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Notes on the Character of the Data

THIS study was originated to utilize the large amount of data on consumer instalment financing agencies prepared by the Income Tax Study[1] and the unpublished data on bank operations in the files of the Federal Deposit Insurance Corporation, but it also makes use of a variety of other data, heterogeneous in character. The combined samples are believed to be sufficiently comprehensive and representative, and the data sufficiently uniform and accurate, to permit valid generalizations on the questions examined.

COMPOSITION AND REPRESENTATIVENESS OF THE SAMPLES

In general, the study is based chiefly on the following data: for sales finance and personal finance companies, the income tax and National Credit Office samples; for industrial banking companies, the income tax sample and FDIC figures on all insured industrial banks; for credit unions, figures on federal credit unions reported to the United States Farm Credit Administration; and for commercial banks, data on all national banks for historical material, and data on either all insured commercial banks or all insured commercial banks not members of the Federal Reserve System for developments of recent years.

The derivation of the data was such that no problems arose with respect to classification, except in the income tax sample. Very few of the companies were exclusively engaged, however, in the activities considered characteristic of their type. Some personal finance companies in the National Credit Office samples bordered, either directly or through subsidiaries, on industrial banks, and, similarly, some of the sales finance companies made small loans. Insured industrial banks were increasingly engaged in commercial banking to the extent permitted by statutory limitations; and, conversely, a large portion of the business of some commercial banks bordered on industrial lending.[2]

[1] The income tax tabulations, comprising tables of aggregates and frequency distributions, totaling 344 typewritten pages, are on file in the U. S. Department of the Treasury, Bureau of Internal Revenue, as the *Base Book* covering Proposal No. 22, Income Tax Study.

[2] In its publications the FDIC usually includes among commercial banks the banks designated in this study as industrial banks. Where a distinction is made, it is based on legal status, affiliations and operating characteristics. The institutions designated as industrial banks are: banks operating under state codes of law specifically appli-

The 612 companies included in the income tax sample—229 sales finance companies, 179 personal finance companies, 112 investment type industrial banks, and 92 non-investment type industrial banking companies—were selected on the basis of positive identification, and consist of reasonably homogeneous groups representative of the types described.[3] In a great many cases, where the taxpayer failed to designate the character of the business in detail, it was necessary to classify on the basis of supplementary data.

Often the editing of the balance sheet in the income tax form provided positive identification, such as the existence of hypothecated deposits or of pledged investment certificates in the case of industrial banking companies, or the existence of substantial dealers' reserves in the case of sales finance companies.

Other useful, though not conclusive, evidence consisted of lists of companies existing during the period of the income tax data: for sales finance companies, membership lists of the American Finance Conference and of the National Association of Sales Finance Companies;[4] for personal finance companies, lists in reports of state supervisors, and the *Roster of Personal Finance Companies*, which includes all small loan licensees, most of whom are members either of the American Association of Personal Finance Companies[5] or of the various state associations; and for industrial banking companies, membership lists of the American Industrial Bankers Association and the Morris Plan Bankers Association.[6] In addition, almost half of the industrial banks included were identified by membership in the FDIC. Where these means of identification provided conflicting evidence, which could not be resolved by the

[3] The group of 92 non-investment type industrial banking companies was separated from the investment type industrial banks in order to improve the latter's homogeneity.

[4] In the winter of 1940-41 these trade associations were combined under the name American Finance Conference. See National Bureau of Economic Research (Financial Research Program), *Sales Finance Companies and Their Credit Practices*, by Wilbur C. Plummer and Ralph A. Young (New York 1940) pp. 37-38, for a description of the membership of the associations.

[5] See National Bureau of Economic Research (Financial Research Program), *Personal Finance Companies and Their Credit Practices*, by Ralph A. Young and Associates (New York 1940) pp. 151 ff.

[6] See National Bureau of Economic Research (Financial Research Program), *Industrial Banking Companies and Their Credit Practices*, by Raymond J. Saulnier (New York 1940) pp. 180-83.

cable to industrial banks; other banks associated with the Morris Plan group; and banks reported by examiners or by the bank as primarily engaged in "industrial" banking, that is, having more than 50 percent of total assets in the form of consumer instalment loans and more than 75 percent of deposits in the form of time deposits. In this connection it is pertinent to point out that although large numbers of commercial banks had the characteristics of industrial banks on *one* side of the balance sheet, there were only three that approached industrial characteristics on *both* sides of the balance sheet.

advice of experts, the companies affected were excluded from the sample.

In some of the samples certain companies were excluded from the analysis of income and expenses, either because their operating results were unrepresentative or because income and expense data were not available for them in satisfactory form. Their asset figures were included, however—except for the National Credit Office samples[7]—because the very changes that made them unrepresentative for the income and expense analysis were significant in showing changes in asset distributions.

In the income tax sample the companies thus excluded were those that filed on a consolidated basis[8] and those that held an unusually large proportion of securities, or of real estate, or of miscellaneous assets in one or more of the years studied. For the income and expense analysis this sample was thus reduced to 202 sales finance companies, 153 personal finance companies, 79 non-investment type industrial banking companies, and 93 investment type industrial banks.

Operating ratios of individual insured banks do not include the relatively small number whose operations commenced during the year; whose reports of earnings and dividends did not, because of changes in class or insured status, cover the full year's operations; or whose operations were materially affected by mergers during the year.

For sales finance companies, personal finance companies, investment type industrial banks and commercial banks the data used provide a coverage of half or more of total outstanding loans; for non-investment type industrial banking companies and credit unions the coverage is less satisfactory. Estimated total loans of consumer instalment financing agencies and commercial banks on December 31, 1936, and of selected samples are presented in Table A-1.

The income tax sample of 112 investment type industrial banks for which asset distributions are included covers a very high proportion of this field. The sample of 93 for which income and expense data are included covers about half the loans of companies of this type. The data for insured industrial banks (some of which are included in the income tax sample) cover all except a few insured institutions; their loans amounted to approximately half the loans of all industrial banking companies.

Sales finance companies included in the income tax sample held

[7] Since companies from these samples whose figures for income and expenses were not available in satisfactory form were excluded from figures covering assets, the data regarding them differ from those shown in other publications of the National Bureau of Economic Research.

[8] For these companies income consisted entirely or largely of dividends from subsidiaries, and expenses reflected only the operations of the parent holding company. The use of consolidated returns was optional in 1929 and 1933; in 1936 it was not permitted. The Revenue Acts of 1934 through 1941 denied to all corporations except railroads the privilege of filing consolidated normal tax returns.

TABLE A-1

OUTSTANDING LOANS OF CONSUMER INSTALMENT FINANCING AGENCIES AND COMMERCIAL BANKS, YEAR-END 1936[a]

Agency	*U.S. Total, Estimated*	*Income Tax Sample*[b] 612 Cos.	527 Cos.	*Other Samples Used*
Sales finance companies	$1,900.0[c]	$170.9	$164.8	$1,315.0[d]
Personal finance companies	301.0[e]	38.1	23.0	138.6[d]
Ind. bkg. cos.—total	191.3[e]	168.2	97.3	[f]
Non-investment type	[g]	13.5	9.8	[f]
Investment type—total	[g]	154.7	87.5	[f]
Noninsured	[g]	[g]	(37.7)	..
Insured	90.5[h]	[g]	(49.8)	89.7[i]
Credit unions	66.0[e]	..	..	7.3[j]
Commercial banks	16,415.0[h]	..	..	8,271.2[k]
Insured	15,964.9[h]	..	..	2,605.0[h]
Noninsured	450.1[h]	..	..	..

[a] All figures in millions of dollars. Loans consist of *all* loans held by the respective agencies, and wherever data are available loan figures are net, after reserves for bad debts.

[b] The 612 companies are those whose balance sheets were analyzed; the 527 are those whose income and expenses were analyzed.

[c] Estimated by inflating the amount of retail instalment paper held by sales finance companies, using the average ratio of such companies' retail instalment paper to total loans.

[d] Based on data from the National Credit Office, Inc. Some of the smaller companies in this group are included in the income tax sample.

[e] Based on National Bureau of Economic Research (Financial Research Program), *The Volume of Consumer Instalment Credit, 1929-38*, by Duncan McC. Holthausen, *et al.* (New York 1940) pp. 82, 83, 87.

[f] Some use was made of other samples, for which total assets are given in the respective tables.

[g] Not available.

[h] Based on data from Federal Deposit Insurance Corporation. For insured investment type industrial banking companies outstanding loans are averages of figures for the beginning, middle and end of the year, adjusted for deposits accumulated for the repayment of instalment loans. In "other samples used" insured commercial banks consist only of those that were not members of the Federal Reserve System.

[i] See footnote h above. Includes only banks operating throughout the year. Some of these companies are included in the income tax sample.

[j] Federal credit unions only. Based on data from U. S. Farm Credit Administration, Division of Finance and Accounts.

