

October 26, 1934.

Dr. Viner

Mr. Eccles

With reference to the attached file, I do not believe the Credit Utility Company, Inc., could be described as an agency conducting an industrial banking business. Its business, as I understand it, would be better defined as an industrial finance company. In the public mind, banking is associated with the depositing of money and the drawing of checks, even more than it is in the extending of credit.

There is nothing new about the business of purchasing and discounting installment notes covering sales of various types of machinery to industry. Such a business, like most finance companies, depends very largely on bank credit for funds with which to carry on operations. The company provides the cushion in the form of an adequate ratio of capital and surplus. They usually charge high fees and rates for the credit which they provide, costs which industry can ill-afford to pay under the present conditions. This type of financing is only resorted to by those companies which are short of capital and which are often second rate.

The country can not expect to get much improvement in the business of the heavy industries if it must depend upon the usual installment credit financing.