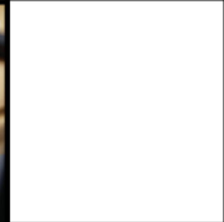
Phoenix Management Services "Lending Climate in America" Survey



1st Quarter 2014
Summary, Trends and Implications

PHOENIX
"LENDING CLIMATE IN AMERICA"

1st Quarter 2014

SUMMARY, TRENDS AND IMPLICATIONS

1. **The U.S. Office of the Comptroller of the Currency surveyed 86 banks with assets of $3 billion or more regarding limits on lending. The recently released report concludes that banks have relaxed the criteria for businesses and consumers to obtain credit during the 18 months leading up to June 30, 2013. How do you see the increasing risk appetite of banks affecting the economy in 2014?**

   Exactly half of the lenders survey responded that they believe the low interest rate environment and improved economic conditions could result in similar underwriting standards that led to the financial crisis. Additionally, another twenty-five percent of lenders believe the increasing risk appetite of banks could result in strong 2014 GDP numbers, in the 2.8 – 3.2% range. Approximately fourteen percent of the lenders surveyed believe the increasing risk appetite of commercial banks will have the biggest impact on small business through an increase in lending. Small businesses have largely been overlooked since the economic downturn due to a lack of credit worthiness. The remainder of lenders wrote in their responses and included some of the following thoughts:

   "Continued pressure from the OCC offsets any loosening of credit."

   "Growth is minimal at best, ease of credit standards have not had much impact."

   "Credit is available, and environment remains competitive. Same as 2013."

2. **The financial crisis required consumers to de-lever from a Mortgage, Credit Card and Auto Loan perspective; however Student Loans have continued to skyrocket. At 11.5%, Student Loans now have the highest over 90 days delinquency/default rate of the four consumer debt categories. What will be the ultimate outcome of the burgeoning $1.1 trillion Student Loan tab?**

   Lenders had mixed feelings about the growing Student Loan tab. The highest percentage of lenders, at thirty-nine percent, believe the delinquency/default rates will continue to increase as time goes on, eventually causing a crash similar to the real estate industry in 2008. On the other hand, twenty-three percent of lenders believe the Student Loan tab will have a minimal impact on the economy but 'For-Profit Institutions' will struggle financially with higher defaults. Fourteen percent of lenders believe the politicians in Washington will devote more attention to the matter curbing tuition costs for all educational institutions. Five percent of lenders believe the high student debt is a result of unqualified workers going back to school to become more qualified for the available positions and will have a positive impact on growth. The remaining twenty-one percent of respondents wrote in their own responses, which include some of the following responses:

   "Another fed bailout as the loan burden is too great."

   "The student loan "bubble" should ease a bit as the economy improves."

   "There will ultimately be a forgiveness of most student loans."

3. **There is a lot of optimism surrounding the U.S. economy going into 2014, with economists predicting GDP gains of 2.5% - 4.0%. What headline risk do you think could potentially derail the positive economic momentum of the U.S. during 2014?**

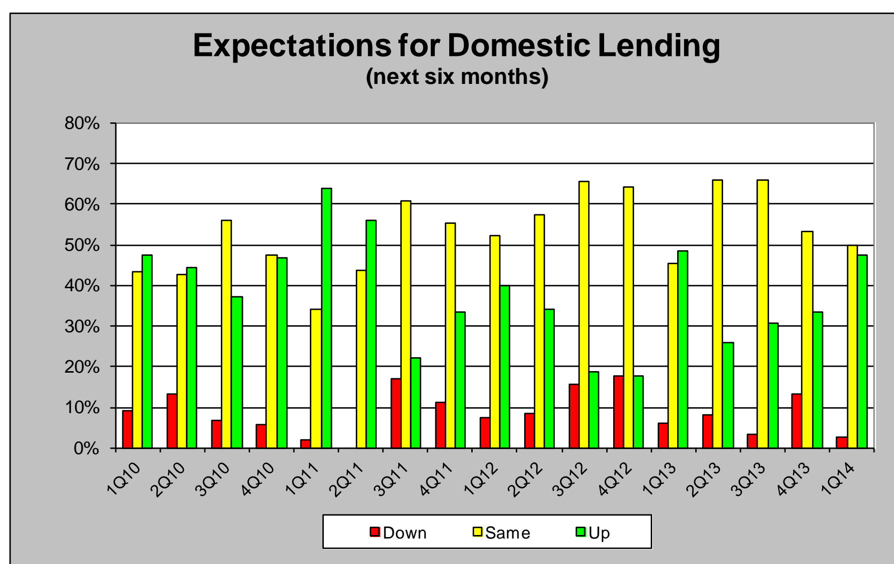
The majority of lenders surveyed believe there are two main areas that have the potential to derail the economic momentum the U.S. has carried into 2014. The highest percentage response, at forty-six percent of the total responses, was the U.S. entering an unexpected international conflict (i.e. Russia, Syria, Ukraine) that negatively impacts economic growth. Obviously the lenders were impacted by the continued conflict in Syria and the most recent spat between Ukraine and Russia. The second highest response lenders chose, at thirty-two percent, was the potential negative impacts associated with the Affordable Care Act. Garnering seven percent and five percent, respectively, lenders believe real estate price declines and unemployment rate increases could negatively impact economic growth. The remainder of the respondents wrote in headline impacts such as:

"Unknowns of healthcare, increased taxes, and increased regulation"

"The U.S. needs to get more people working to see that range of increase to GDP"

4. **Lenders expect domestic lending to increase over the next six months.**

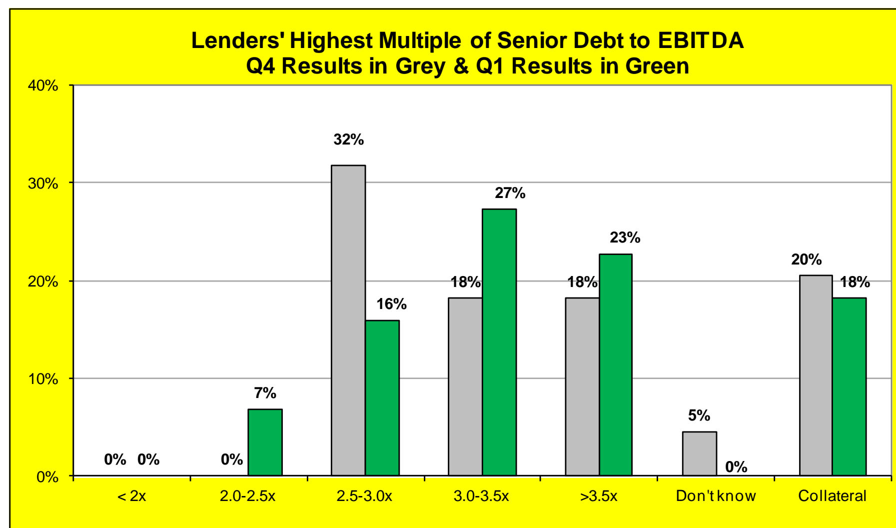
This quarter's diffusion index, which measures lenders sentiment towards U.S. commercial lending, showed a dramatic increase compared to last quarter. The diffusion index increased to forty-five percent this quarter from twenty percent in 4Q 2013. The increase in sentiment by the lenders is an indication that banks are encouraged by the economic environment. This quarters diffusion index is the highest since 2Q 2011. There was a fourteen percentage point increase in the number of respondents who expected domestic lending to increase while only three percent of the lenders surveyed expected it to decrease. Fifty percent of lenders believe that domestic lending will remain the same over the next six months.



5. **Leverage multiples are expected to increase versus the prior quarter.**

Multiples have changed dramatically in 1Q 2014, with the highest percentage of lenders, at twenty-seven percent, now indicating that the highest senior debt to EBITDA ratio their institution would consider is in the 3.0-3.5x range versus only eighteen percent in 4Q 2013. Twenty-three percent of surveyed lenders indicated that the highest debt to EBITDA ratio they would consider is greater than 3.5x, which is five percentage points higher than the prior quarter. Eighteen percent

of lenders indicated that collateral supersedes senior debt to EBITDA ratio when considering a loan request, a decrease of two percentage points from the last quarter. The largest decrease in respondents was in the 2.5-3.0x range, which was sixteen percent for 1Q 2014, a fifty percent decrease from last quarter's reading of thirty-two percent. However, seven percent of respondents stated their institutions highest multiple is in the 2.0-2.5x range, which garnered zero percent the prior quarter. In total it appears that these results are consistent with lenders' expectations for an increase to domestic lending in the prior question.



6. **Senior debt to EBITDA leverage ratios are expected to remain stable over the next six months.**

The highest number, forty-eight percent of respondents, believe their institution will experience no change in leverage ratios over the next six months compared to sixty-one percent that shared the same sentiment last quarter. Eighteen percent of respondents indicated they were collateral lenders and did not specifically focus on senior debt to EBITDA multiples (up two percentage points from the previous survey). Seven percent of lenders believe there will be an increase of less than 0.5x the same as the prior quarter. Five percent believe they will increase leverage ratios greater than 0.5x compared to zero percent in the previous quarter. The diffusion index of increases versus decreases to leverage ratios is a positive six percent versus four percent in the last survey.