[k] National banks only. Based on data from Annual Report of the Comptroller of the Currency, 1937.

roughly 10 percent of the loans of all sales finance companies; personal finance companies represented, for asset data, something under 15 percent of the total and for income data about 8 percent. This small coverage for these two types of agencies results from the fact that the use of any company whose size would permit its identification in subgroups of the tabulated data would violate the confidential character of the income tax returns. Furthermore, the operations of all the larger personal finance companies—two of which accounted for over a third of all loans in the field—are carried on through subsidiaries, and therefore data from income tax returns would not be suitable for use in this sample.

The National Credit Office samples, however, covered almost three-fourths of sales finance company loans and about half of personal finance company loans in 1936 and later years. Therefore, in spite of the small number of companies they contain, the inclusion of these samples provides satisfactory coverage, and makes it possible to avoid any serious errors that might arise from the use of a sample containing a high concentration of small companies.

Since the formation of the FDIC insured commercial banks have represented from 92 to 94 percent of all commercial banks and have held more than 97 percent of the loans. Although national banks held only about half the loans of all commercial banks in 1936, their distribution with respect to size (and geographic location) makes them the most representative sample available for the years prior to 1934.

Non-national banks that were not included were primarily of two opposite types: state banks members of the Federal Reserve System, which were predominantly large banks in large centers; and state banks not members of the Federal Reserve System, which were small banks in small centers or in rural areas. Wherever data have been limited to insured commercial banks not members of the Federal Reserve System—holding only 15 percent of the loans, but numbering about half of all commercial banks—it is believed that satisfactory cognizance has been taken of the bias involved.

Federal credit unions held 11 percent of the loans of all credit unions at the end of 1936, 17 percent at the end of 1937 and 33 percent at the end of 1941. Accordingly, from 1936 or 1937 on, the federal group probably constituted a satisfactorily representative sample.[9]

In the National Credit Office samples, personal finance companies designated as national were those operating more than 200 offices in 1941; the regionals were those operating 50 to 200 offices; and the locals were those operating fewer than 50 offices. The designation of sales finance companies as national, regional, or local was based on knowledge of the scope of their operations. No attempt was made to determine the exact geographic distribution of the sales finance and personal finance company offices; the representativeness probably varied from year to year, being poorest for the local companies. These National Credit Office samples, used in conjunction with the income tax samples, offer probably a quite complete geographic coverage.

[9] But since there was such a rapid increase in the number and in the assets of federal credit unions, all ratios of income and expenses during a year to assets and liabilities outstanding at the end of the year consistently understate the results shown by individual unions that operated throughout the period.

The income tax sample of personal finance companies included representatives from all but three of the states in which laws similar to the Uniform Small Loan Law were in effect during the period covered.[10] The nine states, industrial and semi-industrial, which accounted for more than three-fourths of the total small loans outstanding on December 31, 1937, were satisfactorily represented.[11] Pennsylvania, with the largest number of licensees of any state, 15 percent of the total, also had the largest representation in the income tax sample.

Sales finance companies in the income tax sample represented forty states and the District of Columbia, including all states that in 1941 had regulatory legislation for the financing of retail instalment paper.[12]

The income tax sample of industrial banking companies represented every state that had specific legislation authorizing industrial lending during the period 1929-36, except Arizona and Washington.[13] North Carolina, however, which has legislation favorable to the organization of industrial banks, accounted for 16 of the 37 insured banks in the income tax sample,[14] and for 25 of the 84 insured industrial banks in

[10] See Young and Associates, *op. cit.*, pp. 27-35. The states not represented in the income tax sample were New Hampshire, Tennessee and Utah; the amount of small loans outstanding in these states was not significant in proportion to the national total. Included in the sample were three companies that reported income tax returns from Kentucky, New Mexico and Washington, which did not have small loan legislation throughout the period; these companies held total loans of less than 1 percent of the sample on December 31, 1936, and are not believed to impair the sample's validity.

[11] These states, in order of amount of small loans outstanding, were New York, Ohio, Pennsylvania, Illinois, Michigan, Massachusetts, Indiana, New Jersey and Missouri.

[12] The Indiana Retail Instalment Sales Act, which became effective July 1, 1935, provides for the licensing of all financial institutions buying retail instalment paper, and for the regulation of finance charges. On June 30, 1936, there were 328 retail instalment licensees operating in Indiana.

Maine has provided since 1939 for the licensing of anyone, except a supervised bank, engaged in the financing of time sales on motor vehicles.

Maryland has provided for the licensing and regulation, effective June 1, 1941, of sales finance companies, limiting charges on "extensions" to an effective interest rate of not more than 15 percent.

Michigan has regulated, effective 1939, motor vehicle retail instalment contracts. providing penalties for inadequate disclosure in the instruments, and for improper repossession of the goods sold.

Wisconsin has provided (originally, 1935; amended, 1937, 1939) for the licensing of anyone engaged in motor vehicle instalment financing, and for the regulation of fees and charges by the State Banking Commission.

[13] Saulnier, *op. cit.*, pp. 184-86, cites laws in existence as of the end of 1939; and digests of laws in existence in 1939, with dates of enactment in some cases, are presented in Consumer Credit Institute of America, *Industrial Banking*, by Margaret Grobben (New York 1940) Ch. 11.

[14] On December 31, 1936, industrial banking companies in New York and North Carolina held 12.8 percent and 8.9 percent, respectively, of the loans of the 37 insured investment type banks for which income and expenses were analyzed, and

existence on December 31, 1941. Industrial banks admitted to deposit insurance operate in twenty states and the District of Columbia.

Federal credit unions are organized in every state except Wisconsin, and in the District of Columbia and Hawaii, with a good representation in all but a few of the states. In six states and Hawaii there are no state-chartered credit unions. For the most part, federal credit unions predominate in states where there was no state law until recently, and are in the minority in states where there is a long-established state law. The geographic representation of federal credit unions has widened in each year since their establishment.

Insured commercial banks and national banks provide complete geographic coverage. The national banks constitute varying but satisfactory proportions in the different states.

Data in the income tax sample cover the operations of the same group of companies in each of the years, 1929, 1933 and 1936; the other samples consist of a changing number of enterprises.[15]

In the National Credit Office sales finance and personal finance company samples, the number of companies included varies widely. There were so few in certain years that some of the apparent variation may be due to the number in the sample; for this reason too much emphasis should not be placed upon the changes between any two years.

The historical data on national banks, insured commercial banks and federal credit unions pertain to all available reporting institutions, but for the historical data on insured industrial banks (and for the data pertaining to ratios of individual insured commercial banks), some reports were purposely excluded. Although the number of banks is not constant from year to year, the numerical change affected assets, liabilities, income and expenses so slightly as to introduce no noticeable error. Federal credit union activities, however, grew so rapidly during this period that new, recently established institutions were continually being added to the group of reporting companies; the resultant error is most serious in 1935 and 1936.

The unchanging character of the income tax samples introduces other types of bias, since the method of selection required that the companies have a continuous existence without change in name or corporate identity over the period.[16] But since the data exclude companies that showed

[15] The number and total assets of the companies in the various samples are presented in Appendix Tables B-1 and B-2.

[16] More than half of each type included had had a continued corporate existence for over a decade. In addition, it is probable that the operating life of some of the companies was longer than that shown by the date of incorporation on the tax form. This indicates a relatively high degree of continuity of existence in the consumer instalment financing business. The inherent quality of the instalment paper constituting its principal asset is reflected in the fact that a substantial proportion of the companies had enjoyed only a few years of corporate existence prior to the 1930's and nevertheless withstood the depression.

7.3 percent and 6.0 percent, respectively, of the loans of the 93 insured and noninsured banks.

extremely good operating results (and absorbed other companies) as well as those that showed extremely poor operating results (and failed), there is no reason to believe, on balance, that the sample is seriously unrepresentative of the operations of all companies engaged in consumer instalment financing. This assumption is supported by comparison of the income tax data with collateral data obtained from other sources.

LIMITATIONS OF THE DATA

In general, relationships between income and expense items, and among asset, liability and net worth items, are based on aggregate figures, except that some figures covering insured banks are based on ratios of individual banks.

The data for insured industrial banks, on which the discussion of asset, liability and net worth items is based, are averages of figures for the beginning, middle and end of the year, except for 1934 and 1935. With this exception, the aggregate data on asset, liability and net worth items are, for all the samples, averages of figures for a single date at the end of the calendar year (fiscal year for some companies). These are not entirely representative of the average of values obtaining throughout the year. But since consumer instalment financing operations are relatively stable seasonally, the use of figures for a single date is not likely to distort the broad changes in asset distributions and in sources of funds which accompanied the cyclical change in volume of business, and the growing maturity of the industry.

Year-end balance sheet values were used as bases for the computation of ratios of income and expense in the income tax and credit union samples; this introduces an erratic error, caused by the severity of the cyclical fluctuations that characterized the period. Too much emphasis must not be placed, therefore, upon year-to-year fluctuations in ratios, particularly when these are severe and irregular.

