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TRENDS AND DEVELOPMENTS IN CREDIT CARD BANKING

A Paper

By

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## TRENDS AND DEVELOPMENTS IN CREDIT CARD BANKING

By

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After several years of vigorous growth, bank lending to consumers under credit card plans has settled down to a more tranquil pace of expansion. To some extent, the moderation undoubtedly reflects the adverse impact of the 1970-71 recession. But the slower rate of growth also partly reflects the approaching maturity of credit card plans in those sections of the country where the banking structure is most conducive to this form of credit extension.

However, on the whole, credit cards are continuing to widen their reach in the banking system. The number of commercial banks with credit card plans is still rising, and the proportion of consumer credit obtained from banks through the use of credit cards is also rising. Moreover, bank credit cards are continuing to claim a growing share of the market for short-term consumer credit. In response, suppliers of competing forms of such credit have found it necessary to revamp their plans to slow the erosion of their own market shares. These modifications have also benefited consumers by expanding the range of financial services available to them. From the point of view of card-issuing banks, the profitability of credit card operations has improved considerably in the last year or so.

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However, the views expressed here are my own and should not be attributed to the Board's staff nor to my colleagues on the Board.

These are the major conclusions which emerge from an examination of trends and developments in credit card banking in the last five years. The results of the analysis are presented below, but the highlights can be summarized here.

- At the end of June this year, \$4.5 billion of consumer credit was outstanding under bank credit cards. This was \$568 million above the level a year earlier. However, it also represented the smallest annual rate of growth recorded in the 4-1/2 years covered by the statistics.
- Part of the slower growth can be traced to the adverse effects of the 1970-71 recession. Yet, the evidence also suggests that bank lending under credit card plans is approaching maturity in several regions (especially where branch banking provides a ready made framework for the operation of credit card plans). Nevertheless, the scope for future expansion appears to be considerable.
- An increasing proportion of commercial bank lending to consumers is being done under credit card plans. At the end of 1967, credit card outstandings represented 2.5 per cent of total instalment credit on the books of commercial banks. At the end of 1971, the proportion was 8.6 per cent. And despite a seasonal slackening in growth during the first half of 1972, credit cards were 8.1 per cent of the total at the end of last June.
- Bank credit cards on June 30 accounted for slightly less than one-third of the amount outstanding under several major types of consumer credit arrangements. At the end of 1967, the credit card share in this group was only 10 per cent.
- The business of credit card banking remains the province of large banks--although a lessening of concentration has occurred in the last two years. Moreover, mainly through agency arrangements, smaller banks have been able to make credit cards available to their customers.

- The geography of credit card banking has changed substantially in the last five years. Once heavily concentrated in the West (especially in California), the availability and use of bank credit cards have spread to the rest of the country (particularly to the East Coast). In contrast, bank credit cards have achieved only moderate penetration of the consumer credit market in the Mid-West.
- The two national credit card systems (BankAmericard and Interbank Card), after a period of rapid growth seem to have entered a new phase. They seem to be streamlining operations and consolidating positions. In fact, during 1971, the number of card-issuing banks declined by 201. All of them had offered the Interbank card, and this decline represented a one-sixth cutback in the number of banks in the Interbank system. Also during 1971, the number of cardholder accounts in the two systems dropped by 7.5 million. Some of the loss was recovered in the first half of this year, but the number of accounts is still well below the previous peak. However, the proportion of outstanding cards actually used has risen steadily--from about one-quarter at the middle of 1969 to nearly three-fifths in June of this year.
- The profitability of bank credit card plans has improved in the last year or so. Charge-off rates have declined as card plans have matured. Moreover, the fraudulent use of bank credit cards has not been rising--although the actual incidence of fraud remains high.

Each of these main points is amplified below.

Growth of Credit Card Banking: 1967-1972

On June 30, 1972, bank loans outstanding under credit cards totaled \$4.5 billion. (See Table 1, attached.) Over the previous year, the volume of such credit rose by \$568 million--or by 15 per cent. However, this was the smallest annual advance during the 4-1/2 years covered by the statistics collected by the Federal Reserve Board.

In fact, during the last two years, the rate of growth of bank card credit slowed considerably. Some of this slackening was anticipated following the burst of activity in this field in 1969. Yet, the actual slowing exceeded expectations of many industry observers.

At the end of 1967, about \$828 million of loans to consumers was outstanding under credit card plans. The level more than tripled during the following two years, and reached \$2.6 billion by the end of 1969. Nearly three-quarters of the two-year increase (or \$1.3 of the \$1.8 billion advance) occurred in 1969 alone. In large measure, the spurt in the amount of credit outstanding under bank credit cards reflected the sharp expansion in the number of banks offering such plans. But the existing plans also shared in the rising volume of bank lending to consumers in this form.

At the end of last December, 1,535 commercial banks were offering credit card plans, compared with 390 banks at the end of 1967.<sup>1/</sup> (Table 2.) More than half of this gain (697 out of a total increase of 1,145) occurred in 1969. In that year, the number of card-issuing banks rose by more than 100 per cent. In 1970, the rise was substantially less--225 banks, an increase of less than one-fifth. Last year, the gain was even smaller--103 banks and 7 per cent. A considerable number of the banks launching credit card plans in the last three years were

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<sup>1/</sup> These were card-issuing banks--i.e., those which carry the receivables on their own books. "Agency" banks make credit cards available to their customers, but the credits generated under the agency plans are carried by the card-issuing institution.

institutions located in the eastern section of the country. For the most part, they were located in metropolitan areas in which check credit had been an accepted instrument of bank lending to consumers for a number of years.

However, check credit plans lost considerable ground to bank credit cards in 1969. None of this was recovered in subsequent years--although no further relative loss was recorded. For example, at the end of 1967, a greater number of banks had check credit plans than offered credit card arrangements (732 vs. 390). While some banks (101) offered both types of plans, those employing the check credit instrument were clearly the most numerous. Moreover, the volume of credit outstanding under check credit plans represented 39 per cent of the combined total for these two types of loans to consumers. However, by the end of 1969, the number of banks with check credit plans had been surpassed by the number offering credit cards (1,128 vs. 1,207). The check credit share of credit outstanding had fallen to 29 per cent as of December, 1969. The next year, it dropped further to 26 per cent--and remained at that proportion in December of 1971.

At the end of last year, almost 2,922 banks--about 21 per cent of all insured commercial banks in the country--offered some type of revolving credit to consumers. Of these banks, 1,535 (53 per cent) held receivables under card plans, and 1,387 (47 per cent) had check credit plans. However, 474 banks offered both types of plans. Allowing for this duplication, about 2,448 insured commercial banks (18 per cent

of the total) were offering revolving credit in some form. At the end of 1967, only 8 per cent of the banks were engaged in this type of consumer lending.

Bank Card Credit vs. Total Instalment Credit

Consumer credit outstanding under bank credit cards has been growing at a faster rate than other forms of lending to consumers since 1967. However, in the last year, the relative importance of bank card credit changed only moderately. As shown in Table 3, credit outstandings under bank cards at the end of 1971 was 4.0 per cent of total instalment credit and 8.6 per cent of instalment credit at commercial banks. At the end of 1967, the corresponding proportions were 1.0 per cent and 2.5 per cent, respectively. Outstandings under credit card and check credit plans combined were 5.3 per cent of total instalment credit and 11.5 per cent of instalment credit at commercial banks at the end of 1971. The corresponding figures were 1.7 per cent and 4.1 per cent at the end of 1967.

