the recovery and abundance of sidelined capital, regulators would have a tough sell implementing changes in the tax code that would reduce PE deal making activity. Six percent suggested that even industry insiders acknowledge their favorable tax treatment. With Mitt Romney leading the Republican candidate race, we will likely see further scrutiny on the industry and additional regulation no matter who wins the upcoming election. The final two percent of respondents chose "Other".

4. **Domestic lending expectations yielded a double digit positive gain in Q1 2012 versus the expectations in the previous quarter.** The overall index for all domestic lending segments increased by eleven percentage points on the diffusion index compared to last quarter's survey and a gain of twenty eight percentage points compared to one half year ago. Respondents indicated that, on average for all domestic lending categories; forty percent have expectations for increased loan demand (versus thirty three percent in the prior quarter). Only eight percent of lenders in Q1 2012 anticipate overall domestic lending to decline which is compared to eleven percent from the previous quarter. All three major domestic commercial lending categories including corporate, middle market and small business yielded higher expectations for domestic lending in the first quarter of 2012 versus the prior quarter.



5. **Senior Debt to EBITDA ratios showed signs of easing regarding senior loan multiples compared to the previous survey.** Twelve percent of lenders indicated that they would consider a loan with senior leverage higher than 3.5x, which is two percentage points higher than the previous survey. Forty three percent of lenders indicated their financial institution would consider a loan request with a Senior Debt to EBITDA multiple as high as 3.0-3.5x, an eighteen point jump from the previous survey. Fifteen percent opined that their institution would only consider a loan request with a leverage ratio of 2.5-3.0x, ten percentage points lower than in the previous quarter. Three percent of lenders will only consider senior leverage ratios between 2.0-2.5x, compared to seven percent in the previous survey. Only two percent of lenders agreed on a 2.0x multiple as the maximum ratio they would consider, which compares to seven percent from Q4 2012. The percentage of lenders which indicated they are collateral lenders and do not utilize cash flow as a lending metric totaled twenty one percent; three percentage points lower than the previous survey. Two percent of lenders either "Did Not Know" how their senior leverage ratios would change at their institutions or did not respond to the question.

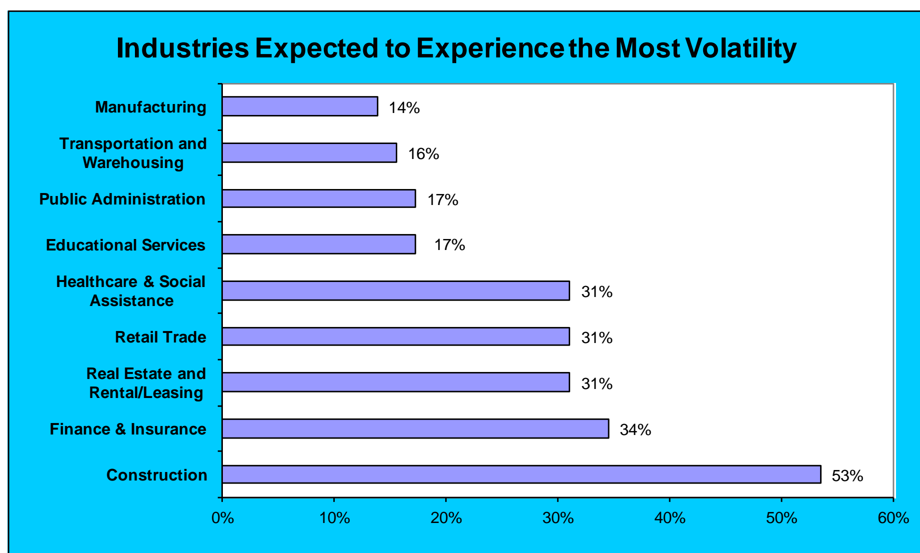


6. **Over half (fifty five percent) of the respondents believe their institution's senior debt to EBITDA ratio will experience no change in the next six month compared to fifty six percent that shared the same sentiment last quarter.** Only three percent of respondents believe that the highest senior debt to EBITDA multiple will increase greater than 0.5x (higher by one percentage point from the previous quarter), while fifteen percent anticipate the multiple will increase less than 0.5x over the next six months (up by four percentage points from the previous quarter). Only two percent of respondents suggested that the multiple would decline at their financial institution over the next six months (three percent in the previous quarter). Twenty one percent of respondents indicated they were collateral lenders and did not specifically focus on that multiple (down three points from the previous survey). Three percent of lenders specified that they "Do Not Know" how senior leverage ratios will change at their financial institutions in the short term.