An indication of the degree and direction of the bias resulting from the use of year-end figures is shown in Table A-2. In each type of consumer instalment financing agency year-end loans exceeded average loans for the industry as a whole in 1929 and 1936; in 1933 year-end loans exceeded average loans in the retail instalment credit field, but were below the average for the cash-lending agencies. For those years in which year-end loans exceeded average loans, the ratios of income and expenses to year-end loans or total assets understate the situation to a varying degree.[17]

In the National Credit Office samples the average of balance sheet values at the beginning and end of the year was used in the computation

[17] In the income tax sample about 10 percent of each type of company reported in each year on a fiscal year basis instead of a calendar year basis. To the extent that year-end figures are not lumped on December 31, but are distributed throughout the year, the bias just described is counteracted.

TABLE A-2

ESTIMATED YEAR-END CONSUMER INSTALMENT OUTSTANDINGS IN PERCENT OF ESTIMATED AVERAGE FOR THE YEAR, 1929–41, BY TYPE OF LOAN[a]

		Instalment Cash Loans		
Year	*Automobile Retail Instalment Paper*[b]	Personal Finance Companies	Industrial Banking Companies	Federal Credit Unions
1929	103.7%	115.5%	108.1%	..
1930	84.7	104.5	99.0	..
1931	83.6	100.8	90.9	..
1932	72.8	95.1	87.0	..
1933	119.2	98.2	95.8	..
1934	106.2	104.6	103.8	[c]
1935	119.0	106.3	113.6	[c]
1936	110.7	107.1	109.9	154.1%
1937	98.2	107.9	105.9	136.4
1938	89.2	100.8	103.2	123.5
1939	112.0	116.9	105.6	127.1
1940	113.9	107.5	104.9	118.4
1941	94.5	102.6	99.5	107.6

[a] Except for credit unions based on data in *Survey of Current Business* (November 1942) pp. 9-25, which revises and brings up to date the National Bureau of Economic Research (Financial Research Program) estimates published in *The Volume of Consumer Instalment Credit, 1929-38*, by Duncan McC. Holthausen, *et al.* (New York 1940); averages are based on estimated end-of-month outstandings, January through December. For credit unions based on data from U. S. Farm Credit Administration, Division of Finance and Accounts; averages are based on figures for three to five dates during the year.

[b] Automobile retail instalment paper may be considered representative of total holdings of sales finance companies, even though the latter hold a small proportion of other types of retail instalment paper, and even though a small proportion of the total retail instalment paper is held by industrial banking companies and commercial banks.

[c] Not available.

of income and expense ratios; this appeared to reduce the error materially.[18] For insured industrial and commercial banks (except industrial banks in 1934 and 1935) averages of asset and liability items at the beginning, middle and end of the year were used as bases for computation of the income and expense ratios. National banks' ratios were based on averages of asset and liability items for call dates (at least four) during the year. For banks, therefore, both the seasonal and the cyclical biases were practically eliminated.

[18] In these samples an increasing proportion of the companies reported on a fiscal year basis toward the end of the period.

Another problem in interpretation arises from the limitations inherent in the use of data prepared from income tax returns. Since the balance sheets and income statements in these returns are general purpose forms, the accuracy of the data tabulated from them depends on the relevance to the consumer instalment financing industry of the common categories used, which affects the ability of the taxpayer to classify correctly the amounts to be entered against the printed items on the form; it depends also on the descriptiveness of the captions interlineated by the taxpayer, which in turn affects the ability of the tabulating agency to classify such amounts correctly.

Because of the heterogeneous character of the samples used, and because the danger of error increases in relation to the increase in detail of account categories, it has been considered advisable to utilize only a few broad account classifications for the principal samples of data. The asset, liability and net worth items that have been used conform, in general, to a satisfactory condensed balance sheet presentation of a consumer instalment financing agency; income and expense items have been severely limited. Descriptions of the principal account items used, and comments regarding their comparability in the data, in addition to those appearing in the text and footnotes, are given below. Where supplementary data have been utilized to provide greater detail, the main classifications conform with those used for the principal samples. Captions describing supplementary detail are sufficiently clear to provide accurate interpretation.

Loans. By far the most important asset in a consumer instalment financing agency is the instalment paper acquired. Every attempt has been made to tabulate assets of this character, however acquired, as "receivables," herein referred to as loans. In the income tax and insured bank data, the figures for loans represent values after deducting reserves for bad debts or for repossession losses; data in the National Credit Office sample conform reasonably well in this respect. In the income tax sample, hypothecated deposits were not deducted from the loans of industrial banking companies, but in the FDIC data on insured industrial banks, loans are shown after deduction of hypothecated deposits, unless otherwise indicated.

Cash is used consistently to include all items generally considered as cash equivalents, including bank deposits and, in the case of commercial banks, balances with correspondents and the Federal Reserve banks.

Investments include, in the income tax sample, investments in subsidiaries. This necessitated the exclusion of some companies from the income-expense analysis. In the National Credit Office data consolidated statements have been utilized wherever available.

Miscellaneous assets include all types of assets not separately tabulated.

Net worth, or owners' equity, has been divided, in the income tax sample, into preferred stock and common equity. *Preferred stock* includes capital advances made by the Reconstruction Finance Corporation, and *common equity* includes all items of net worth except preferred stock. The amounts shown in the income tax and National Credit Office samples are probably not seriously affected by the lack of uniform treatment of reserves for contingencies, or by the lack of careful definition of other reserve accounts.

The figure reported on the income tax returns as preferred stock may consist either of the par amount of the preferred stock outstanding or of the stated value of no-par preferred stock. In either case some of the common equity, as reported, may actually consist of capital surplus paid in by the preferred stockholders. In some cases the real ownership equity is represented by the preferred investment; in other words, the major cash investment at the origin of the corporation was made by the preferred stockholders, and the common stock represented promotional hopes. Where this is true the common equity may consist almost entirely of surplus built up by retention of earnings during a period of successful operation.

Borrowed funds are treated under long-term debt and short-term debt. Except in the income tax sample *long-term debt* includes bonds and other evidences of funded debt; in the income tax data evidences of debt—both secured and unsecured—with a maturity of more than one year are treated as long-term. *Short-term debt* includes deposits and investment certificates, as well as other obligations; in the income tax data it includes also accounts payable, even in the analysis of interest payments, because the amount of this item may be expected to be nominal, and because of the difficulty of accurately excluding it.

Deposits and investment certificates include in the income tax data, dealers' deposits, dealers' credits and dealers' reserves.[19] Deposits constitute the most important source of funds of commercial banks and of investment type industrial banks. Where statutory limitations on the latter resulted in the use of investment certificates instead of deposits, these have been tabulated, in the income tax sample, as deposits; they include, besides unrestricted funds, credits to hypothecated accounts, representing debtors' payments that are not applied to reduce the debt until the completion of the entire transaction. In FDIC data on insured industrial banks, however, deposits are shown net, after deduction of hypothecated deposits; these include a small amount of demand deposits.

Total income. Because of lack of uniformity in reporting methods, it was not deemed advisable, in the income tax and National Credit Office samples, to attempt a segregation of income by sources. In the income tax sample total income corresponds in content and in scope to gross earnings from current operations as reported by insured banks; that is,

[19] Since none of these items, not even deposits, appears on the printed balance sheet on the income tax form, some taxpayers may have reported such items against other liability captions, such as notes payable or accounts payable, rather than writing them in; therefore it is probable that deposits are slightly understated in the income tax data.

bad-debt recoveries were excluded.[20] In the National Credit Office sample bad-debt recoveries were excluded where possible, but are presumably included for some companies.

Cost of loan operations, or total cost, includes all expenses except payments for borrowed money.[21] Net charge-offs or net bad-debt expense, are included,[22] and in the income tax data an excess of recoveries over net bad-debt expense in an individual company is treated as a deduction from total cost.[23] The details of operating costs are not uniformly presented in the principal bodies of data. In neither the income tax nor the National Credit Office sample would there have been any assurance that arbitrarily determined categories were on a uniform basis. The supplementary data showing additional details are believed to be reasonably uniform.

Net charge-offs were available on a satisfactory basis only for the income tax sample and for commercial banks. In the income tax sample they represent bad-debt losses incident to business operations—including some repossession losses—minus recoveries of bad debts previously charged off.[24] Worthless bonds charged off were not included with bad debts, because their inclusion would have made the latter less representative of the bad-debt losses incident to the financing of consumer loans.[25]

It may be presumed that the National Credit Office samples (at least in some cases) and the data on personal finance company operations based on state supervisory reports, include gross losses or charge-offs as a part of cost of operations, and recoveries as a part of total income.[26] In the former samples, covering the larger companies, the reserve basis is

[20] In this sample income items and deductions for income tax purposes were both adjusted by the amount of non-taxable income and non-deductible expenses, in order to obtain the amount of *book* income and costs.

[21] Total expense as derived from the income tax data corresponds essentially with the deductions made from total income for the purpose of determining net profit available for dividends or for addition to net worth; from this the amount of interest paid has been deducted.

[22] In the National Credit Office sample gross charge-offs are sometimes included in total cost, with recoveries reported as a part of income; in these cases net charge-offs are not available separately.

[23] See footnote 24, below.