To assess the relative importance of credit types from a transaction point of view, extensions (gross volume) rather than outstandings should be the measure employed. (The relative degrees of activity of credit types with different average repayment periods will not be reflected properly by a distribution of the level of credit outstanding.) Bank credit card extensions were 6.6 per cent of total instalment credit extensions and 15.8 per cent of bank instalment credit extensions in the first half of 1972 (Table 4). In the first half of 1968, the corresponding proportions were 1.9 per cent and 5.0 per cent.

Credit card and check credit extensions combined rose to 20 per cent of total bank instalment credit extensions in 1970, and they have remained at about this level since. Thus, these revolving credit types have clearly become an important component of bank consumer instalment credit volume.

Bank Card Credit vs. Other Types of Consumer Credit

Over the last 4-1/2 years, credit outstanding under bank credit cards expanded at a much higher rate than other major forms of consumer credit with which bank cards are in competition. These principal types of credit instruments include (besides bank credit cards) bank check credit, travel and entertainment cards, oil company credit cards, and retail charge accounts.<sup>2/</sup> As shown in Table 5, in these categories, about \$15.4 billion of credit was outstanding at the end of 1971. These forms of credit experience considerable seasonal variation, and the June level is typically below that recorded at the end of December. Reflecting this pattern, the amount outstanding last June 30 was \$14.8 billion.

During the 4-year period ending last December, the combined total of the five types of consumer credit rose by \$7.2 billion, or by 86 per cent. (Table 6.) Among these types, however, bank credit cards registered a four-fold increase, and check credit rose by nearly 200 per cent. Credit outstanding under travel and entertainment credit

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<sup>2/</sup> Retail instalment credit was excluded from this analysis. Even after eliminating automobile credit, a substantial part of the remainder is related to the purchase of large-ticket items (such as furniture and appliances) for which bank credit cards are not readily adapted.



cards and oil company credit cards just about doubled in each case. On the other hand, retail charge account credit increased by about one-quarter. Between June, 1968, and June, 1972, the actual changes in the various types of credit differed somewhat compared with the year-end changes, but the overall pattern was essentially the same.

At the end of 1967, bank credit cards represented only 10 per cent of the total outstandings shown in Table 5. But during the next four years, this type of credit accounted for about half of the net increase in the total outstanding. By the end of 1971, its share had risen to 30 per cent. The share of check credit rose from 6 per cent to 11 per cent. Travel and entertainment cards just about held their own modest share (roughly 1.0 per cent) during the 4-year period. The proportion of the total represented by oil company cards rose only slightly--from 11 per cent to 12 per cent. In contrast to all of these trends, the share of retail charge accounts declined substantially--from 72 per cent at the end of 1967 to 49 per cent at the end of last December. A further relative decrease was recorded during the first half of this year, and the charge account share was 46 per cent at the end of June.

The significant gain in the share of the market held by bank credit cards (and the relative decline in the share held by retail charge accounts) reflects the wide acceptance of bank card plans among speciality stores, mass merchandisers, and smaller department stores. In fact, bank credit cards have supplanted or are existing side-by-side with credit plans operated by many of these retailers.

Most large department stores, however, have been resistant to bank cards. Many of these businesses operate their own card systems, and the store card encourages better customer loyalty, provides better direct mail advertising opportunities, and facilitates the handling of returned merchandise. A sizable number of these stores have been converting simple charge accounts to a revolving credit basis which is in general favored by consumers.

Consumer credit held by the travel and entertainment card firms doubled between mid-1968 and mid-1972. Yet, as with the bank cards, growth has slowed considerably over the last year or two. This type of credit has remained quite small in absolute terms. For example, it was equal to only 3 per cent of the outstandings under bank credit card plans at the middle of 1972. Much of the credit extended through these plans is repaid on a revolving basis, and some of the revolving credit receivables is acquired by banks through agreements with the travel and entertainment card firms.

Consumer credit outstanding under oil company credit cards increased by 77 per cent between June, 1968, and mid-1972. However, here also the rate of increase has been falling since the end of 1970. At the end of June, 1972, outstandings under these plans were equal to two-fifths of the amount of bank card credit. A number of companies have been converting 30-day plans to a revolving credit basis. Some have also linked their cards with a variety of other uses, including travel facilities (such as motels), merchandise items, and insurance.

So, in the last two years or so, the competitive pressures generated by bank credit cards have induced firms offering a variety of other consumer credit plans to modify their range of services. In the process, the benefits to consumers have been broadened and improved.

#### Changing Geography of Credit Card Banking

The sharp increase in bank credit card plans and check credit plans had its beginning in the years 1966 and 1967, when several hundred new ones were started. As indicated above, by December, 1967, there were 390 card plans and 732 check credit plans in operation. At that time, the card plans were concentrated in the San Francisco Federal Reserve District. (Table 7.) Of the banks throughout the country which held receivables, 83 of them (21 per cent) were located in that District. What is even more striking, these banks held 45 per cent (\$370 million) of all bank credit card outstandings. Bank card plans were also popular in the Chicago District (which had 18 per cent of the outstandings) and in the New York District (where 13 per cent of the receivables were held). This pattern corresponds to the three areas of the country where a few plans had started up in the 1950's and which had managed to survive early operating difficulties.

Not only did the San Francisco District lead the nation in the amount of receivables held, but it also was the leader in terms of the proportion of commercial banks having plans (Table 9). At the end of 1967, 19 per cent of banks in that District had card plans, while 11 per cent operated a check credit plan. At that time, San Francisco was the only one of the 12 Federal Reserve Districts with a larger proportion of the banks participating in card plans than in check credit plans. On the opposite side of the country, the Boston District had 17 per cent of its banks operating a check credit plan while only 4 per cent had card plans. Generally speaking, a larger proportion of the banks in the Northeast had check credit plans while on the West Coast the emphasis was on credit cards. In the Southeast and the vast mid-section of the country, both types of plans were relatively sparse in 1967.

In the sizable expansion of bank credit card plans that took place in 1969, the percentage of commercial banks offering plans rose from 4 per cent in 1968 to 9 per cent a year later. However, in some of the Federal Reserve Districts, the gain was even more dramatic. In the Boston District, for instance, the proportion of insured commercial banks which operated card plans went from 6 per cent in December, 1968, to 40 per cent at the end of 1969. The New York, Cleveland, Richmond, and Atlanta Districts also showed large increases in the participation rate. During the same period, there were only minor gains in the percentage of banks offering check credit plans. The national rate

climbed only one percentage point from 7 per cent to 8 per cent, and the largest increase in any of the Districts was 3 percentage points in Cleveland and Chicago. The St. Louis, Minneapolis, Kansas City, and Dallas Federal Reserve Districts all stayed at low levels, both in participation of banks and in levels of credit card and check credit outstanding (Tables 7, 8, and 9). Thus, the credit card and check credit plans were strong east of the Mississippi and west of the Rockies at the end of 1969. In between, little use was made of this means of lending to consumers.

At the end of 1971, there were only minor variations from the geographic pattern that prevailed at the end of 1969. The percentage of banks participating in some sort of plan grew only slightly, both nationally and in each of the Federal Reserve Districts. Likewise the distribution of credit card and check credit outstandings among the various Districts changed little.