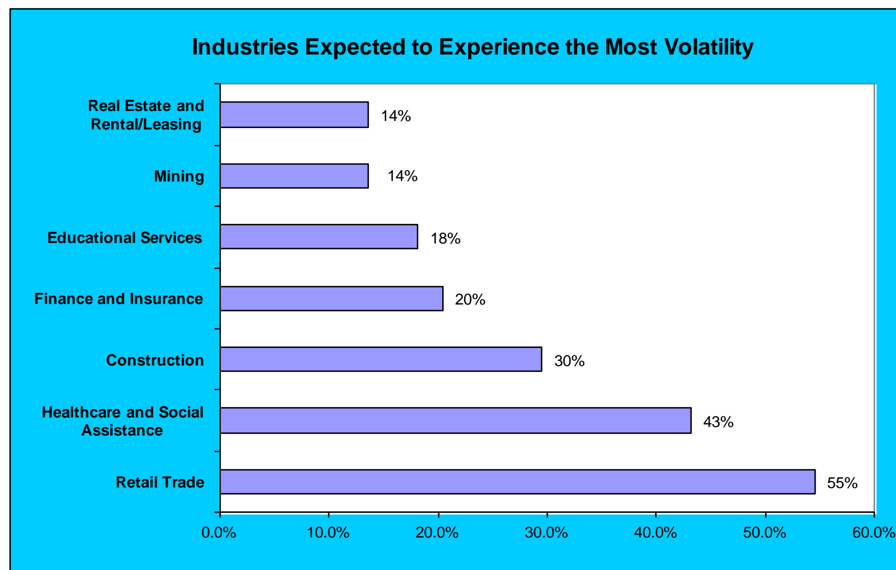
7. **Lenders are less concerned with the U.S. budget deficit as a risk factor facing the economy.**

When asked to choose two factors that could have the strongest potential to negatively affect the economy in the next six months, fifty percent chose a sluggish housing market compared to thirty-four percent in the previous quarter. This is a bump up from the previous quarter when a sluggish housing market was second amongst responses. The U.S. budget deficit moved down to third amongst responses with thirty percent of responses. This is a steep drop from the previous quarter of sixty-four percent. Stability in the stock market attained thirty-two percent of responses; up versus last quarter's twenty-three percent. Twenty-five percent of lenders cited unstable energy prices as a concern for possible headwinds up substantially from the prior quarter's seven percent reading. Constrained liquidity in capital markets rounded out the remaining risk factors with seven percent of total responses.

8. **Lenders continue to believe volatility lies ahead for Retail and Healthcare Sectors**.

When asked to identify three industries that will experience the most volatility in the next six months, fifty-five percent of lenders agree that Retail Trade will experience the greatest volatility,

an increase of one percentage point from the prior quarter's survey. Healthcare followed next garnering forty-three percent of those polled, an increase of nine percentage points versus the prior quarter. The Construction industry garnered twenty-nine percent of votes, a modest drop from the thirty-two percent reading in the prior quarter. Finance and Insurance followed with twenty-one percent, a decline from the prior period of six percentage points. Educational Services received eighteen percent. The Mining industry and Real Estate and Rental/Leasing each received approximately fourteen percent of the lenders response.

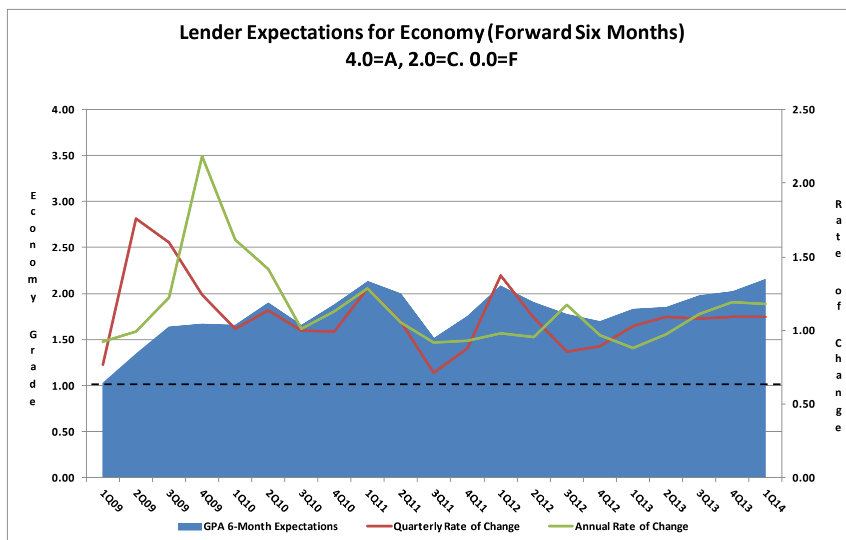


9. Borrowers maintain plans for new capital investment and acquisitions for future growth.

Making new capital investments ranked highest amongst responses, at forty-three percent of the lenders surveyed. Forty-one percent (up two percentage points from last quarter) of respondents expect borrowers to start making acquisitions. Introducing new products or services was the third highest response, garnering thirty-six percent of the responses. Additionally, thirty-four percent of lenders believe their borrowers will start raising additional capital, an eight percentage point increase over the prior quarter. Thirty-two and twenty-five percent of lenders expect their borrowers to be hiring new employees and entering new markets, respectively.