[24] For companies using the reserve method, net bad debts were derived by adding the current year's credits to the reserve for bad debts reported as of the beginning of the year and subtracting the reserve reported as of the end of the year. When recoveries exceeded net bad debts charged off, the excess was tabulated as a negative expense item; this procedure made possible a uniform treatment of recoveries in the aggregates.

[25] As a result of this exclusion of the amount of worthless securities, the total costs of some of the companies were smaller, and their net profit greater, than the amounts actually reported on the income tax form. But in view of the small proportion of securities held by these companies the effect of this distortion is neglible.

[26] This practice seems to be followed also by other research workers in the field.

probably most generally used;[27] in the latter, actual charge-offs. For commercial banks net charge-offs or net losses represent the amounts reported as losses or charge-offs, minus the amounts reported as recoveries; the basis of reporting—that is, the use of a reserve or of an "actual realization" basis—varied from bank to bank. Profits on securities sold were excluded, by estimation when necessary, even though these probably include some recoveries.

Operating profit represents the difference between total income and cost of loan operations, and is subject to the limitations of those two items, already described. See also interest payments, below.

Interest payments include all payments made for the use of borrowed funds, including deposits. It is general accounting practice, and also the practice of the federal bank supervisory agencies, to include interest in total expenses. In the field of personal finance statistics, however, the usual practice is to exclude interest from expenses of operation, since the commonly employed concept of profit is that of net profit *before* interest payments.[28] This procedure has been followed in the present study, in order to facilitate comparison with material available from sources other than the income tax and insured bank data. However, operating profit provides an excellent basis for showing how the rate of net profit is influenced by interest cost, and by the degree of trading on equity.

Net profit (or loss) is the amount available for dividends or for addition to net worth. In the income tax sample this item is book profit or loss, obtained by adjusting the amount of statutory net income (or deficit) for tax-exempt income and for non-allowable deductions.[29] Net profit is slightly overstated, however, by the exclusion of worthless securities charged off from bad-debt losses.[30]

Cash dividends paid include all cash distributions to common or preferred stockholders. Payments to the Reconstruction Finance Corporation are included with preferred dividends, in accordance with the practice of federal bank supervisory agencies. Stock dividends are not included.

[27] In the published statements of industrial banks, and to a lesser extent in those of personal finance companies, it is customary to include in reserves for charge-offs the payments made to a second party for insuring against the risk of certain types of losses. The most common payment of this kind represents the expense of group insurance on the life of borrowers, the cost of which is frequently transferred to the borrower but is sometimes absorbed by the lender.

[28] This may be attributed to the preoccupation of the chief workers in the personal finance field with the question of the proper rate of return and the necessary rate of charge, which has resulted in a trend of analysis comparable to that found in the regulated public utilities. Here the concept of rate of return has been related, predominantly, to the value of the entire amount of necessary assets devoted to the business, with only secondary attention to the rate of return on equity capital.

[29] In 1929 losses for prior years were allowed as statutory deductions, but such deductions are excluded from these data.

[30] See above, under "net charge-offs."

APPENDIX B

Supplementary Tabulations

TABLE B-1

NUMBER OF COMPANIES IN SELECTED SAMPLES OF CONSUMER INSTALMENT FINANCING AGENCIES AND COMMERCIAL BANKS, YEAR-END 1929–41

Sample	*1929*	*1930*	*1931*	*1932*	*1933*	*1934*	*1935*	*1936*	*1937*	*1938*	*1939*	*1940*	*1941*
Sales finance companies													
2 to 3 national[a]	2	3	3	3	3	3	3	3	3	3	3	3	3
2 to 4 regional[a]	2	2	2	2	4	4	4	4	4	4	4	4	3
9 to 32 local[a]	9	11	10	15	19	24	28	32	32	32	29	29	30
202 local[b]	202	..	..	..	202	..	..	202	..	..	..	..	..
Personal finance companies													
2 national[a]	..	2	2	2	2	2	2	2	2	2	2	2	2
2 to 5 regional[a]	2	2	3	3	3	3	4	4	5	5	5	5	5
5 to 7 local[a]	..	..	..	..	..	5	5	7	7	7	7	7	7
153 local[b]	153	..	..	..	153	..	..	153	..	..	..	..	..
79 non-invest. type indust. bkg. cos.[b]	79	..	..	..	79	..	..	79	..	..	..	..	..
Invest. type indust. banks													
56 noninsured[b]	56	..	..	..	56	..	..	56	..	..	..	..	..
6 largest insured[c]	..	..	..	..	..	6	6	6	6	6	6	6	6
All other insured[c]	..	..	..	..	..	54	56	57	60	64	67	69	74
37 insured[b]	37	..	..	..	37	..	..	37	..	..	..	..	..
Credit unions													
All reporting federal credit unions[d]	..	..	..	..	..	..	762	1,701	2,276	2,753	3,172	3,715	4,144
Commercial banks													
All national banks[e]	7,408	7,038	6,373	6,016	5,159	5,467	5,392	5,331	5,266	5,230	5,193	5,150	5,123
All insured banks[c]	..	..	..	..	..	14,137	14,123	13,969	13,795	13,657	13,534	13,438	13,427

(footnotes on page 197)

TABLE B-2

TOTAL ASSETS OF SELECTED SAMPLES OF CONSUMER INSTALMENT FINANCING AGENCIES AND COMMERCIAL BANKS, YEAR-END 1929–41 (in millions)

Sample	*1929*	*1930*	*1931*	*1932*	*1933*	*1934*	*1935*	*1936*	*1937*	*1938*	*1939*	*1940*	*1941*
Sales finance companies													
2 to 3 national[a]	$625	$703	$596	$372	$456	$615	$839	$1,204	$1,416	$956	$1,089	$1,478	$1,720
2 to 4 regional[a]	41	34	34	22	58	69	110	169	195	132	176	236	192
9 to 32 local[a]	27	30	19	23	37	53	82	114	138	102	122	146	175
202 local[b]	114	..	..	..	88	..	..	189	..	..	..	..	..
Personal finance companies													
2 national[a]	..	89	101	90	89	97	101	122	144	135	148	163	179
2 to 5 regional[a]	5	7	17	10	10	13	20	24	41	48	62	72	84
5 to 7 local[a]	..	..	..	..	..	4	5	11	15	13	15	18	19
153 local[b]	21	..	..	..	21	..	..	26	..	..	..	..	..
79 non-invest. type indust. bkg. cos.[b]	13	..	..	..	10	..	..	11	..	..	..	..	..
Invest. type indust. banks													
56 noninsured[b]	40	..	..	..	32	..	..	42	..	..	..	..	..
6 largest insured[c]	..	..	..	..	..	55	66	72	84	93	103	116	132
All other insured[c]	..	..	..	..	..	29	36	45	54	62	72	86	102
37 insured[b]	49	..	..	..	34	..	..	58	..	..	..	..	..
Credit unions													
All reporting federal credit unions[d]	..	..	..	..	..	..	2	9	19	30	48	72	106
Commercial banks													
All national banks[e]	28,882	28,800	24,662	23,311	21,747	25,630	28,225	31,070	30,124	31,666	35,319	39,734	43,538
All insured banks[e]	..	..	..	..	..	46,448	50,927	56,211	54,212	56,800	63,147	70,720	76,827

(footnotes on opposite page)

FOOTNOTES TO TABLES B-1 AND B-2

[a] Data from the National Credit Office, Inc. Some of the local companies are included in the respective income tax sample.

[b] Data from the Income Tax Study.

[c] Data from Federal Deposit Insurance Corporation. For industrial banks, total assets are averages of figures for beginning, middle and end of year, except in 1934 and 1935; deposits accumulated for the repayment of loans have been deducted from total assets; and banks that operated less than the full year or whose operations were materially affected by mergers during the year are not included. Cash depositories and banks designated in this study as insured industrial banks are included with all insured commercial banks.

[d] Data from U. S. Farm Credit Administration, Division of Finance and Accounts.

[e] Data from Annual Reports of the Comptroller of the Currency.

TABLE B-3

DISTRIBUTION OF CONSUMER INSTALMENT FINANCING AGENCIES IN THE INCOME TAX SAMPLE, 1929, 1933, 1936, BY YEAR-END TOTAL ASSETS[a]

	Total Assets (in thousands)					
Agency	Under $100	$100–250	$250–500	$500–1,000	$1,000–5,000	$5,000–50,000
229 Sales finance companies						
1929	63 cos.	63 cos.	47 cos.	31 cos.	20 cos.	5 cos.
1933	81	67	38	29	11	3
1936	59	52	45	31	36	6
179 Personal finance companies						
1929	98	55	20	1	5	..
1933	99	60	12	4	4	..
1936	91	58	18	7	3	2
92 non-invest. type indust. bkg. cos.						
1929	26	43	18	4	1	..
1933	42	38	10	1	1	..
1936	39	40	9	2	2	..
112 Invest. type indust. banks						
1929	2	23	27	27	26	7
1933	4	27	27	32	18	4
1936	3	18	23	34	27	7

[a] Data from the Income Tax Study.