7. **"Unstable Energy Prices" topped the list as the chief concern potentially having the strongest impact on the economy in the short term.** When asked to choose two factors

that could have the strongest potential to affect the economy in the next six months, seventy one percent (versus only fifteen percent in the previous quarter) chose unstable energy prices as having the greatest potential. Forty one percent believe the increasing U.S. budget deficit will have the strongest impact on the economy, lower by five percentage points from Q4 2011. Nearly one third (thirty one percent) of lenders believe the sluggish housing markets to be a chief concern, which is a dramatic decrease of thirty percent versus the previous quarter. Twelve percent believe that the stability of the stock market could have the biggest impact on the economy, lower by twelve percentage points versus the previous survey. Three percent chose both the constrained liquidity in the capital markets and the War in Iraq as potentially having the strongest impact on the economy in the near term. Ten percent of lenders chose "Other" factors as potentially having the strongest impact on the economy in the short term.

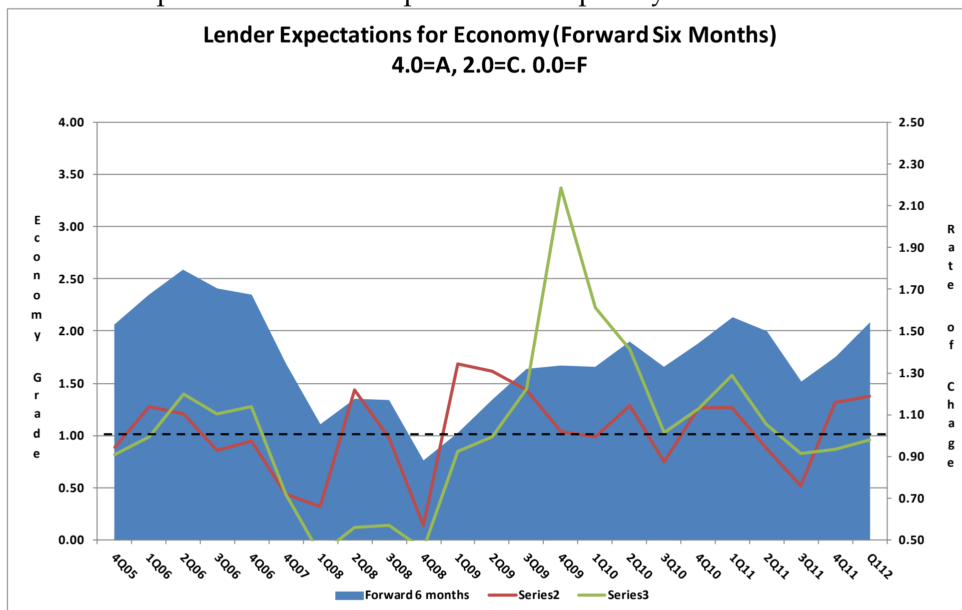
8. **For the seventh consecutive quarter, respondents anticipate the Construction industry to experience the most volatility in the next six months**. When asked to identify three industries that will experience the most volatility in the next six months, fifty three percent (down from sixty one percent in the previous survey) chose the Construction industry as likely to experience the most volatility. Thirty four percent of respondents chose the Finance and Insurance industry. Several industries yielded responses of thirty one percent to experience the most volatility in the short term including; Healthcare and Social Assistance, Real Estate and Rental/Leasing and Retail Trade. Seventeen percent chose Public Administration and Educational Services as industries to experience the most volatility in the next six month period. Sixteen percent believe the Transportation and Warehousing industry will experience the most volatility in the next six months. Fourteen percent agreed that the Manufacturing industry would experience the most volatility in the near term. The remaining industries yielded responses of less than ten percent.



9. **For the third straight quarter, respondents' customers making new capital investments in the next six months was the leading growth expectation in the survey (fifty percent).** Thirty eight percent of lenders believe their customers will hire new employees during the next six months, which is sixteen percentage point increase from the previous quarter. Thirty six percent responded their customers are planning on making an acquisition;

