

## BANK CREDIT IN 1948

Suggestions by the  
Small Business Credit Commission,  
Credit Policy Commission and  
Government Borrowing Committee  
of the American Bankers Association

The American Bankers Association realizes that the banks have a part to play in combating the forces of inflation. The proper use of bank credit must be impressed upon both the banker and the borrower. While the amount of bank credit outstanding has steadily increased in recent months, it is not out of line at the present time with the capital and deposit structure of the Banking System. Neither is it out of line when the increase in national production is considered, as well as wages and the price level.

1. In the months immediately ahead bank credit should not be made available except for the production and distribution of goods, food, and services which will add to the supply side of the economic equation.
2. Excessive commodity and inventory loans which are designed to withdraw goods from supply in anticipation of price rises should be declined.
3. Action on applications for mortgage loans for currently non-essential building, or for construction which can be postponed until building supplies and labor are in greater abundance, should be deferred.
4. In view of the fact that the productive machinery of the country must be kept at maximum levels, the banks should give priority to applicants for loans who can turn out the supplies and provide the services needed now at home and abroad. This is one of the most effective methods of combating inflation.
5. Make personal loans to individuals only for constructive and necessitous purposes.
6. Make careful appraisals on properties and goods as the basis for secured loans and give due regard to probable long-range trends of prices and values. This will apply in all cases, even to loans guaranteed or insured by governmental agencies, and especially to term loans.
7. Study periodically the loan portfolio to determine possible changes in the quality of loans and the risks involved.
8. Maintain a conservative ratio between loans outstanding and capital account.

Review

It is practically impossible to lay down any set of rules which would determine whether or not a particular loan in a given section of the country is inflationary. This is a vast country with varied interests. However, the suggestions made above should be in the minds of all bank officers having to do with credits. Before extending bank credit we urge you to read President Dodge's statement contained herein. [Statement not included.]

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SOURCE: ABA pamphlet.