TABLE B-4

CONSUMER INSTALMENT LOANS IN PERCENT OF TOTAL LOANS OUTSTANDING OF INSURED COMMERCIAL BANKS, 1940, BY AMOUNT OF DEPOSITS AND POPULATION OF CENTER[a]

		Population of Banking Center									
Deposits (in thousands)	*All Banking Centers*	Under 250	250–500	500–1,000	1,000–2,500	2,500–5,000	5,000–10,000	10,000–25,000	25,000–50,000	50,000–100,000	100,000 or Over
$100 or less	6.8%	6.4%	6.4%	9.1%	3.7%	..	..	..	..	..	..
100—250	8.5	7.6	7.7	8.0	11.2	17.8%	(23.7)%	(20.2)%	..	(14.0)%	(18.0)%
250—500	9.3	8.3	8.0	8.2	9.6	12.0	19.9	18.9	(22.7)%	(15.6)	23.4
500—1,000	9.3	4.8	6.3	7.8	8.3	10.4	11.7	11.0	15.4	14.9	24.1
1,000—2,000	8.8	(8.4)	9.8	5.4	7.3	7.6	8.8	10.7	8.3	10.1	17.4
2,000—5,000	8.0	(10.1)	(.7)	(3.9)	5.2	6.4	6.8	7.6	7.8	10.8	12.9
5,000—10,000	7.5	..	..	..	..	(3.1)	6.8	6.6	6.3	6.7	10.7
10,000—50,000	6.4	..	..	..	(8.4)	(3.6)	(1.3)	6.5	7.5	6.2	6.2
Over 50,000	5.0	..	..	..	..	..	..	..	..	(8.2)	5.0
ALL BANKS	8.7%	7.4%	7.6%	8.0%	8.9%	9.4%	9.6%	8.8%	7.9%	8.4%	10.5%

[a] Based on data from Federal Deposit Insurance Corporation. Figures are averages of ratios of individual banks. In regard to banks that were members of the Federal Reserve System loans outstanding and deposits are averages of figures for call dates during the year, and in regard to non-member banks they are averages of figures for the beginning, middle and end of the year. Cash depositories, banks designated in this study as insured industrial banks, and banks that submitted reports covering less than the full year's operations or whose operations were materially affected by mergers during the year are not included. Parentheses indicate groups containing 10 banks or fewer.

TABLE B-5

TOTAL INCOME OF SELECTED SAMPLES OF CONSUMER INSTALMENT FINANCING AGENCIES AND COMMERCIAL BANKS IN PERCENT OF TOTAL ASSETS, 1929–41[a]

Sample	*1929*	*1930*	*1931*	*1932*	*1933*	*1934*	*1935*	*1936*	*1937*	*1938*	*1939*	*1940*	*1941*
Sales finance companies													
2 to 3 national[b]	14.6%	12.9%	12.0%	11.4%	13.2%	14.6%	12.8%	11.8%	10.8%	9.4%	9.6%	8.7%	9.1%
2 to 4 regional[b]	14.9	14.5	14.3	13.5	14.0	16.7	16.6	15.2	13.4	10.7	12.0	10.9	10.2
9 to 32 local[b]	19.4	16.6	17.6	15.5	16.6	17.6	17.6	16.0	15.5	13.0	14.2	13.8	13.6
202 local[c]	16.9	..	..	..	15.4	..	..	14.3	..	..	..	..	..
Personal finance companies													
2 national[d]	..	28.7	28.4	28.3	29.6	30.2	30.0	29.5	29.9	27.7	27.8	27.8	27.8
2 to 5 regional[d]	31.7	30.3	26.5	31.8	28.3	30.2	29.9	30.5	30.2	28.1	27.2	27.7	28.1
5 to 7 local[d]	..	..	..	..	..	27.9	29.3	29.8	28.7	26.2	26.8	28.2	27.1
153 local[c]	23.7	..	..	..	22.9	..	..	23.8	..	..	..	..	..
79 non-invest. type indust. bkg. cos.[c]	14.4	..	..	..	12.1	..	..	14.0	..	..	..	..	..
Invest. type indust. banks													
56 noninsured[c]	9.7	..	..	..	8.9	..	..	9.2	..	..	..	..	..
6 largest insured[e]	..	..	..	..	..	8.8	8.6	9.2	9.3	9.3	9.0	8.6	8.2
All other insured[e]	..	..	..	..	..	10.5	10.0	10.9	11.0	10.3	10.0	9.8	9.2
37 insured[c]	9.1	..	..	..	8.3	..	..	8.0	..	..	..	..	..
Credit unions													
All reporting federal credit unions[f]	..	..	..	..	..	..	4.7	6.1	7.3	7.6	7.5	7.5	6.9
Commercial banks													
All national banks[g]	4.9	4.7	4.3	4.3	3.7	3.4	3.0	2.8	2.8	2.7	2.5	2.3	2.2
All insured banks[e]	..	..	..	..	..	3.4	3.1	2.9	3.0	2.9	2.7	2.5	2.4

(footnotes on following page)

FOOTNOTES TO TABLE B-5

[a] The number of companies for each year may be found in Appendix Table B-1.

[b] Based on data from the National Credit Office, Inc. Some of these companies are included in the 202 local companies of the income tax sample. In the majority of cases recoveries are probably included in total income. Here the denominator is the average of total assets at beginning and end of year.

[c] Based on tabulations prepared by the Income Tax Study. The figures represent total income in percent of year-end total assets.

[d] Based on data from the National Credit Office, Inc. Some of these companies are included in the 153 local companies of the income tax sample. In the majority of cases recoveries are probably included in total income. Here the denominator is the average of total assets at beginning and end of year.

[e] Based on data from Federal Deposit Insurance Corporation. Total assets are averages of figures for beginning, middle and end of year, except for industrial banks in 1934 and 1935, when year-end figures are used; deposits accumulated for the repayment of loans have been deducted from total assets of industrial banks. Cash depositories and banks designated in this study as insured industrial banks are included with all insured commercial banks.

[f] Based on data from U. S. Farm Credit Administration, Division of Finance and Accounts. The figures represent total income in percent of year-end total assets.

[g] Based on data in Annual Reports of the Comptroller of the Currency. Total assets are averages of figures for call dates during the year.

TABLE B-6

OPERATING COST ITEMS OF PERSONAL FINANCE COMPANIES IN PERCENT OF AVERAGE LOANS OUTSTANDING, FISCAL YEARS 1929–39[a]

Item	*1929*	*1930*	*1931*	*1932*	*1933*	*1934*	*1935*	*1936*	*1937*	*1938*	*1939*
Salaries	8.58%	8.15%	7.68%	7.82%	8.53%	8.67%	8.53%	8.11%	7.74%	7.59%	7.46%
Traveling expenses	.44	.52	.51	.51	.58	.55	.62	.69	.64	.63	.61
Legal fees	.23	.39	.36	.36	.49	.47	.48	.43	.41	.41	.37
Auditing	.72	.76	.52	.41	.44	.37	.30	.26	.24	.23	.23
Total	*9.97*	*9.82*	*9.07*	*9.10*	*10.04*	*10.06*	*9.93*	*9.49*	*9.03*	*8.86*	*8.67*
Taxes and license fees	1.64	1.48	1.32	1.48	1.87	1.81	2.02	2.38	2.55	2.43	2.45
Recording and acknowledging fees	.10	.06	.06	.05	.07	.08	.06	.06	.10	.14	.14
Total	*1.74*	*1.54*	*1.38*	*1.53*	*1.94*	*1.89*	*2.08*	*2.44*	*2.65*	*2.57*	*2.59*
Rent	1.20	1.22	1.22	1.32	1.40	1.30	1.28	1.16	1.16	1.13	1.13
Depreciation on furn. and fixtures	.22	.23	.22	.25	.26	.25	.23	.21	.21	.20	.19
Total	*1.42*	*1.45*	*1.44*	*1.57*	*1.66*	*1.55*	*1.51*	*1.37*	*1.37*	*1.33*	*1.32*
Advertising	2.05	1.74	1.94	1.52	1.79	2.29	2.31	2.52	2.07	1.81	2.29
Printing, stationery, etc.	.79	.84	.85	.86	.95	.99	1.01	1.06	1.06	1.05	1.08
Insurance and bonding	.16	.17	.14	.20	.24	.24	.26	.24	.22	.22	.20
Sundry other expenses	1.93	1.61	1.99	1.94	1.63	1.76	1.84	2.00	1.99	1.96	2.08
Total	*4.93*	*4.36*	*4.92*	*4.52*	*4.61*	*5.28*	*5.42*	*5.82*	*5.34*	*5.04*	*5.65*
Total "other" operating costs	18.06	17.17	16.81	16.72	18.25	18.78	18.94	19.12	18.39	17.80	18.23
Bad debts and insurance against loss	2.08	2.25	2.81	4.91	4.44	3.55	2.77	2.12	1.90	2.36	1.99
TOTAL OPERATING COSTS	20.14%	19.42%	19.62%	21.63%	22.69%	22.33%	21.71%	21.24%	20.29%	20.16%	20.22%

[a] For 1929-33 based on Russell Sage Foundation, *Expenses of Small Loan Licensees, 1929-33*, ed. by Rolf Nugent. For 1934-39 based on annual reports of state banking departments or on accountants' reports made available by the Russell Sage Foundation. The arrangement of the items has been made comparable to the presentation of the data for industrial and commercial banks. Average loans outstanding have been estimated at 1.15 times average employed assets. Total operating costs include all expenses other than interest payments.