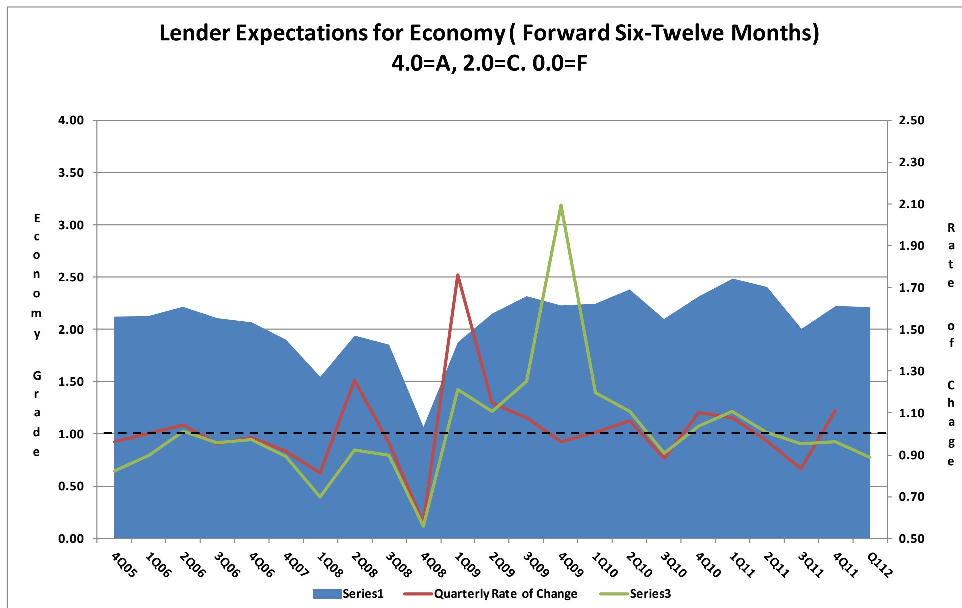
higher by seven percentage points from the previous quarter. Twenty nine percent of lenders anticipate their customers to introduce new products or services in the next six months; three percentage points lower than in Q4 2011. Twenty eight percent believe their customers will enter new markets in the near term; higher by eight percentage points from the previous quarter. Twenty two percent expect their customers to begin to raise new capital compared to twenty seven percent from the previous quarter. Five percent of respondents believe their customers will conduct "Other" activities in the near term.

10. **Lenders expectations for the economy's growth prospects in the next six months reached its highest level in four quarters.** As a result of the current economic outlook, lenders economic growth expectations increased by more than a quarter of a letter grade, or 33 basis points, to "C" levels compared to the previous survey. Seventy four percent of lenders believe the economy will perform at a "C" level or better over the next six months, compared to only sixty six percent in the previous survey. Seventeen percent of respondents agreed that the economy will perform at a "B" grade or better in the next six months compared to only five percent in the previous quarter. The percentage of lenders who believe the economy will perform lower than a "C" level dropped dramatically to only nine percent versus twenty nine percent in the previous quarter. The quarterly rate of change signifies a 19% increase versus Q4 2011, while the annual rate of change yields a 2% decline compared to the same quarter in the prior year.



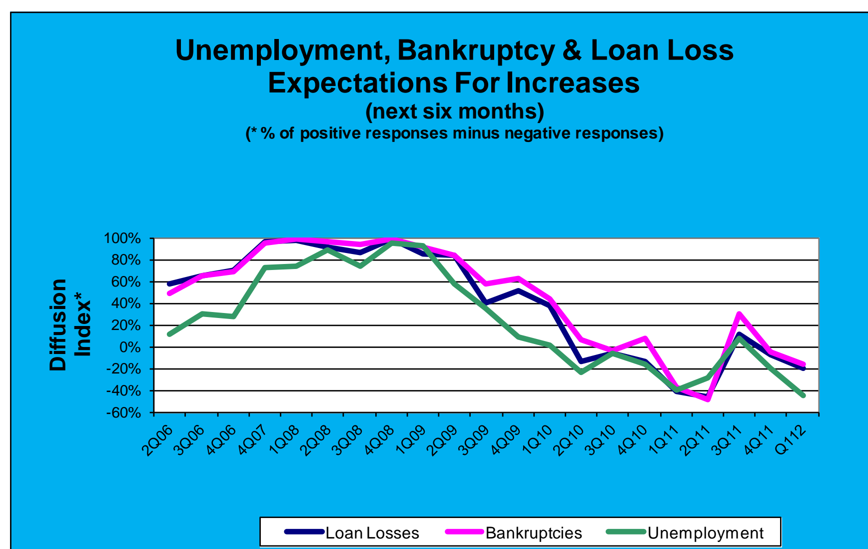
** Rate of Change of 1.0 is at equilibrium and signifies "no change" from the corresponding prior period of comparison.*

11. **Lenders expectations for the economy's growth expectations for the out period six to twelve months is unchanged in comparison to the previous survey.** Lenders growth expectations for the out period remained unchanged at a near "C+" level. Eighty three percent of lenders believe the economy will perform at a "C" level or better in the six to twelve month out period, compared to eighty eight percent in the previous quarter. The quarterly rate of change yielded a one percent decrease versus the prior quarter, while the annual rate of change experienced an eleven percent decrease versus the prior year period.