10. Near term economic performance expectations improve in this quarter's survey.

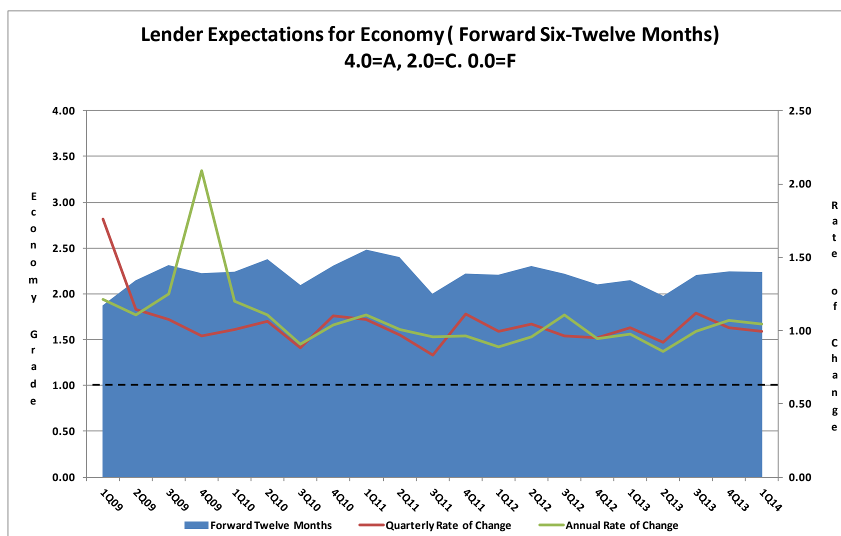
Economic growth sentiment remained at an overall "C" grade this quarter; however the indexes GPA increased to 2.16 from 2.02, an increase of fourteen basis points from the 4Q 2013 results. The vast majority of lenders (eighty-one percent) believe the economy will perform at a "C" level or lower over the next six months, compared to eighty-eight percent in the previous survey. Conversely, nineteen percent of lenders surveyed believe the economy will perform at a "B" grade or better, compared to twelve percent in the previous survey. The trend toward a better grade for the economy continued as more respondents switched this quarter in favor of a "B" grade or better. This was only the second survey in the past two years in which a higher percentage of lenders believed the economy would perform in the "A" or "B" grade level versus a "D" level over the next six months.



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

11. Lenders long term prospects for the U.S. economy remain stable.

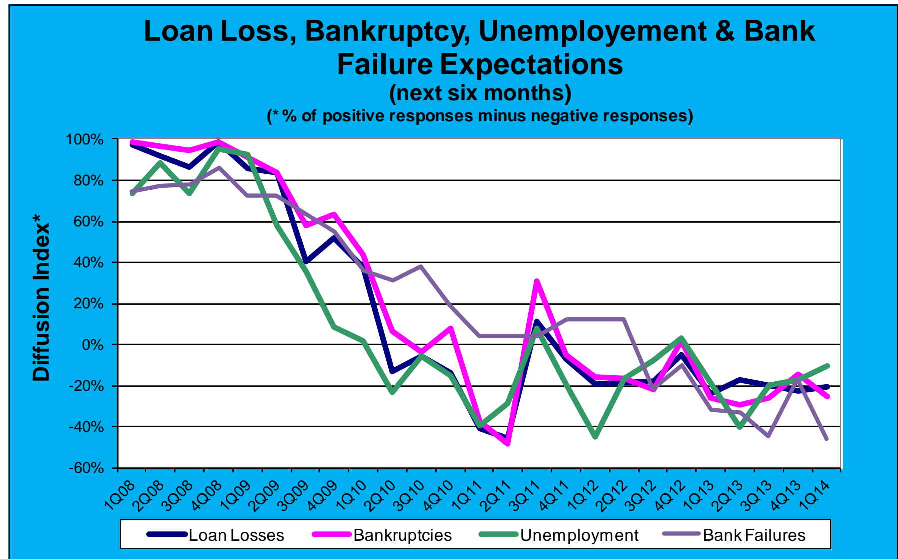
Lenders growth expectations for the U.S. economy beyond six months remained stable relative to the previous survey, yielding a "C" grade at 2.24. Twenty-nine percent of lenders believe the economy will perform at a "B" level in the next six to twelve months, which is five percentage points lower than the previous quarter. Sixty-six percent of lenders believe the economy will perform at a "C" level in the next six to twelve month period, compared to fifty-six percent in the previous quarter. Following a reading below 2.0 in 2Q 2013 (which was the lowest reading since winter 2009) it is encouraging to see lenders remain optimistic on the long term prospects for the U.S. economy.