The fact that there has been little change in the regional distribution of bank card and check credit during the last few years might be taken as evidence that the plans have reached their maturity and that there will be little additional change in coming years. However, there is nothing in the data available to indicate that such is the case. There are such widespread differences among the Districts that room for growth still seems to exist in some if not all areas. For example, when one looks at the proportion of banks within each District that operate a credit card plan, one finds that the fraction ranges

from 45 per cent in the Boston District to a low of 3 per cent in the Minneapolis District. Likewise, the participation rate in check credit plans varies from Boston's 24 per cent to 4 per cent at both St. Louis and Dallas.

Of course, some variation is to be expected due to the differences in the organization of different plans. A single bank's plan can be limited to one city or it may be a statewide system. Typically, statewide or regional systems are more common in states where branch banking is permitted. However, they can occur in unit banking states through the use of other banks as agents. Since agent banks typically run little risk, many small banks may be persuaded to act in this capacity in order to get merchants' deposits. Data on the geographic distribution of agent banks are unavailable. Nevertheless, one would not expect variations in the use of agents to account for all of the regional differences noted previously.

Moreover, there is additional evidence that the credit card plans have not reached the same degree of maturity in every region of the country. When one looks at the ratio of credit card outstandings to total bank instalment credit, the marked variations among the Districts can be seen readily (Table 10). In the San Francisco District, credit cards account for over 13 per cent of the banks' outstandings. On the other hand, in the Philadelphia District, they account for only 3 per cent, and in the Minneapolis District they represent only 0.7 per cent.

One would expect that--if all credit card plans had reached the same maturity--there would be little variation in these figures. But one finds that--in those areas of the country where credit card plans were underdeveloped prior to the 1969 growth spurt--the plans account for a lower percentage of bank instalment credit to consumers. But in the Northeast and on the West Coast, credit card plans have grown to be over 10 per cent of bank instalment credit. In addition, when one looks at the historical development of these proportions, it is evident that, although the figures for Boston, New York and San Francisco were quite different in 1967 and 1968, they had all arrived at approximately the same level in 1971. Therefore, while there has been little development in the credit card systems in several regions, there is little reason to expect that it will not occur.

Participation by Banks of Different Size

As bank credit card systems have expanded in recent years, some concern has been expressed about the competitive position of smaller banks. Some observers have been concerned about the possibility that the latter might be adversely affected--since heavy start-up and administrative costs may make it necessary to generate a large volume of business. While credit card receivables have been concentrated in the larger institutions, many of the smaller banks have been able to provide revolving credit to their customers. To do so, many of these smaller banks have employed alternatives to independent credit card operations.

Large banks have dominated the credit card business since the end of 1967, but the degree of concentration in the largest institutions has declined somewhat over the period (Table 11). At the end of 1967, there were 23 banks (6 per cent of all credit card banks) with total deposits of \$1.0 billion or more. This group of banks held over two-thirds of the total credit card receivables. By the end of 1971, 53 banks with card receivables were in this size class. However, they represented only 3 per cent of the card-issuing banks, and they held less than half of the total receivables.

The major gains in shares have occurred in the middle size classes--i.e., banks with total deposits between \$100 million and \$1.0 billion. The smaller banks have maintained a rather modest share of the credit card market. At the end of 1967, there were 288 card-issuing banks (about three-fourths of all such banks) with total deposits of less than \$100 million, and these banks held only 7 per cent of card outstandings. At the end of 1971, there were 1,164 card-issuing banks (just under four-fifths of all banks with cards) in these lower size classes, and they held about 10 per cent of the total receivables.

Not only are credit card receivables concentrated in the upper size classes, but the proportion of all insured commercial banks holding receivables is also higher the larger the size of bank (Table 13). Furthermore, since the end of 1967, the proportion of banks holding receivables has increased most in the middle and upper



size classes--i.e., from \$100 million and more of deposits. At the end of 1971, there were over 3,900 banks with total deposits of less than \$5.0 million; only about 1.0 per cent of these had credit card receivables outstanding. On the same date, there were about 9,000 banks with total deposits between \$5 million and \$100 million; 12 per cent of these banks had card receivables. In contrast, at the end of 1971, there were 64 banks with deposits over \$1.0 billion, and 53 (82 per cent) had card receivables. At the end of 1967, 49 per cent of the banks in the highest size class held receivables as opposed to 1 per cent of banks in the lowest size class.

The smaller banks, whose participation in credit card receivables has remained relatively modest over the period since 1967, have not generally turned to check credit plans--which require a smaller initial investment and have lower operating costs--as a substitute for independent credit card plans. Indeed, the fact that 20 per cent of the banks offering revolving credit at the end of 1971 offered both types of plans indicated that they are complementary rather than substitutes for each other. The degree of concentration of check credit receivables in large banks is as high as for credit cards, and the pattern has changed little since 1967 (Table 12). At the end of 1971, 61 of the banks with check credit (4 per cent of the total) had deposits of \$1.0 billion and over; these banks held 58 per cent of the check credit receivables. Seventy-four per cent of the banks with check credit had deposits under \$100 million, but these banks held only 9 per cent of the receivables. Banks with deposits under \$10 million held a negligible proportion of credit outstanding.

As with credit card plans, the larger the size of banks, the higher the proportion of banks holding check credit receivables (Table 13). At the end of 1971, this proportion rose from 1 per cent in the smallest size class to 80 per cent in the largest size class. The proportions of banks holding check credit receivables have shown modest increases in most size-of-bank classes since the end of 1967.

While the majority of the smaller banks have neither check credit nor independent credit card plans, many have made revolving credit available to their customers through agency arrangements with card-issuing banks. At the end of 1971, 8,247 such arrangements were made with banks of the two nationwide credit card systems (Table 14), and very few card-issuing banks also act as agents for another card plan (less than 1 per cent at the end of 1971). In fact, many of the smaller banks have signed up as agents of two card systems, thus gaining the advantage of offering merchants two card plans for a single account.

#### National Credit Card System

The two national credit card systems (BankAmericard and Interbank Card Association)--which have dominated the field for the last 3-1/2 years--seem to have entered a new phase. After a period of rapid growth--especially on the part of the Interbank system--they seem to be in the midst of a number of measures designed to consolidate their positions.

In May, 1966, the first national interchange program for a bank credit card was formed with the national licensing of BankAmericard. The Interbank Card Association was also formed in 1966 for the purpose of facilitating the national interchange of its members' charge cards. In April, 1969, Interbank acquired the Master Charge trademark from Western States Bankcard Association and became the sole licensing agent for the Master Charge Card.

On June 30, 1972, there were 4,195 banks participating in the BankAmericard (BA) system, and 5,600 were in the Interbank Card (IB) system. (Table 14.)<sup>3/</sup> On June 30, 1969, the number of participating banks were 3,085 and 3,050, respectively. So, during the three years ending in mid-1972, the number of BA banks rose by 35 per cent, and the number of IB banks rose by 83 per cent. However, the general structure of the two systems--which has differed markedly from the outset--remained essentially unchanged. For example, on June 30, 1969, the BA system had 185 card-issuing banks and 2,900 agency banks. So 6 per cent of the participating BA banks carried the credit card receivables on their own books, and 94 per cent operated as agents for other banks. In contrast, on the same date, the IB system had 500 card-issuing banks and 2,550 agency banks. Among the IB group, 16 per cent of the members were card-issuing banks, and 84 per cent were agents.

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<sup>3/</sup> The system figures for numbers of banks and merchants cannot be added to obtain a total since some duplication exists.