TABLE B-7

OPERATING COST ITEMS OF INSURED INDUSTRIAL BANKS IN PERCENT OF LOANS OUTSTANDING, 1934–41[a] (dollar figures in thousands)

Item	*1934*	*1935*	*1936*	*1937*	*1938*	*1939*	*1940*	*1941*
Salaries, wages and fees	4.19%	3.40%	3.57%	3.47%	3.63%	3.67%	3.52%	3.50%
Taxes (other than on income)	.40	.41	.50	.43	.54	.47	.52	.43
Income taxes	..	..	.32	.48	.52	.47	.50	.69
Other costs of occupancy, including recurring depreciation	.18[b]	.18[b]	.81	.74	.63	.62	.62	.57
Other current operating costs	3.57	2.86	2.17	2.11	2.16	2.40	2.33	2.19
Total "other" operating costs	8.34	6.85	7.37	7.23	7.48	7.63	7.49	7.38
Net losses on loans[c]	1.34	.60	.09	.21	.45	.31	.64	.43
Net losses on other assets[d]	.60	.40	.61	.77	.28	.14	.07	−.01
TOTAL OPERATING COSTS	10.28%	7.85%	8.07%	8.21%	8.21%	8.08%	8.20%	7.80%
	$5,746	$6,134	$7,235	$8,795	$9,480	$10,444	$12,575	$13,848
Total loans outstanding	$55,898	$78,122	$89,681	$107,071	$115,406	$129,191	$153,368	$177,242
Number of banks	60	62	63	66	70	73	75	80

[a] Based on data from Federal Deposit Insurance Corporation. Banks that submitted reports covering less than the full year's operations are not included. Loans outstanding are averages of figures for beginning, middle and end of year, except in 1934 and 1935, when year-end figures are used. Total operating costs include all expenses other than interest payments.

[b] Represents only depreciation on banking house, furniture and fixtures.

[c] Losses and charge-offs on loans, minus recoveries on loans.

[d] Losses and charge-offs on securities and other assets, minus recoveries on securities, profits on securities sold, and recoveries and profits on all other assets.

TABLE B-8

OPERATING COST ITEMS OF ALL REPORTING FEDERAL CREDIT UNIONS IN PERCENT OF YEAR-END LOANS OUTSTANDING, 1935–41[a]

Item	1935	1936	1937	1938	1939	1940	1941
Salaries	.29%	.80%	1.43%	1.92%	1.93%	1.97%	2.40%
Stationery and supplies	1.32	.57	.30	.24	.21	.22	b
Cost of space occupied					.04	.04	b
Educational expense					.02	.05	b
Surety bond premiums	1.16	.88	.96	1.10	.07	.08	.09
Other operating costs					.99	.99	1.48
TOTAL OPERATING COSTS	2.77%	2.25%	2.69%	3.26%	3.26%	3.35%	3.97%
Total year-end loans outstanding	$1,830,000	$7,330,000	$15,684,000	$23,915,000	$38,020,000	$56,098,000	$69,250,000

[a] Based on data from U. S. Farm Credit Administration, Division of Finance and Accounts. In 1938-40 year-end loans outstanding include loans to other credit unions. Total operating costs include all expenses other than interest payments and charge-offs.
[b] Included in "other operating costs."

TABLE B-9

OPERATING COST ITEMS OF ALL NATIONAL BANKS IN PERCENT OF AVERAGE LOANS AND INVESTMENTS OUTSTANDING, 1929–41[a] (dollar figures in millions)

Item	*1929*	*1930*	*1931*	*1932*	*1933*	*1934*	*1935*	*1936*	*1937*	*1938*	*1939*	*1940*	*1941*
Salaries and wages	1.24%	1.29%	1.25%	1.26%	1.20%	1.21%	1.16%	1.12%	1.13%	1.18%	1.16%	1.14%	1.06%
Fees (directors and committees)	b	b	b	b	b	b	b	.02	.02	.02	.03	.02	.02
Real estate taxes }	.30	.32	.26	.25	.25	.25	.23	.11	.11	.11	.10	.10	.08
Other taxes }								.14	.16	.15	.15	.20	.25
Losses and depreciation on banking house, furniture, fixtures	.11	.12	.09	.08	.13	.17	.13	.13	.12	.13	.13	.13	.13
Other current operating costs	.76	.78	.72	.90	.74	.78	.78	.79	.77	.76	.76	.75	.70
Total "other" operating costs	2.41	2.51	2.32	2.49	2.32	2.41	2.30	2.31	2.31	2.35	2.33	2.34	2.24
Net losses on loans[c]	.35	.55	.95	1.37	1.76	1.57	.61	.43	.11	.23	.13	.10	.03
Net losses on other assets[d]	.12	.15	.70	.87	1.34	.63	−.27	−.83	−.01	−.06	−.19	−.12	.11
TOTAL OPERATING COSTS	2.88%	3.21%	3.97%	4.73%	5.42%	4.61%	2.64%	1.91%	2.41%	2.52%	2.27%	2.32%	2.16%
	$626	$692	$818	$845	$877	$786	$484	$378	$501	$517	$482	$518	$557
Total loans and invest. outstanding	$21,772	$21,574	$20,600	$17,853	$16,164	$17,053	$18,322	$19,827	$20,821	$20,500	$21,218	$22,359	$25,741
Number of banks	7,408	7,038	6,373	6,016	5,159	5,467	5,392	5,331	5,266	5,230	5,193	5,150	5,123

[a] Based on data in Annual Reports of the Comptroller of the Currency. Loans and investments outstanding are averages of figures for call dates during the year. Total operating costs include all expenses other than interest payments.
[b] Reported as part of "other current operating costs."
[c] Losses and charge-offs on loans, minus recoveries on loans.
[d] Losses and charge-offs on securities and other assets, minus recoveries on securities, profits on securities sold, and recoveries and profits on all other assets.

TABLE B-10

NET CHARGE-OFFS ON LOANS OF CONSUMER INSTALMENT FINANCING AGENCIES IN PERCENT OF YEAR-END LOANS OUTSTANDING, 1929, 1933, 1936, BY LOAN-INCOME RATES[a]

		Loan-Income Rates								
Agency	*All Cos.*	Under 8%	8–12%	12–16%	16–20%	20–24%	24–28%	28–32%	32–36%	36% or Over
202 sales finance cos.										
1929	1.51%	(.49)%	.44%	.65%	.91%	2.76%	1.69%	2.32%	(1.04)%	3.87%
1933	2.33	(2.13)	2.59	2.37	1.43	2.30	3.40	4.78	(2.94)	3.91
1936	1.24	(2.80)	.55	1.07	1.11	1.36	2.67	(.72)	(.94)	(4.77)
153 personal finance cos.										
1929	1.53	..	(.01)	.54	1.72	1.51	.93	1.25	2.14	3.37
1933	3.61	(.40)	2.19	1.96	2.72	2.87	4.79	2.59	5.49	8.04
1936	3.04	(2.30)	(1.93)	.70	1.09	1.24	2.21	5.20	4.15	4.40
79 non-invest. type indust. bkg. cos.										
1929	1.36	..	.20	1.37	1.58	2.57	(2.57)		..	..
1933	3.11	(1.22)	1.73	4.43	4.62	(2.64)	(4.08)		..	..
1936	1.28	(2.15)	1.06	.94	1.96	1.17	(.66)		..	..
93 invest. type indust. banks										
56 noninsured										
1929	.50	(.03)	.48	1.05	(.51)		..		..	..
1933	1.71	.82	1.39	3.56	(2.74)		..		..	..
1936	.68	(.66)	.61	.77	(1.61)		..		..	..
37 insured										
1929	.80	(.27)	.88	(.51)	..	..	..		..	..
1933	1.21	(1.39)	1.26	(.64)	..	..	..		..	..
1936	.22	(.39)	.18	(.56)	(−.40)	..	..		..	..

[a] Based on tabulations prepared by the Income Tax Study. Loan-income rates represent total income (composed predominantly of loan income) in percent of total year-end loans outstanding. Loan-income rate groups are inclusive of the lower limit and exclusive of the upper. Parentheses indicate groups containing 10 companies or fewer.