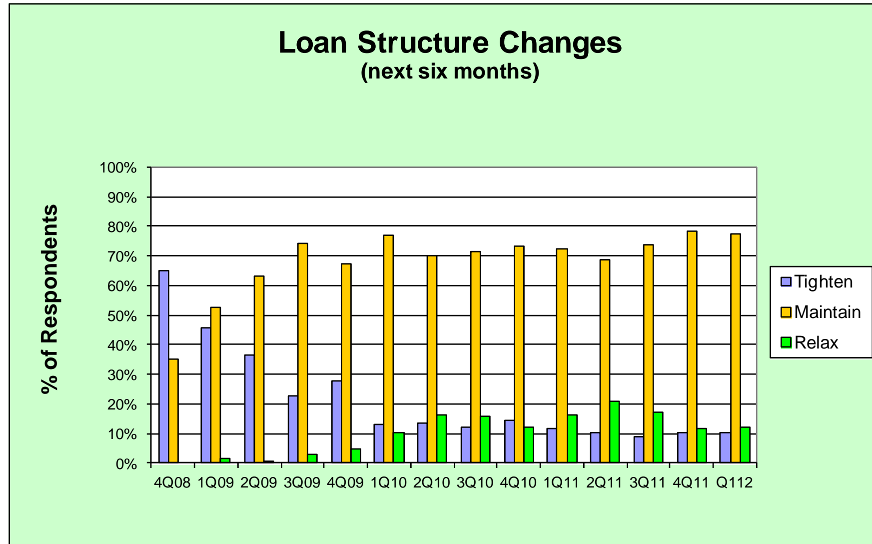
** Rate of Change of 1.0 is at equilibrium and signifies "no change" from the corresponding prior period of comparison.*

12. **Lenders expectations towards macroeconomic indicators experienced negative signals compared to the previous quarter.** Lenders expectations regarding economic indicators including loan losses, bankruptcies and unemployment all declined versus the previous quarter. Expectations of loan losses weakened by twelve percentage points on the diffusion index as only twelve percent of lenders believe loan losses will decrease in the next six months compared to twenty percent in the previous survey. Bankruptcy expectations for the next six month period declined by eleven percentage points compared to the previous survey. The sluggish job markets resonated with respondents as fifty two percent believe unemployment will continue to experience difficulties compared to only twenty seven percent in the previous quarter.

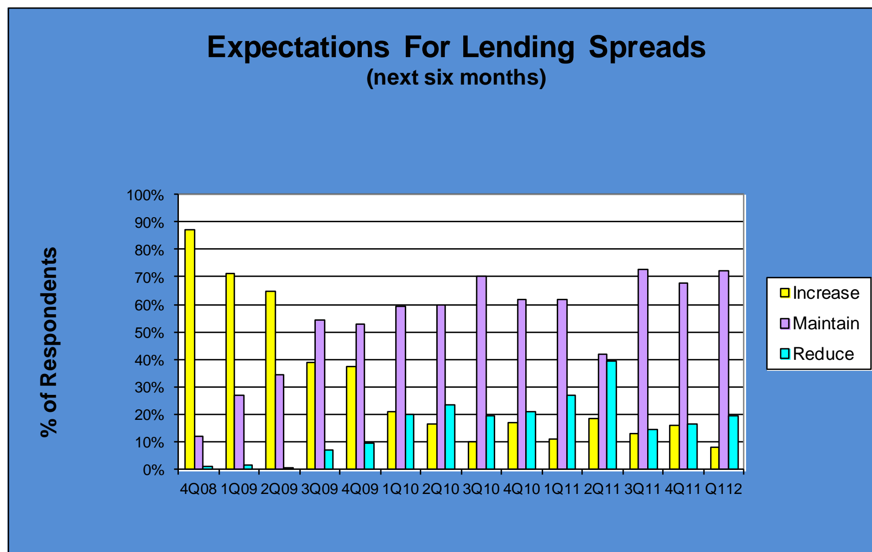


13. **Lenders expectations of maintaining their current loan structures remained unchanged.** The percentage of respondents planning to maintain their loan structure remained unchanged versus the previous survey at seventy eight percent. Lenders who expect to tighten their loan structures also was consistent with the previous quarter at ten

percent. The rate of lenders expecting to relax their loan structures declined to twelve percent.