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

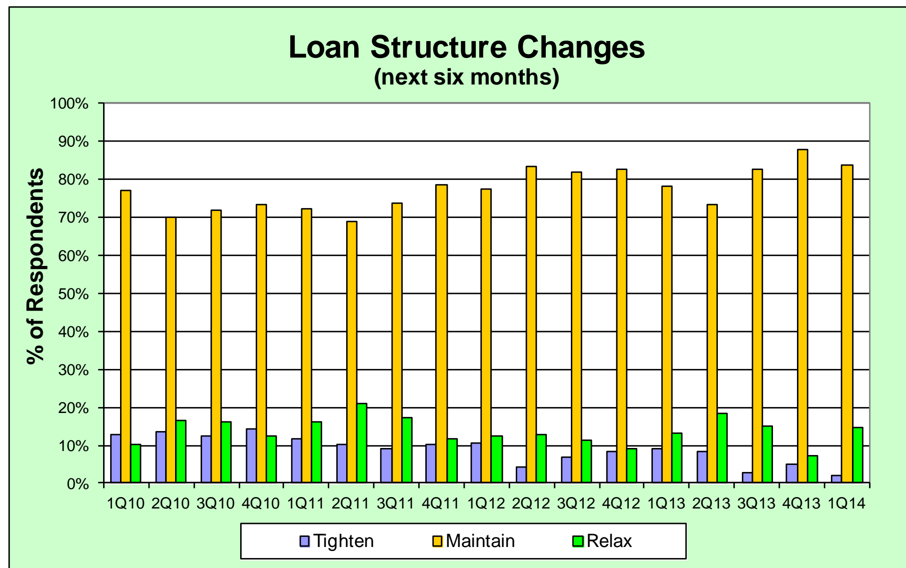
12. Lenders continue to have very low expectations for increasing Loan Losses, Bankruptcies, Unemployment, and Bank Failures over the next six months.

All four of these categories have negative diffusion indexes of twenty-one, twenty-six, ten, and forty-six percentage points, respectively. The negative diffusion indexes in these categories show lenders continue to believe there will be limited negative news in terms of these four categories, as all categories at near all time lows for the survey.



13. **The lowest percent of lenders ever recorded expect to tighten loan structures over the next six months.**

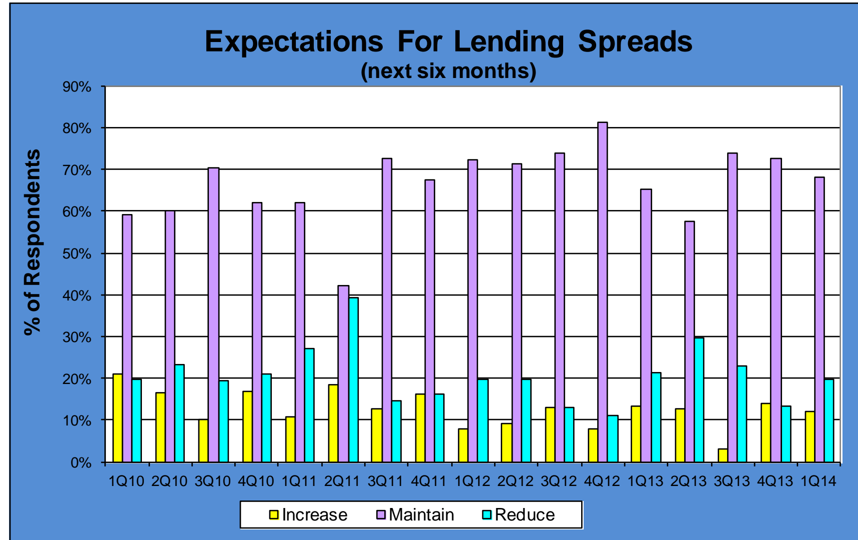
The percentage of respondents planning to maintain their current loan structures decreased by four percentage points to eighty-four percent compared to 4Q 2013 of eighty-eight percent. Lenders who expect to tighten their loan structures decreased by three percentage points compared with the prior quarter of five percent of those surveyed. Fifteen percent of lenders anticipate relaxing their client's loan structures an increase of eight percentage points versus the prior quarter. It would appear as though lenders are forgoing structure in order to garner new business.



14. **Lenders look to reduce lending spreads.**

Sixty-eight percent of respondents (versus seventy-three percent in the previous quarter) anticipate maintaining lending spreads at their current levels. Twelve percent of lenders anticipate increasing their credit spreads in the next six months, down two percentage points from the previous quarter but up significantly from the depths of 3Q 2013. The percentage of lenders expecting to reduce

their current credit spreads increased seven percentage points, representing twenty percent of total responses this quarter.