Two and one-half years later--on December 31, 1971, the BA system had 3,978 participating banks--divided into 245 card-issuing banks and 3,733 agency banks. There were 5,495 IB participants--of which 981 were card-issuers and 4,514 were agents. Thus, card-issuers still represented 6 per cent of the BA banks while agent banks represented 94 per cent. In the case of the IB banks, card-issuers had risen slightly--but only to 18 per cent--and agents had eased off to 82 per cent.

At the end of June, 1972, there were 246 card-issuing banks in the BA system. This number has remained essentially unchanged since the end of 1970--where there were 245 card-issuers in the BA system. So all of the rise in the number of BA participating banks (444 or 12 per cent) during the preceding year and a half occurred among agency banks. The Interbank Card system no longer shows separately the number of card-issuing and agency banks, so the composition of the IB banks at the end of June cannot be determined. However, between December 31, 1970, and December 31, 1971, the number of IB participating banks rose by 135--to 5,495. During the same period, however, the number of card-issuing banks declined by 201 (from 1,182 to 981). So the number of agency banks in the IB system climbed by 336 during 1971. The drop in the number of card-issuing banks during 1971 was equal to 17 per cent of the number in the system at the end of the previous year.

As mentioned above, the two national credit card systems have dominated the bank credit card field since the middle of 1969. At the end of 1970, the combined outstandings of the two systems accounted for 93 per cent of total bank card outstandings. However, since then, the proportion has declined slightly. It fell to 90 per cent by mid-1972, despite the conversion of a large local plan in the mid-Atlantic region to the BA system early this year. The number of cardholder accounts in the two systems totaled 30.3 million at the end of last June. This was a decline of 6.5 million since the end of 1970. In fact, the decrease during 1971 was even larger (7.5 million), but some of the loss was recovered in the first half of this year.

The number of active accounts rose by 2.3 million (to 17.6 million) from the end of 1970 through mid-1972. More importantly, active accounts as a proportion of the total increased substantially-- from 41 per cent to 58 per cent. However, the average balance outstanding in active accounts showed little movement over the last year or two. It was \$232 at the end of 1970, \$243 a year later, and \$228 at the end of last June.

In passing, another recent development relating to national credit card systems should be noted. A Federal Court ruled in July of this year that a National BankAmericard rule prohibiting member banks from holding certain types of dual membership (including dual card-issuing status in BankAmericard and Interbank Card Association) is a

"... horizontal restraint of trade or commerce and a per-se violation of the antitrust laws...." The Court concluded that "both merchants and cardholders will be better served if they are allowed to do business with a bank which handles both cards." The BA organization has contended that its dual membership rule was aimed at maintaining and enhancing competition, and it plans to appeal the ruling. The bank challenging the BA rule argued that competition in the bank credit card business is more vigorous between banks--even banks which are members of the same system--than between systems, and that rules against dual membership constitute a violation of antitrust laws.

Since the matter is still in the Federal Courts, it would be improper for me to comment on the merits of the case. However, it is evident that the ultimate decision will have important consequences for the future development of the bank card systems.

#### Profitability of Credit Card Banking

In recent years, doubt about the possibility of profitable operation of card plans has been rather widespread. This has been due largely to unexpected losses which accompanied the rapid growth of the plans in the 1968-69 period. However, available data on charge-offs and profitability suggest that operating performance has improved in the last year or so. Moreover, unless a renewed surge occurs in the number of banks with plans, average profitability should continue to improve in the near future.

To examine some of the areas of concern--and as previously reported--the Federal Reserve Banks were asked in August, 1971, to make an informal survey of a sample of the card-issuing banks in their Districts to check on their experiences with the operation of card plans.<sup>4/</sup> The emphasis in that special survey was on the development of information on charge-offs, fraud losses, and overall profitability. Other sources of information relating to these measures are (1) supplements to the Call Report (where charge-off information is supplied), (2) material from the American Bankers Association's credit card surveys, and (3) information supplied by the two major credit card interchange systems.

The data show that the charge-off rate (defined as net charge-offs as a percentage of account liquidations) has improved somewhat since 1970. The rate rose sharply in 1970 to 2.22 per cent from 1.96 per cent in 1969. This jump was probably due to the large number of new programs that started up late in 1969. These programs would not have charged off any accounts until 1970. Since new programs have a greater likelihood of encountering bad accounts, this increase in the charge-off rate is not unexpected.

The charge-off rate fell in 1971 to 1.98 per cent, or to a level about the same as that recorded in 1969. While exactly comparable data are not available for the first half of this year, information

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<sup>4/</sup> See Andrew F. Brimmer, "Growth and Profitability of Credit Card Banking," presented at the 1971 National Credit Card Conference of the American Bankers Association, October 27, 1971, pp. 15-26.

obtained from the two interchange systems indicates that the rate is continuing to decline. Furthermore, a preliminary estimate for the first half of 1972 places the figure at around 1.2 per cent.

A portion of charge-offs is the result of the fraudulent use of credit cards--mainly the use of stolen cards. Naturally, the incidence of fraud is of great concern to all card issuers. Numerous programs have been initiated in an effort to eliminate such fraud, but they have not been completely successful. On the other hand, the available data also indicate that the fraudulent use of cards has not been growing--despite an impression to the contrary that may be fostered by stories of large debts accumulated with stolen cards. The BankAmericard system data show that the proportion of their charge-offs attributable to fraud was about 16 per cent for the first half of this year as well as for the first six months of 1971.

One would expect new card plans to have a greater potential for charge-offs to occur. As the plan matures, non-paying customers can be eliminated, and new customers can be checked more thoroughly once the bank learns what to look for. In addition, the bank probably will develop better techniques for dealing with delinquent accounts. The data shown in Table 15 suggest that this is, in fact, the case. Those banks starting their card plans in 1970 experienced a net charge-off rate of 5.48 per cent in 1971. (In this case, the charge-off rate is calculated as a percentage of year-end credit card outstandings, rather than liquidations.) Those plans starting in 1969 had a rate



of 4.36 per cent, and the decline continues as the age of the plans increases. By the time one reaches the plans launched before 1960, the rate is down to 2.33 per cent. The low charge-off rate shown for plans starting in 1971 is due to the fact that those banks have not held many delinquent accounts long enough for them to be classed as charge-offs.

As noted earlier, banks starting a credit card program experience large start-up costs. Since they also tend to have a greater charge-off rate, most plans would not be expected to show a profit for a while. The special survey that the Federal Reserve conducted last year asked banks to report their net profit rate on their card plans. The net profits were to be calculated as income less all expenses, including the cost of money and that portion of overhead that could be allocated to the program. While all of the banks were not able to calculate an actual figure, 30.5 per cent of the banks reported that they had experienced a profit rather than a loss on their operations in 1970.

However, for those banks that started their plan in 1966 or before--that is, plans which had been in operation four or more years--58.3 per cent reported a profit. Of the plans starting in 1967 or 1968, 21.7 per cent had a profit, while of those starting in 1969 or 1970 only 17.1 per cent had a profit. This would indicate that the longer a plan remains in operation, the stronger should be its profit situation.

Data from the BankAmericard system show the same thing. Approximately 70 per cent of the BankAmericard programs that are over four years old were profitable in 1971. The figure fell to 35 per cent for programs two to four years old, and to 20 per cent for those less than two years old.