14. **Lenders expecting to increase their interest rate spread was decreased in half by eight percentage points compared to the previous quarter.** Eight percent of lenders anticipate increasing their credit spreads in the next six months versus sixteen percent in Q4 2011. An overwhelming seventy two percent of respondents (versus sixty eight percent in the previous quarter) anticipate maintaining lending spreads from their current levels. The percentage of lenders expecting to reduce their current credit spreads increased by four percentage points, up to twenty percent, in comparison to the previous survey.



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Survey Results

1. U.S. Banks growth prospects in 2012

United States banks posted the lowest revenue growth rate in 2011 since the Great Depression. Banks that had a diversified platform of services fared much better in 2011 those banks with an emphasis on capital market services.

Lenders were asked: What do you feel best characterizes how US banks will fare in 2012?

- Thirty four percent believe financial regulatory action, or lack thereof, will determine which areas of banking are most profitable. Until the industry has a sense of what to expect, revenue growth will be challenging in 2012.
- Twenty one percent agreed as firms react to industry weakness in capital markets, more traditional retail and commercial banking products will drive revenue growth in 2012.
- Twenty one percent believe as with any cyclical business, the capital markets groups of US banks are in for a rebound in 2012 as deal activity should increase from lows experienced in 2011.
- Nineteen percent opined that US based banks need to continue to reduce headcount and trim expenses, especially in the less profitable areas such as capital markets.
- The remaining five percent of responses chose "Other" as their appropriate answer to the question.

2. Fed's Open Communication for Interest Rate Forecasts

The Federal Reserve recently announced their intentions to provide open communication with regard to their economic and interest rate forecasts.

Lenders were asked: How do you feel about the new disclosure proposal by a historically reserved government entity?

- Forty five percent of respondents agreed as with any forecast, it is just that, a forecast. This disclosure won't reveal anything markets haven't already analyzed and priced in accordingly.

- Twenty two percent of lenders believe it's an attempt to satisfy the private sector's call for greater transparency from government. If the change to more open communication comes to action, it would be well received by the market.

- Seventeen percent opined that the public release of long range forecasts will allow businesses to more accurately predict future financing costs providing a greater degree of certainty. The overall results will be better managed public and private enterprises.

- Fourteen percent of lenders believe the potential greater transparency could disappoint when deviations occur and the subsequent reactions could have dramatic consequences. The current way of communicating monetary policy is how it should be governed.

- The final two percent chose “Other”.

3. Private Equity Favorable Tax Structure Up for Debate

During the Republican Party presidential caucuses, private equity firms have become a hot topic of debate. Even before Republican candidates took center stage, there have been calls to overhaul the favorable tax structure (capital gains vs. corporate tax rate) benefitting private equity firms.

Lenders were asked: Do you feel this will have a snowball effect leading to increased regulation?

- Fifty seven percent of lenders answered, Yes, as no matter the presidential outcome or economic climate, PE regulation will be reviewed in 2012. While proposed changes to the industry may not be implemented in 2012, the future will eventually yield less favorable tax treatment and added oversight.

- Twenty seven percent of respondents said, No, the attention private equity is receiving is augmented by the presidential race and will subside over time. The current favorable tax situation is legal and industry efforts to lobby against any detrimental legislation will prove hard to overcome.

- Seven percent believe, Yes, even industry insiders acknowledge their favorable tax treatment. With Mitt Romney leading the Republican candidate race, we will likely see further scrutiny on the industry and additional regulation no matter who wins the election in November.

- Seven percent responded, No, the net effect of private equity firms as financial buyers is positive. With the current state of recovery and abundance of sidelined capital, regulators would have a tough sell implementing changes in the tax code that would reduce PE deal activity.

- The remaining two percent chose “Other” as their response to the question.

4. Highest Senior Debt to EBITDA Leverage Institutions Would Consider

Respondents were asked the highest multiple of Senior Debt to EBITDA their financial institution would consider with regard to a loan request.

- Twelve percent of lenders opined their financial institution would consider a loan request with a leverage multiple of greater than 3.5x (previous survey: 10 percent).
- Forty three percent indicated their institution would consider a loan request with a leverage multiple as high as the 3.0x – 3.5x range (previous survey: 25 percent).
- Fifteen percent believed their institution would consider a loan request with a Senior Debt to EBITDA multiple as high as the 2.5x – 3.0x range (previous survey: 25 percent).
- Three percent of lenders believed their institution would consider a loan request with a Senior Debt to EBITDA multiple as high as 2.0x – 2.5x range (previous survey: 7 percent).
- Two percent of lenders indicated that their financial institution would only consider a loan request with a Senior Debt to EBITDA ratio of less than 2.0x (previous survey: 7 percent).
- Twenty one percent of respondents replied they are collateral lenders and, therefore, do not make credit decisions based on cash flow/leverage multiples (previous survey: 24 percent).
- Two percent of lenders either "Did not know" or did not respond in regards to how their institution's senior leverage ratio would change.