Phoenix Management Services
"Lending Climate in America"
1st Quarter 2014

Survey Results

1. Lenders Believe Loosening Credit Standards could Result in Lax Underwriting Standards Similar to the Financial Crisis in 2008.

Recent reports conclude that banks have relaxed the criteria for businesses and consumers to obtain credit during the 18 months leading up to June 30, 2013.

Lenders were asked: How do you see the increasing risk appetite of banks affecting the economy in 2014?

- Fifty percent believe the loosening of credit coupled with an improved economic outlook, a limited number of loans and a sustained low interest rate environment has banks reaching for returns and may result in more lax underwriting standards that led to the financial crisis.

- Twenty-five percent think the competitive environment and banks having excess liquidity on their balance sheets, have led to the loosening of credit which will help fuel the optimistic growth projections in the U.S. of 2.8%-3.2% in 2014.

- Fourteen percent of the respondents believe the easing of credit standards will have the largest impact on small businesses which banks have been more hesitant to lend to since the financial crisis.

- Nine percent of the lenders wrote in their own response to the question.

2. Lenders were Mixed on the Macro-economic Impact of the Burgeoning U.S. Student Loan Tab.

The financial crisis required consumers to de-lever from a Mortgage, Credit Card and Auto Loan perspective; however Student Loans have continued to skyrocket. At 11.5%, Student Loans now have the highest over 90 days delinquency/default rate of the four consumer debt categories.

Lenders were asked: What will be the ultimate outcome of the burgeoning $1.1 trillion Student Loan tab?

- Thirty-nine percent believe the Student Loan tab will result in increasing delinquency/default rates with a similar result to the real estate crash of 2008.

- Thirty-two percent think Student Loans will have a minimal impact on the economy, however 'For-Profit Institutions' will struggle financially as delinquencies increase.

- Fourteen percent of lenders think Washington will devote more policy attention to Student Loans which will curb increasing tuition costs.

- Fourteen percent of lenders wrote in their own response to the question.

- Five percent of the lenders believe the increased Student Loan tab is a result of unqualified workers going back to school and will eventually better match candidates with job openings.

3. Lenders are Wary about Geopolitical Events and Impacts of the Affordable Care Act.

There is a lot of optimism surrounding the U.S. economy going into 2014, with economists predicting GDP gains of 2.5% - 4.0%.

Lenders were asked: What headline risk do you think could potentially derail the positive economic momentum of the U.S. during 2014?

- Forty-six percent believe an unexpected international conflict (i.e. Russia, Ukraine, Syria) will arise which negatively impacts global growth.

- Thirty-two percent believe the unknowns associated with the Affordable Care Act will cause job losses and negatively impact economic growth.

- Seven percent think Real Estate prices will decline as interest rates increase.

- Five percent wrote in their own 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.

- Twenty-seven percent believed their institution would consider a loan request with a Senior Debt to EBITDA multiple as high as the 3.01x – 3.50x range (previous survey: 18 percent).

- Twenty-three percent of lenders opined their financial institution would consider a loan request with leverage multiples of greater than 3.5x (previous survey: 18 percent).

- Eighteen percent of respondents replied they are collateral lenders and, therefore, do not make credit decisions based on cash flow/leverage multiples (previous survey: 20 percent).

- Sixteen percent indicated their institution would consider a loan request with leverage multiples as high as the 2.51x – 3.00x range (previous survey: 32 percent).

- Seven percent of lenders believed their institution would consider a loan request with a Senior Debt to EBITDA multiple as high as 2.01x – 2.50x range (previous survey: 0 percent).

- Zero percent of lenders either "did not know" or did not respond with regard to how their institution's senior leverage ratio would change (previous survey: 5 percent).

- Zero 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: 0 percent).

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.

- Forty-eight percent indicated that the Senior Debt to EBITDA multiple will not change at their financial institution over the next six months (previous survey: 61 percent).

- Eighteen percent of respondents replied they are collateral lenders and, therefore, do not make credit decisions based on cash flow/leverage multiples (previous survey: 16 percent).

- Twelve percent of lenders responded “Do Not Know” regarding how senior leverage ratios would change at their financial institution in the next six months (previous survey: 7 percent).

- Seven percent of lenders believe that the leverage multiple will increase less than 0.5x during the next six months (previous survey: 7 percent).

- Five percent conclude that the leverage multiple will increase greater than 0.5x during the next six months (previous survey: 0 percent).

- Two percent conclude that the leverage multiple will decrease less than 0.5x during the next six months (previous survey: 2 percent).

- Two percent believe that the leverage multiple will decrease greater than 0.5x during the next six months (previous survey: 0 percent).

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.

- Fifty percent designated the sluggish housing market as the factor with the strongest potential to affect the near-term economy (previous survey: 37 percent).

- Thirty-two percent opined that the stability of the stock market has the strongest potential to affect the economy during the next six months (previous survey: 27 percent).

