

CONFIDENTIAL

SUMMARY OF SPECIAL REPORTS ON LOANS TO COMMERCIAL AND INDUSTRIAL
BUSINESSES WITH MATURITIES OF ONE YEAR OR MORE, SUBMITTED BY
WEEKLY REPORTING MEMBER BANKS IN 101 LEADING CITIES

(Preliminary)

June 1, 1939

It should be borne in mind that the reports cover only such loans as are represented by notes with maturities of one year or more; they do not include advances on notes given for shorter periods or on demand notes even if the banks and the borrowers have an understanding that, in the absence of unforeseen developments, the advances will be extended for periods of a year or more. Furthermore, this is the first time data of this type have been asked for, and it is quite probable that all of the banks have not interpreted the questionnaire uniformly. One large bank stated that it was impracticable for it to segregate its small business loans from other loans made by the personal loan department. If other banks had the same difficulty the number of loans as reported may be considerably understated. It is believed, however, that the dollar amount of loans as reported represents a fair picture of the volume of loans extended to commercial and industrial businesses on notes with maturities of one year or more.

NUMBER AND ORIGINAL OR FACE AMOUNT OF LOANS TO COMMERCIAL AND INDUSTRIAL
BUSINESSES WITH MATURITIES OF ONE YEAR OR MORE HELD ON APRIL 19, 1939,
BY ABOUT 400 WEEKLY REPORTING MEMBER BANKS IN 101 LEADING CITIES

	Number of loans	Amount
Installment loans	21,800	\$950,000,000
Non-installment loans	2,800	460,000,000
Total	24,600	1,410,000,000
Size of loans:		
Less than \$100,000	22,600	170,000,000
\$100,000 to \$999,999	1,700	450,000,000
\$1,000,000 and over	300	790,000,000
Maturities of loans:		
1 year or more but less than 3 years	18,000	420,000,000
3 years or more	6,600	990,000,000

Examination of the reports and data compiled therefrom shows that --

1. Of the total commercial, industrial, and agricultural loans of weekly reporting member banks outstanding on April 19, 1939, nearly \$1,000,000,000 or about 25 per cent had a maturity when originally made of one year or more. In addition the banks hold on the same date about \$175,000,000 of loans secured by real estate made to commercial and industrial businesses.

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2. The original or face amount of these intermediate and long-term loans to commercial and industrial businesses was \$1,400,000,000. Of this total, somewhat more than 50 per cent represented loans made by New York City banks; in fact, 6 banks in New York and 6 outside of New York accounted for \$860,000,000 of the total.

3. Of the approximately 400 weekly reporting banks, 65 reported no intermediate or long-term loans to commercial or industrial businesses, and 70 reported less than 5 such loans. As previously pointed out, however, some of the banks have extended a substantial volume of such credit on the basis of demand or short-term notes.

4. The total number of intermediate and long-term loans reported by the weekly reporting banks was approximately 24,600. Of this total, 40 per cent represents loans by the 9 banks which reported 500 or more loans. The indicated concentration in the number of loans doubtless is due in part to differences in methods of reporting. Some banks, for example, may have considered that all notes discounted under a single line of credit constituted one loan, while other banks counted each customer's note discounted for a borrower as a separate loan. At least one bank, also, excluded small business loans made through its personal loan department.

5. Of the 24,600 intermediate and long-term loans, about 22,600 amounting to \$170,000,000 were for less than \$100,000 each, approximately 1,700 amounting to \$450,000,000 were for \$100,000 or more but less than \$1,000,000, and about 300 loans amounting to \$790,000,000 were for \$1,000,000 or more.

6. The average size of the loans in the group of loans of less than \$100,000 each was \$7,000, and ranged from \$400 to \$20,000 at the 9 banks which reported 40 per cent of these loans.

7. About 75 per cent of the total number of intermediate and long-term loans to commercial and industrial businesses matured in less than three years, but measured in dollars only 30 per cent matured in less than three years. At New York banks, about 50 per cent of the number and 25 per cent of the dollar amount had maturities of less than three years. Apparently the large loans, made mostly by the New York banks, are for longer maturities than the small loans made mostly by banks outside of New York.

8. Approximately 90 per cent of the total number and 67 per cent of the dollar amount of loans were made on an installment or amortization basis.

9. About 800 of the loans were made in participation with other banks (some apparently in participation with the Reconstruction Finance Corporation or the Federal Reserve banks).

10. Approximately 100 of the 400 weekly reporting banks answered affirmatively the question whether or not they knew of any commercial or industrial businesses, in the territories served by the respective banks, which had requested but were unable to obtain intermediate or long-term credit for working capital or other purposes. Nearly all of these 100 banks indicated that there was no reasonable basis for bank credit in the cases coming to their attention and that what was needed in most cases was equity capital. Poor earnings and unfavorable prospects were the principal reasons given why bank credit could not be extended.