TABLE B-11

RATES OF "OTHER" OPERATING COSTS OF INSURED COMMERCIAL BANKS WITH LOAN-INCOME RATES OF 5 TO 6 PERCENT, AND NUMBER OF BANKS, 1940, BY LOAN PROPORTIONS AND AMOUNT OF DEPOSITS[a]

		Loan Proportions					
Deposits	*All Banks*	Under 20%	20–30%	30–40%	40–50%	50–60%	60% or Over
				RATES OF COST			
$100,000 or less	3.35%	..	(2.77)%	(5.70)%	(2.68)%	(3.42)%	(2.86)%
100,000—250,000	2.52	(1.84)%	2.25	2.28	2.43	2.64	2.84
250,000—500,000	2.19	1.72	1.96	2.04	2.17	2.27	2.53
500,000—1,000,000	2.00	1.66	1.90	1.91	1.99	2.11	2.34
1,000,000—2,000,000	1.87	1.61	1.74	1.83	1.97	2.04	2.29
2,000,000—5,000,000	1.82	1.54	1.67	1.81	2.04	2.10	2.18
5,000,000—10,000,000	1.85	1.55	1.70	1.88	2.21	2.24	(2.38)
10,000,000—50,000,000	1.78	1.48	1.64	1.91	2.05	(2.05)	..
Over 50,000,000	(1.68)	(1.33)	(1.55)	(1.96)	(1.56)	..	..
ALL BANKS	2.01%	1.60%	1.78%	1.93%	2.08%	2.24%	2.49%
				NUMBER OF BANKS			
$100,000 or less	26	..	1	3	4	9	9
100,000—250,000	351	3	19	77	97	86	69
250,000—500,000	770	24	84	154	209	185	114
500,000—1,000,000	954	52	151	244	247	157	103
1,000,000—2,000,000	914	95	199	264	209	105	42
2,000,000—5,000,000	691	86	213	176	140	54	22
5,000,000—10,000,000	224	34	71	68	32	15	4
10,000,000—50,000,000	110	16	40	30	18	6	..
Over 50,000,000	9	1	3	3	2	..	..
ALL BANKS	4,049	311	781	1,019	958	617	363

(footnote on opposite page)

FOOTNOTE TO TABLE B-11

[a] Based on data from Federal Deposit Insurance Corporation, pertaining to banks whose income on loans amounted to 5 to 6 percent of loans outstanding. Rates of operating costs represent costs of operation, exclusive of net charge-offs and interest payments, in percent of total assets; figures are averages of rates of individual banks. Loan proportions represent loans outstanding in percent of total assets. In regard to banks that were members of the Federal Reserve System loans outstanding, total assets and deposits are averages of figures for call dates during the year, and in regard to non-member banks they are averages of figures for the beginning, middle and end of the year. Cash depositories, banks designated in this study as insured industrial banks and banks that submitted reports covering less than the full year's operations or whose operations were materially affected by mergers during the year are not included. Loan-income groups and loan-proportion groups are inclusive of the lower limit and exclusive of the upper. Deposits are exclusive of the lower limit and inclusive of the upper. Parentheses indicate groups containing 10 banks or fewer.

TABLE B-12

OPERATING PROFIT IN PERCENT OF AVERAGE TOTAL ASSETS OF INSURED INDUSTRIAL BANKS, 1936–41, BY LOAN-INCOME RATES[a]

Loan-Income Rates	*1936*	*1937*	*1938*	*1939*	*1940*	*1941*
Under 10%	(3.07)%	(3.34)%	(3.31)%	(3.39)%	(2.00)%	2.44%
10—12	3.61	3.13	3.64	3.45	3.19	2.95
12—14	3.92	4.27	3.62	3.48	2.94	2.98
14—16	4.50	4.24	(3.43)	3.87	4.14	2.86
16 or over	(4.93)	(4.32)	(5.14)	(3.72)	(3.15)	(4.81)
ALL BANKS	3.65%	3.60%	3.60%	3.46%	2.89%	2.72%

[a] Based on data from Federal Deposit Insurance Corporation. Loan-income rates represent income on loans in percent of average loans outstanding. Loans outstanding and total assets are averages of figures for beginning, middle and end of year, net after deduction of hypothecated deposits. Banks that submitted reports covering less than the full year's operations or whose operations were materially affected by mergers during the year are not included. Loan-income rate groups are inclusive of the lower limit and exclusive of the upper. Parentheses indicate groups containing 10 banks or fewer.

TABLE B-13

RATIO OF LOAN-INCOME RATES OF SELECTED SAMPLES OF CONSUMER INSTALMENT FINANCING AGENCIES AND COMMERCIAL BANKS TO RATE OF INTEREST PAID ON BORROWINGS, 1929–41[a]

Sample	*1929*	*1930*	*1931*	*1932*	*1933*	*1934*	*1935*	*1936*	*1937*	*1938*	*1939*	*1940*	*1941*
Sales finance cos.													
2 to 3 national	2.7	2.9	3.6	3.0	5.3	6.4	7.9	7.6	6.2	4.8	5.7	7.0	8.4
2 to 4 regional	2.3	2.7	3.3	3.1	3.4	5.1	8.2	10.0	8.2	8.1	8.9	8.5	7.3
9 to 32 local	2.9	3.1	2.9	2.8	3.3	3.4	4.7	5.3	5.5	5.3	6.0	6.4	6.7
202 local	3.1	..	..	..	3.9	..	..	6.0	..	..	..	..	..
Personal finance cos.													
2 national	..	4.6	5.0	5.8	6.9	8.5	7.1	16.6	16.1	17.7	16.0	14.8	13.9
2 to 5 regional	5.0	4.9	3.9	4.4	5.8	6.3	8.0	9.3	12.2	12.8	14.6	15.5	15.8
5 to 7 local	..	..	..	..	..	5.7	4.9	8.9	7.4	7.7	8.1	7.9	8.8
153 local	4.5	..	..	..	4.3	..	..	4.6	..	..	..	..	..
79 non-invest. type indust. bkg. cos.	2.5	..	..	..	2.1	..	..	3.2	..	..	..	..	..
Invest. type indust. banks													
56 noninsured	3.6	..	..	..	3.7	..	..	4.6	..	..	..	..	..
6 largest insured[b]	..	..	..	..	..	3.8	3.9	4.6	4.8	5.5	5.4	5.4	5.5
All other insured[c]	..	..	..	..	..	4.8	5.2	5.5	5.5	5.9	6.1	6.0	5.8
37 insured	3.8	..	..	..	4.7	..	..	6.2	..	..	..	..	..
Credit unions													
All reporting fed. cred. unions	..	..	..	..	..	..	3.0	2.8	2.3	2.1	2.3	2.2	1.8
Commercial banks													
All natl. banks (income on loans)	1.8	1.7	1.7	1.8	1.9	1.9	2.3	2.6	2.6	2.7	3.0	3.3	3.5
All insured banks (inc. on loans)	..	..	..	..	..	1.9	2.2	2.5	2.6	2.8	3.1	3.4	3.6
All natl. banks (inc. on securities)	1.3	1.4	1.3	1.4	1.4	1.4	1.4	1.6	1.6	1.6	1.6	1.6	1.7
All insured banks (inc. on securities)	..	..	..	..	..	1.3	1.4	1.6	1.6	1.6	1.7	1.7	1.7

[a] Based on Tables 13 (Chapter 4) and 24 (Chapter 7).
[b] Ratio of loan-income rates to rate of interest on average time and savings deposits.
[c] Ratio of rate of income on securities to rate of interest on average time and savings deposits.

TABLE B-14

PERCENTAGE DISTRIBUTION OF CONSUMER INSTALMENT FINANCING AGENCIES, 1929, 1933, 1936, AND INSURED COMMERCIAL BANKS, 1938, BY NET PROFIT IN PERCENT OF YEAR-END NET WORTH[a]

	Net Profit in Percent of Net Worth						
Agency	Under 0 (net loss)	0–5%	5–10%	10–15%	15–20%	20% or Over	Total
202 sales finance cos.							
1929	2.0%	10.4%	30.7%	31.2%	15.3%	10.4%	100.0%
1933	28.7	38.2	25.2	5.4	1.5	1.0	100.0
1936	5.9	17.3	33.2	26.7	11.9	5.0	100.0
153 personal finance cos.							
1929	3.9	11.1	37.3	26.8	11.1	9.8	100.0
1933	25.5	36.6	34.6	1.3	.7	1.3	100.0
1936	11.8	37.2	28.1	11.1	8.5	3.3	100.0
79 non-invest. type indust. bkg. cos.							
1929	3.8	11.4	59.5	21.5	2.5	1.3	100.0
1933	34.1	48.1	15.2	1.3	1.3	..	100.0
1936	10.1	29.1	46.8	7.6	5.1	1.3	100.0
93 invest. type indust. banks							
56 noninsured							
1929	1.8	14.2	37.5	41.1	3.6	1.8	100.0
1933	25.0	55.4	19.6	..	..	..	100.0
1936	5.4	30.4	28.5	25.0	7.1	3.6	100.0
37 insured							
1929	2.7	10.8	40.5	35.2	8.1	2.7	100.0
1933	27.0	40.6	29.7	2.7	..	..	100.0
1936	..	10.8	29.7	35.2	13.5	10.8	100.0
13,487 insured commercial banks							
1938	16.0	29.3	32.0	15.4	5.2	2.1	100.0

[a] For consumer instalment financing agencies based on tabulations prepared by the Income Tax Study. For commercial banks based on data from Federal Deposit Insurance Corporation (figures covering insured commercial banks, 1938-41, are presented in the *Annual Report* of the FDIC for 1941, p. 57); in regard to banks that were members of the Federal Reserve System net worth is the average of figures for call dates during the year, and in regard to non-member banks it is the average of figures for beginning, middle and end of year. Banks that submitted reports covering less than the full year's operations or whose operations were materially affected by mergers during the year are not included; cash depositories and banks designated in this study as insured industrial banks are included. Net-profit rate groups are inclusive of the lower limit and exclusive of the upper.