- Thirty 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: 68 percent).

- Twenty-seven percent chose “other” factors as having the strongest potential to affect the economy during the next six months (previous survey: 37 percent).

- Twenty-five percent concluded that unstable energy prices have the strongest potential to affect the economy during the next six months (previous survey: 7 percent).

- Seven percent indicated constrained liquidity in the capital markets as the factor with the strongest potential to affect the near-term economy (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-five percent believe the Retail Trade industry will experience the most volatility over the next six months (previous survey: 55 percent).

- Forty-three percent of respondents chose the Healthcare and Social Assistance industry to experience the greatest volatility (previous survey: 38 percent).

- Thirty percent designated the Construction industry as the industry expected to have the greatest volatility in the near term (previous survey: 35 percent).

- Twenty-one percent of respondents believe the Finance and Insurance industry will experience the greatest volatility over the next six months (previous survey: 30 percent).

- Eighteen percent of survey takers are of the opinion Educational Services will experience significant volatility in the short term (previous survey: 13 percent).

- Fourteen percent of respondents believe the Mining industry will experience significant volatility in the next six months (previous survey: 18 percent).

- Fourteen percent responded that the Real Estate and Rental/Leasing industry would experience the most volatility during the next six months (previous survey: 15 percent).

- Eleven percent of lenders feel that the Manufacturing industry will face increasing volatility in the near term (previous survey: 9 percent).

- Eleven percent of lenders believe the Manufacturing industry to experience the greatest volatility (previous survey: 10 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.

- Forty-three percent of lenders believe their customers will be making new capital investments (previous survey: 54 percent).

- Thirty-nine percent of lenders indicated their customers are planning on making an acquisition in the next six months (previous survey: 48 percent).

- Twenty-seven percent indicated their customers are planning on raising additional capital in the near term (previous survey: 34 percent).

- Twenty-seven percent of respondents indicated their customers plan on hiring new employees in the next six months (previous survey: 34 percent).

- Twenty percent responded their customers are planning on entering new markets in the near term (previous survey: 26 percent).

- Nine percent of lenders believe their customers are planning on introducing new products or services (previous survey: 11 percent).

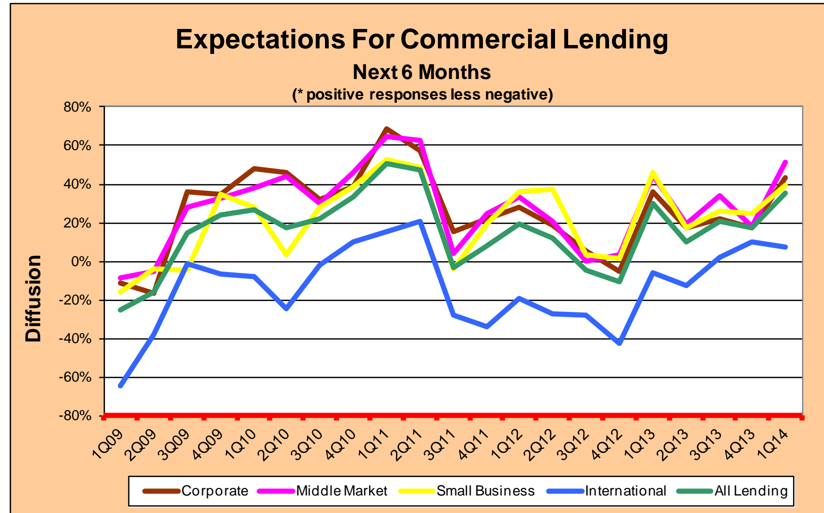
- Five percent of lenders believe their customers are planning "other" initiatives in the next six months (previous survey: 6 percent).

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.

- Expectations improved dramatically in 1Q 2014, as lenders expect increases in every category of lending besides international; which includes corporate, middle market, and small business. Forty-two percent of respondents view the entire lending universe as improving compared to thirty-one percent of respondents in the previous quarter. The overall lending diffusion index

increased to thirty-six percent from eighteen percent in the prior quarter's survey. The domestic lending diffusion index was improved as well this quarter, increasing twenty-five percentage points. The diffusion index for international lending had a minor pull back in its diffusion index to eight percent from last quarter's ten percent.



	1Q/2014			4Q/2013		
	Up	Down	Same	Up	Down	Same
Corporate Lending	46%	3%	51%	29%	12%	59%
Middle Market Lending	51%	0%	49%	31%	13%	56%
Small Business Lending	45%	5%	50%	40%	15%	45%
International Lending	26%	18%	56%	26%	15%	59%

- Lenders continued to expect bankruptcies to remain at historically low levels over the next six months with ninety-two percent of lenders believing the metric will remain the same or go down. It appears as though lenders believe interest rates will go up at some point in the near future as our survey showed a diffusion index of thirty-one percent versus twenty percent in the prior quarter.