The profit picture appears to be improving this year--undoubtedly due in part to the fact that the great number of plans which began in 1969 are becoming more mature. The BankAmericard system reports that, while 38 per cent of their plans were profitable in the first quarter of 1971, the proportion rose to 41 per cent in the final quarter of last year. The fraction rose further to 60 per cent in the first quarter of 1972, and it remained at that level in the second quarter .

This pattern would indicate that many of the banks are continuing to take active measures to increase their profitability. There are several things a bank can do to raise its profit rate. One of the most common is to eliminate unprofitable accounts. For example, Table 14 shows that both of the national card systems have been doing this. As noted earlier, the total number of accounts has shown a downward trend since 1970, while the number of active accounts has been increasing steadily.

Another step that may be taken is to increase customer usage of the cards, creating larger average balances on the accounts. The credit ceiling on accounts may be increased, so that customers are permitted to hold larger balances. Often this move will permit customers

to charge large ticket items that would not normally be purchased on the bank card. Also, the bank can attempt to sign up additional merchants, so that the customer can use his card in more places. There are even experiments going on where bank cards can be used by preferred customers for automobile purchases.

Thus, on the whole, it appears that a substantial number of the credit card plans have survived the trials of innovation and have become contributors to--rather than a drag on--bank profits. Consequently, a growing number of banks can continue to offer consumers what has become a widely-used form of banking service.

#### Outlook for Credit Card Banking

Given the trends and developments presented above, what is the outlook for bank credit cards? In this area--more than in banking generally--it is especially difficult to discern prospective changes even on the near-term horizon. Yet, several broad trends can be noted--for these might provide a rough guide to the road ahead.

First, however, one should recall that the very high growth rates in bank card credit occurred during a period of economic expansion and monetary restraint. The growth rate of credit card outstandings declined sharply in 1970, but volume remained high while the economy was slowing down and money and credit were becoming more generally available. On the other hand, the slowdown in growth rate has continued into 1972 while the economy has been showing increasing strength.

Thus, changes in monetary policy or the state of the economy do not seem to be the major reasons for the behavior of bank credit cards since 1967, and the movement of this credit type over the last business cycle may prove to be atypical. By 1968, substantial operating experience and technology had been acquired by a number of banks in the credit card field, and it appeared that card plans could be operated at a high rate of profit. With an eye on profits and with competition for merchant deposits and cardholder customers increasing, many banks rushed into the field. Subsequent to such a high growth period, it is not unreasonable to expect a period of slower growth. By the end of 1971, most large banks had entered the field, several key regions of the country had been covered, and the potential for additional merchant members and cardholders in these areas had declined.

The number of cardholder accounts for banks belonging to the two major interchange systems actually peaked in late 1970 at 36.8 million. As of June this year, customer accounts numbered 30.3 million. As noted above, this decline was due in large part to the purging of inactive accounts. But purging of such accounts is certainly indicative of a maturing business, and it implicitly admits that many individuals simply cannot be persuaded to use bank credit cards. While the number of active card accounts still continues to rise, the rate of growth is apparently declining. Between June, 1971, and June this year, the number of active accounts increased by 12 per cent to 17.6 million. It would perhaps be unreasonable to expect the number of active accounts

to increase at a rate much greater than this in the future. Data presented above also indicate that the average balance per active account has been quite stable over the last two years. The \$228 average balance in June was virtually identical with the figure for June, 1971. Finally, as noted earlier, the growth in merchant memberships has abated recently. In fact, in one of the systems, there were fewer merchant members last June than there were at the end of 1971.

If the trends analyzed here are extended through the next year, it appears that bank card growth will continue, but the pace may also continue to moderate. For instance, if the number of active accounts were to increase by 10 per cent by next June to 19.4 million, and if the average balance is in the \$235 neighborhood, credit card receivables held by banks in the two major systems would be about \$4.55 billion. If these banks still were to hold their 90 per cent share of total bank card credit, then total receivables would grow from the \$4.46 billion recorded in June, 1972, to \$5.06 billion by June, 1973. This would indicate a still healthy 13.4 per cent annual growth rate--but one continuing to decline gradually from past growth rates.

The above scenario, of course, sketches only one possibility. Rapid development in only-lightly tapped regions of the country may occur. Banks may sharpen their methods of persuading individuals to begin using cards or to use them more intensively. Credit limits,

- 29 -

which impose a ceiling on account balances, may be gradually raised on those accounts with satisfactory payment records. In addition to simply permitting higher balances, this move could encourage a greater volume of higher-ticket purchases to be financed by bank cards. Regarding merchant accounts, the large department stores present an attractive target. Should these major retailers decide to honor bank cards, the effect on card volume could be substantial.

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TABLE 1. BANK CREDIT CARD AND CHECK CREDIT PLANS  
(Amounts in millions of dollars)

	Outstandings end of month		Extended during month		Repaid during month	
	<u>Credit card</u>	<u>Check credit</u>	<u>Credit card</u>	<u>Check credit</u>	<u>Credit card</u>	<u>Check credit</u>
<u>1967</u>						
December	828	522	--	--	--	--
<u>1968</u>						
January	845	556	152	106	135	72
February	847	571	126	83	124	68
March	855	584	132	83	124	70
April	892	602	166	100	129	82
May	914	622	159	105	137	85
June	952	646	163	101	125	77
July	982	667	178	109	148	88
August	1,028	691	187	111	141	87
September	1,073	715	182	112	137	88
October	1,140	741	234	119	167	93
November	1,171	751	195	106	164	96
December	1,307	798	329	143	193	96
<u>1969</u>						
January	1,438	833	323	142	192	107
February	1,450	860	209	132	197	105
March	1,470	879	234	141	214	122
April	1,534	928	297	173	233	124
May	1,625	961	297	163	206	130
June	1,705	993	318	163	238	131
July	1,793	1,010	366	148	278	131
August	1,893	1,026	368	140	268	124
September	2,035	1,046	415	150	273	130
October	2,156	1,054	440	145	319	137
November	2,286	1,057	416	123	286	120
December	2,639	1,081	715	164	362	140
<u>1970</u>						
January	2,802	1,105	588	158	425	134
February	2,831	1,117	415	139	386	127
March	2,846	1,118	465	148	450	147
April	2,912	1,144	500	169	434	143
May	2,954	1,157	478	156	436	143
June	3,048	1,180	525	166	431	143
July	3,132	1,203	564	165	480	142
August	3,219	1,227	559	157	472	133
September	3,336	1,264	610	172	493	135
October	3,404	1,280	601	164	533	148
November	3,475	1,290	573	150	502	140
December	3,792	1,336	890	193	573	147

TABLE 1 (continued). BANK CREDIT CARD AND CHECK CREDIT PLANS  
(Amounts in millions of dollars)

	<u>Outstandings</u> <u>end of month</u>		<u>Extended</u> <u>during month</u>		<u>Repaid</u> <u>during month</u>	
	<u>Credit</u> <u>card</u>	<u>Check</u> <u>credit</u>	<u>Credit</u> <u>card</u>	<u>Check</u> <u>credit</u>	<u>Credit</u> <u>card</u>	<u>Check</u> <u>credit</u>
<u>1971</u>						
January	3,806	1,335	612	144	598	145
February	3,754	1,339	513	142	565	138
March	3,711	1,327	612	163	655	175
April	3,786	1,337	669	176	594	166
May	3,832	1,335	620	153	574	155
June	3,895	1,359	710	183	647	159
July	3,933	1,376	670	166	632	149
August	3,992	1,401	711	188	652	163
September	4,060	1,436	725	191	657	156
October	4,040	1,441	659	172	679	167
November	4,080	1,455	728	182	688	168
December	4,419	1,497	1,046	216	707	174
<u>1972</u>						
January	4,362	1,511	687	191	744	177
February	4,291	1,524	626	185	697	172
March	4,264	1,529	735	196	762	191
April	4,325	1,551	726	187	665	165
May	4,374	1,582	815	224	766	193
June	4,463	1,618	882	223	793	187

SOURCE: Consumer Credit and Finances Section,  
Board of Governors of the Federal Reserve System.  
Series revised September 1972.