5. Anticipated Change in Senior Debt to EBITDA Multiple

Respondents were asked, over the next six months, how the Senior Debt to EBITDA multiple would change at their financial institution.

- Three percent conclude that the leverage multiple will increase greater than 0.5x during the next six months (previous survey: 2 percent).
- Sixteen percent of lenders believe that the leverage multiple will increase less than 0.5x during the next six months (previous survey: 12 percent).
- Fifty five percent indicated that the Senior Debt to EBITDA multiple will not change at their financial institution over the next six months (previous survey: 56 percent).

- Two percent conclude that the leverage multiple will decrease less than 0.5x during the next six months (previous survey: 3 percent).

- Twenty one percent of respondents replied they are collateral lenders and, therefore, do not make credit decisions based on cash flow/leverage multiples (previous survey: 24 percent).

- Three percent of lenders responded “Do Not Know” regarding how senior leverage ratios would change at their financial institution in the next six months.

6. Factors with Strongest Potential to Affect Near Term Economy

Respondents were asked, over the next six months, which TWO factors had the strongest potential to affect the economy.

- Seventy one percent concluded that unstable energy prices have the strongest potential to affect the economy during the next six months (previous survey: 15 percent).

- Forty one percent of respondents selected the U.S. budget deficit as having the strongest potential to affect the economy over the next six months (previous survey: 46 percent).

- Thirty one percent designated the sluggish housing market as the factor with the strongest potential to affect the near term economy (previous survey: 61 percent).

- Twelve percent opined that the stability of the stock market has the strongest potential to affect the economy during the next six months (previous survey: 24 percent).

- Three percent indicated constrained liquidity in the capital markets as the factor with the strongest potential to affect the near term economy (previous survey: 22 percent).

- Three percent indicated the war in Iraq as the factor with the strongest potential to affect the near term economy (previous survey: 0 percent).

- Ten percent chose “Other” factors as having the strongest potential to affect the economy during the next six months (previous survey: 7 percent).

7. Industries Expected to Experience Greatest Volatility

Respondents were asked, over the next six months, which industries will experience the most volatility (i.e. Chapter 11 filings, mergers and acquisitions, declining profits, etc.). Respondents were asked to select the top three industries.

- Fifty three percent designated the Construction industry as the industry expected to weather the greatest volatility in the near term (previous survey: 61 percent).

- Thirty four percent of respondents believe the Finance and Insurance industry will experience the greatest volatility over the next six months (previous survey: 39 percent).

- Thirty one percent responded that the Real Estate and Rental/Leasing industry would experience the most volatility during the next six months (previous survey: 49 percent).

- Thirty one percent believe the Retail Trade industry would experience the most volatility over the next six months (previous survey: 41 percent).

- Thirty one percent of respondents chose the Healthcare and Social Assistance industry to experience the greatest volatility (previous survey: 24 percent).

- Seventeen percent of respondents believe the Public Administration industry will experience significant volatility in the next six months (previous survey: 20 percent).

- Seventeen percent of lenders chose the Educational Services industry to experience the greatest volatility (previous survey: 7 percent).

- Sixteen percent of lenders believe the Transportation and Warehousing industry to experience the greatest volatility (previous survey: 0 percent).

- Fourteen percent of lenders believe the Manufacturing industry to experience the greatest volatility (previous survey: 15 percent).

- The balance of the industry choices registered ten percent or less from the respondents.

8. Customers' Plans in the Next Six to Twelve Months

Respondents were asked which of the following actions their customers planned in the next six months. Lenders were asked to designate all potential customer actions that applied.

- Fifty percent of lenders believe their customers will be making new capital investments (previous survey: 39 percent).

- Thirty eight percent of respondents indicated their customers plan on hiring new employees in the next six months (previous survey: 22 percent).

- Thirty six percent of lenders indicated their customers are planning on making an acquisition in the next six months (previous survey: 29 percent).

- Thirty nine percent of lenders believe their customers are planning on introducing new products or services (previous survey: 32 percent).