	1Q/2014			4Q/2013		
	Up	Down	Same	Up	Down	Same
Loan Losses	8%	28%	64%	5%	28%	68%
Bankruptcies	8%	33%	59%	7%	22%	71%
Interest Rates	31%	0%	69%	22%	2%	76%
Unemployment	10%	21%	69%	12%	29%	59%
Bank Failures	0%	46%	54%	5%	22%	73%

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.

- Lenders were more optimistic on the U.S. economy this quarter, bumping its GPA up fourteen basis points to 2.16. In the current quarter, seventy-six percent of respondents believe the economy will perform at a "C" level, which represents a decrease of two percentage points from the previous quarter. The grade-point average remained at the "C" level even though

there was a large shift in lenders attitude towards the economy, which manifested itself in more "A" and "B" level responses relative to last quarter.

Grade	1Q/2014	4Q/2013
A	3%	0%
B	16%	12%
C	76%	78%
D	5%	10%
F	0%	0%
Weighted Average Grade	2.16	2.02

11. US Economy Grade – Beyond the Next Six Months

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

- Lenders expectations for the US economy's performance in the longer term remained stagnant relative to the prior quarter. The weighted average GPA was the exact same at 2.24, which is a "C' grade. Sixty-six percent of lenders feel as though the economy will perform at a "C" level beyond the next six months (compared to fifty-six percent last quarter). Lenders who believe the economy will perform at a "B" over the next twelve months decreased to twenty-nine percent from thirty-four percent. The reaming five percent of lenders believe over the next six to twelve months the economy will perform at a "D" grade.

Grade	1Q/2014	4Q/2013
A	0%	0%
B	29%	34%
C	66%	56%
D	5%	10%
F	0%	0%
Weighted Average	2.24	2.24

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 decreased by four percentage points compared to 4Q 2013. With a shift towards optimism, thirteen percent of lenders now ascribe "strong growth" for their borrower's growth in the next six months. Likewise, there was a decrease seen in lenders favoring "no growth" which decreased ten percentage points to eight percent. This is a positive signal from lenders on the U.S. economy.

Indication	1Q/2014	4Q/2013
Very Strong	0%	0%
Strong	13%	0%
Moderate	79%	83%
No Growth	8%	18%

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.

- Many lenders are content right now and plan to maintain their current loan structure. However, there was a sharp increase in the percentage of lenders indicating they are looking to relax loan structures in the near future. This indicates it will remain a borrower's market, at least for the near future.

	1Q/2014			4Q/2013		
	Tighten	Maintain	Relax	Tighten	Maintain	Relax
Loans> $25 million	0%	77%	23%	11%	86%	3%
$15 – 25 million	0%	86%	14%	6%	88%	6%
$5-15 million	3%	89%	8%	0%	94%	6%
Under $5 million	5%	82%	13%	3%	83%	14%
Overall Average	2%	84%	15%	5%	88%	7%

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.

- It appears as though when coming to pricing, lenders have bifurcated the market based on the size of the loan. Lenders indicated on larger loans ($15 million +) they expect to reduce the spread as both categories carry negative diffusion indexes. On the other hand, smaller loans ($15 million and below) carry flat and positive diffusion indexes, respectively.

	1Q/2014			4Q/2013		
	Reduce	Maintain	Increase	Reduce	Maintain	Increase
Loans> $25 million	34%	60%	6%	14%	80%	6%
$15 – 25 million	22%	72%	6%	18%	70%	12%
$5-15 million	14%	73%	14%	9%	76%	15%
Under $5 million	9%	68%	24%	12%	65%	24%
Overall Average	20%	68%	12%	13%	73%	14%

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.

There is more certainty of the Feds monetary policy with the recent announcement of tapering of QE by $10b a month, many lenders are now expecting rates to slowly increase over the next six months. As Janet Yellen (the Fed Chairman) is now fully at the helm, it will be interesting to see if lenders expectations for interest rates change in future surveys.

Bps Change	1Q/2014	4Q/2013

-More than 1.0	0%	0%
-1.0	0%	0%
-.75	0%	0%
-.50	0%	0%
-.25	0%	0%
0	68%	66%
+.25	24%	14%
+.50	5%	5%
+.75	3%	0%
+1.0	0%	2%
More than 1.0	0%	0%
Weighted Average	0.11 basis points	0.09 basis points

16. Current Competition

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

- Money center banks and regional banks and local commercial banks saw a decline in the number of responses. However it is still noteworthy that the top two (Regional banks and local commercial / community banks) still register roughly seventy percent of responses.

	1Q/2014	4Q/2013
Money Center Banks	8%	11%
Local Commercial/ Community Banks	21%	23%
Factors	0%	0%
Regional Banks	58%	48%
Commercial Finance Organizations	8%	5%
Other	5%	2%