TABLE 2. NUMBER OF BANKS WITH CREDIT CARD  
AND CHECK CREDIT PLANS, 1967-1971  
(Banks with Receivables)

Date	Banks with Credit Card Plans	Banks with Check Credit Plans	Banks with Both Types of Plans	Total Number of Banks Offering Revolving Credit, Plans <sup>3/</sup>
September 30, 1967 <sup>1/</sup>	197	599	67	729
December 31, 1967 <sup>2/</sup>	390	732	101	1021
June 30, 1968 <sup>2/</sup>	416	840	113	1143
December 31, 1968 <sup>2/</sup>	510	975	144	1341
June 30, 1969 <sup>2/</sup>	699	1061	212	1548
December 31, 1969 <sup>2/</sup>	1207	1128	370	1965
June 30, 1970 <sup>2/</sup>	1355	1186	406	2135
December 31, 1970 <sup>2/</sup>	1432	1228	427	2233
June 30, 1971 <sup>2/</sup>	1514	1282	450	2346
December 31, 1971 <sup>2/</sup>	1535	1387	474	2448

<sup>1/</sup> Federal Reserve Board, Bank Credit Card and Check Credit Plans, July 1968.

<sup>2/</sup> Federal Deposit Insurance Corporation, Call Report.

<sup>3/</sup> Total number of banks offering revolving credit plans is equal to the number of banks with credit card plans plus the number with check credit plans minus the number with both types of plans.

TABLE 3. BANK CREDIT CARD AND CHECK CREDIT OUTSTANDING AS A PERCENTAGE  
OF TOTAL AND BANK INSTALMENT CREDIT OUTSTANDING

	Bank Credit Card Outstanding		Check Credit Outstanding		Credit Card and Check Credit Outstanding	
	Per Cent of Total Instalment Credit Outstanding	Per Cent of Bank Instalment Credit Outstanding	Per Cent of Total Instalment Credit Outstanding	Per Cent of Bank Instalment Credit Outstanding	Per Cent of Total Instalment Credit Outstanding	Per Cent of Bank Instalment Credit Outstanding
December 31, 1967	1.0	2.5	0.7	1.6	1.7	4.1
June 30, 1968	1.2	2.7	0.8	1.8	2.0	4.5
December 31, 1968	1.5	3.4	0.9	2.2	2.4	5.6
June 30, 1969	1.9	4.2	1.0	2.4	2.9	6.6
December 31, 1969	2.7	6.2	1.1	2.6	3.8	8.8
June 30, 1970	3.1	7.0	1.2	3.0	4.3	10.0
December 31, 1970	3.7	8.4	1.3	2.9	5.0	11.3
June 30, 1971	3.8	8.1	1.3	2.9	5.1	11.0
December 31, 1971	4.0	8.6	1.3	2.9	5.3	11.5
June 30, 1972	3.8	8.1	1.7	2.9	5.5	11.0

Source: Consumer Credit and Finances Section, Board of Governors of the Federal Reserve System.

TABLE 4. BANK CREDIT CARD AND CHECK CREDIT EXTENSIONS AS A PERCENTAGE  
OF TOTAL AND BANK INSTALMENT CREDIT EXTENSIONS

Period	Bank Credit Card Extensions		Check Credit Extensions		Credit Card and Check Credit Extensions	
	Per Cent of Total Instalment Credit Extensions	Per Cent of Bank Instalment Credit Extensions	Per Cent of Total Instalment Credit Extensions	Per Cent of Bank Instalment Credit Extensions	Per Cent of Total Instalment Credit Extensions	Per Cent of Bank Instalment Credit Extensions
January-June, 1968	1.9	5.0	1.2	3.2	3.1	8.2
July-December, 1968	2.5	6.7	1.3	3.6	3.8	10.3
January-June, 1969	3.2	8.2	1.7	4.4	4.9	12.6
July-December, 1969	4.8	13.2	1.5	4.4	6.3	17.6
January-June, 1970	5.5	14.2	1.7	4.5	7.2	18.7
July-December, 1970	6.5	17.2	1.7	4.5	8.2	21.7
January-June, 1971	6.5	15.4	1.6	4.0	8.1	19.4
July-December, 1971	6.9	17.1	1.7	4.2	8.6	21.3
January-June, 1972	6.6	15.8	1.8	4.2	8.4	20.0

Source: Consumer Credit and Finances Section, Board of Governors of the Federal Reserve System.

TABLE 5

## Bank Credit Cards and Other Selected Types of Consumer Credit

	Dec.67	June 68	Dec.68	June 69	Dec.69	June 70	Dec.70	June 71	Dec.71	June 72
			Amounts Outstanding (Millions of Dollars)							
Bank Credit Cards	828	952	1,307	1,705	2,639	3,048	3,792	3,895	4,419	4,463
Bank Check Credit <u>1/</u>	522	646	798	993	1,081	1,180	1,336	1,359	1,497	1,618
Travel and Entertainment Credit <u>2/</u>	61	70	76	84	110	109	122	131	132	140
Oil Company Card Credit <u>2/</u>	939	1,001	1,119	1,194	1,298	1,416	1,650	1,672	1,804	1,769
Retail Charge Accounts	5,939	5,278	6,450	5,574	6,650	5,765	6,932	6,199	7,597	6,764
TOTAL	8,289	7,947	9,750	9,550	11,778	11,518	13,832	13,256	15,449	14,754
			Percentage Distributions of Amounts Outstanding							
Bank Credit Cards	10	12	13	18	22	27	27	29	28	30
Bank Check Credit <u>1/</u>	6	8	8	10	9	10	10	10	10	11
Travel and Entertainment Credit <u>2/</u>	1	1	1	1	1	1	1	1	1	1
Oil Company Card Credit <u>2/</u>	11	13	12	13	11	12	12	13	12	12
Retail Charge Accounts	72	66	66	58	57	50	50	47	49	46
TOTAL	100	100	100	100	100	100	100	100	100	100

1/ Includes holdings of revolving credit receivables acquired through agreements with travel and entertainment card companies.

2/ Consumer portion only.

TABLE 6

## Growth in Bank Credit Cards and Other Selected Types of Consumer Credit

	Change in Amount Outstanding (millions of dollars)	Percentage Change in Outstandings	Share of Total Change (in percent)
Changes from December 1967 to December 1971			
Bank Credit Cards	3,591	434	50
Bank Check Credit <u>1/</u>	975	187	14
Travel and Entertainment Credit <u>2/</u>	71	116	1
Oil Company Card Credit <u>2/</u>	865	92	12
Retail Charge Accounts	1,658	28	23
TOTAL	7,160	86	100
Changes from June 1968 to June 1972			
Bank Credit Cards	3,511	369	52
Bank Check Credit <u>1/</u>	972	151	14
Travel and Entertainment Credit <u>2/</u>	70	100	1
Oil Company Card Credit <u>2/</u>	768	77	11
Retail Charge Accounts	1,486	28	22
TOTAL	6,807	86	100

1/ Includes holdings of revolving credit receivables acquired through agreements with travel and entertainment card companies.