TABLE B-15

PERCENTAGE DISTRIBUTION OF DIVIDEND-PAYING COMPANIES AMONG CONSUMER INSTALMENT FINANCING AGENCIES, 1929, 1933, 1936, BY PROPORTION OF NET PROFIT PAID OUT IN DIVIDENDS[a]

Agency	No. of Cos. Paying Dividends	Dividends in Percent of Net Profit[b]							
		Minus[c]	Under 20%	20–40%	40–60%	60–80%	80–100%	100% or Over	Total
202 sales finance companies									
1929	148	1.4%	6.8%	18.2%	26.4%	26.9%	9.5%	10.8%	100.0%
1933	119	13.4	4.2	8.4	13.4	16.8	10.9	32.9	100.0
1936	190	4.2	.5	3.2	19.5	18.4	22.7	31.5	100.0
153 personal finance companies									
1929	100	1.0	7.0	24.0	25.0	14.0	13.0	16.0	100.0
1933	113	16.8	3.5	4.4	12.4	14.2	11.5	37.2	100.0
1936	140	7.9	2.9	2.1	8.6	18.6	14.3	45.6	100.0
79 non-invest. type indust. bkg. cos.									
1929	56	3.6	3.6	1.8	23.2	23.2	21.4	23.2	100.0
1933	43	23.3	..	11.6	16.3	7.0	18.5	23.3	100.0
1936	73	5.5	1.4	..	9.6	20.5	27.4	35.6	100.0
93 invest. type indust. banks									
56 noninsured									
1929	51	..	3.9	17.6	35.4	19.6	7.8	15.7	100.0
1933	38	15.8	..	7.9	10.5	21.1	7.9	36.8	100.0
1936	54	3.7	1.9	11.1	13.0	29.5	27.8	13.0	100.0
37 insured									
1929	32	..	6.3	25.0	25.0	25.0	12.5	6.2	100.0
1933	21	14.3	9.5	9.5	14.3	28.6	4.8	19.0	100.0
1936	36	..	13.9	30.5	27.8	19.4	5.6	2.8	100.0

[a] Based on tabulations prepared by the Income Tax Study.
[b] Each level is inclusive of the lower limit and exclusive of the upper.
[c] Dividend-paying companies that had sustained a net loss before dividend payment.

TABLE B-16

PERCENTAGE DISTRIBUTION OF DIVIDEND-PAYING COMPANIES AMONG CONSUMER INSTALMENT FINANCING AGENCIES, 1929, 1933, 1936, BY DIVIDENDS IN PERCENT OF NET WORTH[a]

Agency	*No. of Cos. Paying Dividends*	*Dividends in Percent of Year-End Net Worth*[b] Under 2%	2–4%	4–6%	6–8%	8–10%	10–15%	15% or Over	Total
202 sales finance companies									
1929	148	6.8%	14.1%	27.7%	27.7%	12.2%	8.8%	2.7%	100.0%
1933	119	10.9	32.7	30.3	14.3	5.9	3.4	2.5	100.0
1936	190	3.2	13.2	22.6	15.8	16.8	17.9	10.5	100.0
153 personal finance companies									
1929	100	9.0	17.0	32.0	22.0	7.0	7.0	6.0	100.0
1933	113	13.3	27.4	30.1	15.0	6.2	6.2	1.8	100.0
1936	140	6.4	23.6	26.4	13.6	9.3	10.7	10.0	100.0
79 non-invest. type indust. bkg. cos.									
1929	56	5.4	5.4	37.5	39.2	8.9	3.6	..	100.0
1933	43	16.3	34.9	37.2	7.0	2.3	2.3	..	100.0
1936	73	8.2	19.2	31.5	20.5	11.0	5.5	4.1	100.0
93 invest. type indust. banks									
56 noninsured									
1929	51	5.9	15.7	43.1	29.4	2.0	3.9	..	100.0
1933	38	18.4	47.4	23.7	10.5	..	..	..	100.0
1936	54	7.4	31.5	25.9	14.8	9.3	7.4	3.7	100.0
37 insured									
1929	32	6.2	18.8	46.9	25.0	3.1	..	..	100.0
1933	21	33.3	42.8	14.3	4.8	4.8	..	..	100.0
1936	36	11.1	27.8	41.6	13.9	2.8	2.8	..	100.0

[a] Based on tabulations prepared by the Income Tax Study.
[b] Each level is inclusive of the lower limit and exclusive of the upper.

TABLE B-17

PERCENT OF DIVIDEND-PAYING INSURED COMMERCIAL BANKS, 1936–41, BY AMOUNT OF DEPOSITS[a]

Deposits	*All Insured Commercial Banks*			*Insured Commercial Banks Not Members of Federal Reserve System*					
	1939	1940	1941	1936	1937	1938	1939	1940	1941
$100,000 or less	52.8%	58.1%	60.0%	45.4%	48.8%	48.1%	53.0%	58.0%	60.9%
100,000—250,000	69.7	75.9	77.8	64.0	67.3	65.9	68.8	75.2	78.1
250,000—500,000	80.1	84.0	85.5	72.1	74.0	74.6	78.5	82.0	84.8
500,000—1,000,000	84.7	87.6	88.6	76.6	78.8	77.4	81.5	84.1	86.0
1,000,000—2,000,000	88.3	89.6	90.3	81.0	82.1	81.3	81.9	84.3	88.0
2,000,000—5,000,000	90.0	91.7	92.6	86.4	85.0	82.1	85.4	86.0	87.6
5,000,000—10,000,000	92.2	93.3	92.5	90.5	89.9	85.7	87.1	87.7	90.4
10,000,000—50,000,000	93.3	95.2	94.8	90.2	94.2	90.2	90.0	91.1	92.7
Over 50,000,000	99.2	100.0	99.3	(75.0)	(80.0)	(80.0)	(100.0)	(100.0)	(83.3)
ALL BANKS	81.6%	85.4%	87.2%	69.5%	72.7%	71.7%	75.8%	80.2%	83.6%

[a] Based on data from Federal Deposit Insurance Corporation. Cash depositories, banks designated in this study as insured industrial banks, and banks that submitted reports covering less than the full year's operations or whose operations were materially affected by mergers during the year are not included. Parentheses indicate groups containing 10 banks or fewer.

TABLE B-18

NUMBER AND PERCENTAGE DISTRIBUTION OF DIVIDEND-PAYING INSURED COMMERCIAL BANKS, 1939, BY DIVIDEND RATE AND AMOUNT OF DEPOSITS[a]

Deposits	NUMBER: Dividends in % of Net Worth: Under 3%	NUMBER: Dividends in % of Net Worth: 3–5%	NUMBER: Dividends in % of Net Worth: 5% or Over	NUMBER: Total	PERCENTAGE DISTRIBUTION: Dividends in % of Net Worth: Under 3%	PERCENTAGE DISTRIBUTION: Dividends in % of Net Worth: 3–5%	PERCENTAGE DISTRIBUTION: Dividends in % of Net Worth: 5% or Over	PERCENTAGE DISTRIBUTION: Total	Average Dividends in % of Net Worth[b]
$100,000 or less	125	73	42	240	52.1%	30.4%	17.5%	100.0%	3.29%
100,000—250,000	797	535	359	1,691	47.1	31.7	21.2	100.0	3.62
250,000—500,000	1,150	729	577	2,456	46.8	29.8	23.4	100.0	3.78
500,000—1,000,000	1,297	674	466	2,437	53.2	27.7	19.1	100.0	3.47
1,000,000—2,000,000	1,103	520	231	1,854	59.4	28.1	12.5	100.0	3.07
2,000,000—5,000,000	798	376	106	1,280	62.3	29.4	8.3	100.0	2.83
5,000,000—10,000,000	306	118	25	449	68.1	26.3	5.6	100.0	2.55
10,000,000—25,000,000	147	87	23	257	57.2	33.8	9.0	100.0	2.94
25,000,000—50,000,000	45	41	11	97	46.4	42.3	11.3	100.0	3.35
Over 50,000,000	39	57	28	124	31.4	46.0	22.6	100.0	3.81
ALL BANKS	5,807	3,210	1,868	10,885	53.4%	29.5%	17.1%	100.0%	3.37%

[a] Based on data from Federal Deposit Insurance Corporation. In regard to banks that were members of the Federal Reserve System net worth and deposits are averages of figures for call dates during the year, and in regard to non-member banks they are averages of figures for the beginning, middle and end of the year. Banks that submitted reports covering less than the full year's operations or whose operations were materially affected by mergers during the year are not included. Dividend rate groups are inclusive of the lower limit and exclusive of the upper. Deposits are exclusive of the lower limit and inclusive of the upper.

[b] Averages of rates of individual banks.

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