- Twenty eight percent responded their customers are planning on entering new markets in the near term (previous survey: 20 percent).

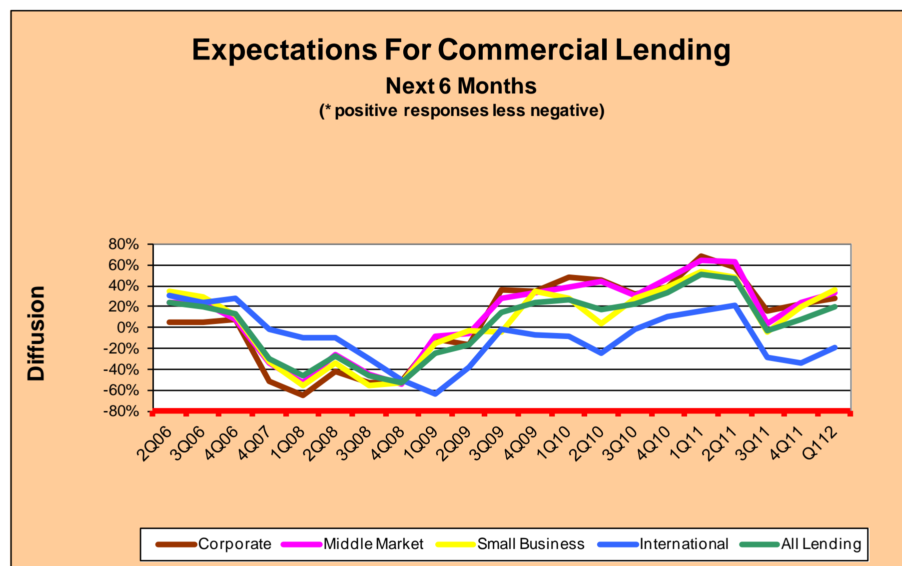
- Twenty two percent indicated their customers are planning on raising additional capital in the near term (previous survey: 27 percent).

- Five percent of lenders believe their customers are planning "Other" initiatives in the next six months (previous survey: 12 percent).

9. Economic Indicators

Respondents were asked whether they expected the following economic indicators to be up, down, or remain the same over the next six months.

- Overall sentiment regarding lending economic indicators experienced continued improvement versus the previous quarter. Thirty four percent of the respondents believe the lending environment is improving compared to only twenty seven percent of respondents from the previous quarter. The overall lending diffusion index for all lending categories was higher by twelve percentage points in comparison to the previous quarter. The diffusion index for all types of domestic lending categories were higher versus the previous quarter. Although international lending expectations remained negative, it did yield an improvement over the previous quarter.



	1Q/2012			4Q/2011		
	Up	Down	Same	Up	Down	Same
Corporate Lending	35%	7%	58%	32%	10%	58%
Middle Market Lending	42%	9%	49%	32%	7%	61%
Small Business Lending	43%	7%	50%	37%	17%	46%
International Lending	16%	35%	49%	10%	44%	46%

- Expectations for near term loan losses, bankruptcies and unemployment yielded negative sentiment in Q1 2012 in comparison to the previous survey. Concerns regarding unemployment continue to resonate as fifty two percent of lenders believe unemployment will worsen versus twenty seven percent in the previous quarter. Similar to last quarter, an overwhelming percentage of respondents believe interest rates will remain the same.

	1Q/2012			4Q/2011		
	Up	Down	Same	Up	Down	Same
Loan Losses	12%	31%	57%	19%	27%	54%
Bankruptcies	14%	29%	57%	27%	32%	41%
Interest Rates	10%	2%	88%	2%	0%	98%
Unemployment	7%	52%	41%	7%	27%	66%

10. U.S. Economy Grade – Next Six Months

Respondents were asked how they expected the U.S. economy to perform during the next six months on a grading scale of A through F.

- Respondents showed signals of a more favorable outlook on the near term performance of the U.S. economy versus sentiment in the previous quarter. In the current quarter, ninety one percent of respondents believe the economy will perform at a "C" level or better, which is twenty percentage points higher than the previous quarter. The percentage of lenders who believe the economy will languish at a "D" level or worse declined by twenty percentage points from the previous survey (9 percent in Q1 2012 versus 29 percent in Q4 2011).

Grade	1Q/2012	4Q/2011
A	0%	0%
B	17%	5%
C	74%	66%
D	9%	29%
F	0%	0%
Weighted Average Grade	2.09	1.76

11. U.S. Economy Grade – Beyond the Next Six Months

Respondents were asked how they expected the U.S. economy to perform beyond the next six months ("out" six months) on a grading scale of A through F.