2/ Consumer portion only.

**TABLE 7. BANK CREDIT CARD PLANS BY FEDERAL RESERVE DISTRICT**  
**ALL INSURED COMMERCIAL BANKS**  
(Amounts in millions of dollars)

Federal Reserve District	December 31, 1967 <sup>1/</sup>		December 31, 1968 <sup>1/</sup>		December 31, 1969 <sup>1/</sup>		December 31, 1970 <sup>1/</sup>		December 31, 1971 <sup>1/</sup>	
	Number with Plans	Amount out- standing	Number with Plans	Amount out- standing	Number with Plans	Amount out- standing	Number with Plans	Amount out- standing	Number with Plans	Amount out- standing
<b>Boston</b>	16	27.9	21	57.5	155	133.4	172	236.2	170	254.3
<b>New York</b>	23	109.5	20	115.3	60	438.1	81	654.1	85	765.6
<b>Philadelphia</b>	10	11.2	9	25.4	12	26.4	32	63.0	31	96.7
<b>Cleveland</b>	14	31.2	48	63.7	186	176.1	230	309.0	230	359.2
<b>Richmond</b>	13	38.9	28	92.7	75	319.0	76	391.9	78	408.0
<b>Atlanta</b>	43	40.0	53	99.5	243	301.4	273	438.5	268	491.7
<b>Chicago</b>	86	153.2	107	181.6	152	246.6	197	350.8	271	448.5
<b>St. Louis</b>	36	22.2	57	52.8	69	91.6	73	121.6	72	135.0
<b>Minneapolis</b>	25	1.8	11	1.0	11	7.3	16	10.1	36	11.5
<b>Kansas City</b>	19	10.2	19	32.5	75	123.8	94	206.6	98	266.0
<b>Dallas</b>	22	12.4	22	18.9	37	81.5	50	170.4	62	215.9
<b>San Francisco</b>	83	369.9	115	530.6	132	693.5	138	839.4	134	1037.6
<b>All Districts</b>	390	828.4	510	1311.5	1207	2638.7	1432	3791.6	1535	4490.0

<sup>1/</sup>Federal Deposit Insurance Corporation, Call Report

TABLE 8. BANK CHECK CREDIT PLANS BY FEDERAL RESERVE DISTRICT  
ALL INSURED COMMERCIAL BANKS  
(Amounts in millions of dollars)

Federal Reserve District	December 31, 1967		December 31, 1968		December 31, 1969		December 31, 1970		December 31, 1971	
	Number with Plans	Amount out- standing	Number with Plans	Amount out- standing	Number with Plans	Amount out- standing	Number with Plans	Amount out- standing	Number with Plans	Amount out- standing
Boston	64	58.2	78	73.3	89	94.9	89	99.4	92	109.0
New York	76	90.0	92	182.4	99	290.8	100	375.3	109	435.9
Philadelphia	48	74.0	49	95.5	57	118.1	56	155.6	56	177.5
Cleveland	40	37.6	76	54.2	99	66.4	94	71.6	99	76.3
Richmond	32	19.8	58	35.8	62	57.9	70	75.8	92	80.9
Atlanta	86	27.5	101	43.7	107	47.6	108	58.1	101	45.8
Chicago	136	50.8	187	77.7	244	99.8	287	123.2	356	142.7
St. Louis	59	13.4	61	19.3	62	21.6	63	21.3	64	21.1
Minneapolis	53	6.9	69	11.3	89	18.5	116	23.7	158	30.8
Kansas City	53	11.6	107	21.5	115	27.5	130	28.9	130	28.2
Dallas	38	5.5	38	8.0	41	9.8	45	11.3	51	10.1
San Francisco	47	126.7	59	175.5	64	227.8	70	291.7	79	305.3
All Districts	732	521.9	975	798.1	1128	1080.8	1228	1336.0	1387	1463.9

SOURCE: Federal Deposit Insurance Corporation, Call Report

Table 9. PERCENTAGE OF INSURED COMMERCIAL BANKS WITH CREDIT CARD AND CHECK CREDIT RECEIVABLES,  
BY FEDERAL RESERVE DISTRICT, 1967 - 1971

District	December 1967			December 1968			December 1969			December 1970			December 1971		
	Credit Card	Check Credit	Both	Credit Card	Check Credit	Both	Credit Card	Check Credit	Both	Credit Card	Check Credit	Both	Credit Card	Check Credit	Both
Boston	4	17	3	6	21	4	40	23	16	45	23	17	45	24	17
New York	5	16	3	4	20	3	12	20	9	17	21	11	18	23	10
Philadelphia	2	10	1	2	10	1	2	12	2	7	12	4	7	13	4
Cleveland	2	5	*	6	9	1	23	12	8	29	12	8	29	12	8
Richmond	2	4	*	4	8	1	10	8	3	10	10	3	11	12	4
Atlanta	3	6	1	3	6	1	15	7	3	17	7	3	16	6	3
Chicago	4	5	1	4	7	1	6	10	2	8	11	2	10	14	4
St. Louis	2	4	1	4	4	1	5	4	1	5	4	1	5	4	1
Minneapolis	1	4	*	1	5	*	1	6	*	1	8	*	3	12	*
Kansas City	1	3	*	1	6	*	4	6	2	5	6	2	5	6	2
Dallas	2	3	*	2	3	*	3	3	1	4	3	1	5	4	1
San Francisco	19	11	4	28	14	6	32	15	7	34	17	9	33	19	10
ALL DISTRICTS	3	5	1	4	7	1	9	8	3	10	9	3	11	10	3

Source: Federal Deposit Insurance Corporation, Call Report.

\*Less than 0.5 per cent.



TABLE 10. BANK CREDIT CARD OUTSTANDINGS AS A PERCENTAGE OF TOTAL BANK INSTALMENT CREDIT,  
BY FEDERAL RESERVE DISTRICT, 1967 - 1971

District	December 1967	June 1968	December 1968	June 1969	December 1969	June 1970	December 1970	June 1971	December 1971
Boston	1.8	2.9	3.4	4.2	7.0	9.4	11.7	11.3	11.4
New York	2.5	2.6	3.2	5.2	8.2	9.3	11.0	11.1	12.0
Philadelphia	0.6	0.6	1.0	0.9	1.1	1.6	2.4	2.7	3.3
Cleveland	1.3	1.4	2.2	2.8	5.5	7.0	8.7	8.5	9.0
Richmond	1.4	1.5	2.7	4.3	8.1	8.9	9.3	8.3	8.2
Atlanta	1.3	1.4	2.7	4.0	6.9	8.0	9.2	8.5	8.7
Chicago	3.1	3.0	3.3	3.3	4.2	4.3	5.6	5.4	6.3
St. Louis	1.4	1.5	2.8	3.2	4.3	4.6	5.4	4.8	5.1
Minneapolis	0.2	0.1	0.1	0.3	0.6	0.6	0.7	0.9	0.7
Kansas City	0.6	0.6	1.6	2.7	5.3	5.8	8.3	8.1	9.1
Dallas	0.6	0.9	0.8	1.4	3.0	3.8	6.0	6.1	6.5
San Francisco	6.9	7.7	8.7	8.9	10.3	10.8	12.2	12.3	13.3
ALL DISTRICTS	2.5	2.7	3.4	4.2	6.2	7.0	8.4	8.1	8.6

Source: Consumer Credit and Finances Section; Board of Governors of the Federal Reserve System.