- Lenders expectations for the U.S. economy's performance in the "out six months" period also did not experience signs of improvement versus the previous quarter as the weighted average grade was nearly unchanged. Thirty six percent of lenders

believe the economy will perform at a "B" level or higher compared to only twenty one percent in the previous survey.

Grade	1Q/2012	4Q/2011
A	2%	0%
B	34%	34%
C	48%	54%
D	14%	12%
F	2%	0%
Weighted Average	2.21	2.22

12. Customers' Future Growth Expectations

Lenders assessed their customers' growth expectations for the next six months to a year.

- The percentage of respondents indicating their customers have "moderate" growth expectations for the next six months to one year increased by seven percentage points from seventy six percent in the previous survey to eighty three percent in Q1 2012. Lenders expectations for their customers to experience "no growth" declined dramatically to eight percent versus twenty two percent in the previous quarter.

Indication	1Q/2012	4Q/2011
Very Strong	0%	2%
Strong	9%	0%
Moderate	83%	76%
No Growth	8%	22%

13. Loan Structure

Respondents were asked whether their financial institutions planned to tighten, relax, or maintain their loan structures (collateral requirements, guarantees, advance rates, loan covenants, etc.) in each of four different-sized loan categories.

- According to the survey results, seventy eight percent of lenders anticipate maintaining their loan structures in the near term, unchanged versus the previous quarter. Lenders who believe that loan structures would tighten in the near term were at ten percent in the current quarter as well as the prior quarter. Twelve percent of lenders expect to relax their loan structures.

	1Q/2012			4Q/2011		
	Tighten	Maintain	Relax	Tighten	Maintain	Relax
Loans> $25 million	12%	77%	11%	14%	67%	19%
$15 – 25 million	9%	81%	10%	11%	81%	8%
$5-15 million	7%	83%	10%	8%	86%	6%
Under $5 million	13%	69%	18%	8%	79%	13%
Overall Average	10%	78%	12%	10%	78%	12%

14. Interest Rate Spread

Lenders were asked whether their financial institutions planned to reduce, maintain or increase their interest rate spreads and fee structures on similar credit quality loans.

- A majority of respondents (seventy two percent) plan to maintain their current interest rate spreads and fee structures on all sizes of loans – higher by four percentage points from the previous quarter. Twenty percent of lenders agreed that they intend on reducing their spreads in the near term; a four percentage point increase compared to the previous quarter. Lenders who anticipate increasing their interest rate spreads declined to eight percent, lower by half from the previous quarter.

	1Q/2012			4Q/2011		
	Reduce	Maintain	Increase	Reduce	Maintain	Increase
Loans> $25 million	29%	65%	6%	22%	64%	14%
$15 – 25 million	23%	73%	4%	16%	68%	16%
$5-15 million	14%	76%	10%	13%	68%	18%
Under $5 million	13%	75%	13%	14%	70%	16%
Overall Average	20%	72%	8%	16%	68%	16%

15. The Fed and Interest Rates

Respondents were asked in what direction the Fed would move interest rates and by how much in the coming six months.

- Consistent with the previous survey, a significant majority of lenders, ninety one percent, believe that the Fed will not change during the next six months, an expectation that is higher by three percentage points compared to the previous quarter. Seven percent of lenders believe interest rates will increase in the coming six months, which is the same expectation from last quarter. Only three percent of

lenders believe that the Fed will decrease interest rates in the near term versus five percent during last quarter's survey.

Bps Change	1Q/2012	4Q/2011
-More than 1.0	0%	2%
-1.0	0%	0%
-.75	0%	0%
-.50	0%	0%
-.25	3%	3%
0	91%	88%
+.25	7%	7%
+.50	2%	0%
+.75	0%	0%
+1.0	0%	0%
More than 1.0	0%	0%
Weighted Average	+ 0.03 basis points	- 0.02 basis points

16. Current Competition

Respondents were asked to identify the segment of the industry from which they were experiencing the most competition.

- Regional banks served as the primary source of competition at fifty one percent versus fifty six percent in the previous quarter. Local Commercial/Community Banks, at seventeen percent each, served as the second highest source of competition followed by Money Center Banks at twelve percent. The final three percent of respondents indicated they were from "Other" segments of the industry.

	1Q/2012	4Q/2011
Money Center Banks	12%	15%
Local Commercial/ Community Banks	17%	22%
Factors	0%	2%
Regional Banks	51%	56%
Commercial Finance Organizations	17%	2%
Other	3%	3%