TABLE 11. BANK CREDIT CARD PLANS BY SIZE OF BANK  
(Amounts in Millions of Dollars)

Size of Bank (Total Deposits, in Millions of Dollars)	December 31, 1967 <sup>1/</sup>		December 31, 1968 <sup>1/</sup>		December 31, 1969 <sup>1/</sup>		December 31, 1970 <sup>1/</sup>		December 31, 1971 <sup>1/</sup>	
	Number	Amount Out- standing	Number	Amount Out- standing	Number	Amount Out- standing	Number	Amount Out- standing	Number	Amount Out- standing
Under 5	51	1.8	29	1.2	56	1.2	74	3.1	46	1.7
5 - 10	51	2.7	58	2.6	157	7.7	171	12.8	162	9.3
10 - 25	79	12.3	123	15.7	331	42.2	389	73.3	423	60.5
25 - 50	60	10.8	80	22.0	227	75.3	271	132.0	315	141.1
50 - 100	47	28.9	67	48.5	153	134.2	190	216.8	218	247.4
100 - 500	67	136.6	109	267.5	209	709.2	241	1045.5	254	1099.8
500 - 1,000	12	67.8	19	152.7	41	460.8	52	612.4	64	794.4
1,000 and Over	23	567.5	25	801.3	33	1208.1	44	1695.7	53	2135.9
All Size Groups	390	828.4	510	1311.5	1207	2638.7	1432	3791.6	1535	4490.0

<sup>1/</sup> Federal Deposit Insurance Corporation, Call Report.

TABLE 12. BANK CHECK CREDIT PLANS BY SIZE OF BANK  
(AMOUNTS IN MILLIONS OF DOLLARS)

Size of Bank (By Total Deposits in Millions of Dollars)	December 31, 1967		December 31, 1968		December 31, 1969		December 31, 1970		December 31, 1971	
	Number	Amount Out- standing	Number	Amount Out- standing	Number	Amount Out- standing	Number	Amount Out- standing	Number	Amount Out- standing
Under 5	36	1.4	38	1.8	34	1.9	37	1.2	46	1.5
5 - 10	50	1.7	77	3.7	92	4.5	101	6.9	117	5.5
10 - 25	144	6.4	210	12.3	278	22.0	308	27.7	356	30.5
25 - 50	143	11.2	208	22.3	255	35.2	277	40.0	305	44.9
50 - 100	110	20.4	149	36.8	154	52.3	168	51.3	200	55.5
100 - 500	175	103.9	205	163.4	226	261.9	231	310.0	241	275.0
500-1000	35	88.3	44	142.1	47	172.5	53	170.2	61	203.2
1,000 and Over	39	288.7	44	415.7	42	530.5	53	728.7	61	847.0
All Size Groups	732	521.9	975	798.1	1128	1080.8	1228	1336.0	1387	1463.9

Source: Federal Deposit Insurance Corporation, Call Report.

TABLE 13. PERCENTAGE OF INSURED COMMERCIAL BANKS WITH CREDIT CARD AND CHECK CREDIT RECEIVABLES  
BY SIZE OF BANK, 1967 - 1971

Total Deposits (\$ millions)	December 1967			December 1968			December 1969			December 1970			December 1971		
	Credit Check			Credit Check			Credit Check			Credit Check			Credit Check		
	Card	Credit	Both	Card	Credit	Both	Card	Credit	Both	Card	Credit	Both	Card	Credit	Both
under 5	1	1	*	1	1	*	1	1	*	2	1	*	1	1	*
5-10	2	2	*	2	2	*	4	3	*	5	3	*	5	4	1
10-25	3	5	*	4	7	*	10	9	2	12	9	2	11	9	2
25-50	5	16	1	8	20	2	20	22	6	22	22	5	21	21	5
50-100	11	27	2	15	32	5	31	31	10	35	31	11	35	31	10
100-500	19	49	9	28	52	13	49	54	29	52	50	29	50	48	26
500-1000	22	60	14	34	75	27	70	73	56	77	71	60	76	68	55
1000 and over	49	80	39	49	77	37	70	75	52	76	79	58	82	80	63
ALL SIZE GROUPS	3	5	1	4	7	1	9	8	3	10	9	3	11	10	3

Source: Federal Deposit Insurance Corporation, Call Report.

\*Less than 0.5 per cent.

TABLE 14. NATIONAL CREDIT CARD SYSTEMS<sup>1/</sup>, 1969-1972

	June 30, 1969	December 31, 1970	June 30, 1971	December 31, 1971	June 30, 1972
Number of Participating Banks <sup>2/</sup>					
Bank Americard System	3,085	3,751	3,902	3,978	4,195
Interbank System	3,050	5,360	5,464	5,495	5,600
Number of Card-Issuing Banks					
Bank Americard System	185	245	247	245	246
Interbank System	500	1,182	1,010	981	N.A.
Number of Agency Banks <sup>2/</sup>					
Bank Americard System	2,900	3,506	3,655	3,733	3,949
Interbank System	2,550	4,178	4,454	4,514	N.A.
Number of Merchant Members <sup>2/</sup>					
Bank Americard System	450,000	509,190	512,514	541,566	577,032
Interbank System	450,000	627,968	649,281	668,768	661,052
Number of Cardholder Accounts	33.0 M	36.8 M	33.0 M	29.3 M	30.3 M
Number of Active Accounts	8.6 M	15.3 M	15.7 M	16.8 M	17.6 M
Per Cent of Accounts Active	26.1	41.4	47.5	57.2	58.2
Average Balance, Active Accounts	\$182	\$232	\$227	\$243	\$228
Amount of Credit Outstanding	\$1,560 M	\$3,550 M	\$3,560 M	\$4,080 M	\$4,025 M
Per Cent of Total Bank Card Outstandings	92	93	91	92	90

<sup>1/</sup> Bank Americard and Interbank systems.<sup>2/</sup> The system figures for numbers of banks and merchants cannot be added to a total since some duplication exists.

N.A. - Not Available

M - Million

TABLE 15. GROSS AND NET CHARGE-OFF RATES ON BANK CREDIT CARD PLANS DURING 1971\*  
BY LENGTH OF TIME IN CREDIT CARD FIELD

Year Entered Credit Card Field	Number of Banks With Receivables December 31, 1971	Percent of Total Credit Card Receivables December 31, 1971	1971 Gross Charge-Off Rate	1971 Net Charge-Off rate
Before 1960	43	17.0	2.78	2.33
1960-1965	10	2.5	3.20	2.49
1966-1967	204	27.2	3.34	2.62
1968	200	14.0	4.34	3.53
1969	754	33.4	5.04	4.36
1970	232	5.4	5.76	5.48
First Half	136	4.0	5.50	5.19
Second Half	96	1.4	6.62	6.44
1971	92	0.5	0.29	0.27
First Half	49	0.4	0.36	0.34
Second Half	43	0.1	0.12	0.10
ALL GROUPS COMBINED	1,535	100	4.07	3.42

SOURCE: Supplement to December 31, 1971 Call Report

\*Gross and net charge-offs during 1971 as a percentage of credit card outstandings on December 31, 1971.