ADDRESS OF M. MONROE KIMBREL

President, The American Bankers Association, before the opening session of The National Mortgage School, Ohio State University, Columbus, Ohio, Sunday Evening, August 18, 1963.
Mr. Kimbrel is chairman of the board, First National Bank, Thomson, Ga.

It is indeed a pleasure for me on behalf of The American Bankers Association to welcome you to the opening session of the National Mortgage School.

The creation of any new banking education activity is a significant milestone for the industry. We all look back with amazement at the foresight shown by those bankers who in 1901 organized the American Institute of Banking. As you know, the institute has made tremendous progress over the years, and it now stands as the largest adult education program in the country sponsored by an industry.

The Graduate School of Banking at Rutgers, which was founded in 1935, has provided many bankers with the broad background necessary to assume management positions in their banks.

Another high point in banking education was reached in 1960, when The National Trust School was established at Northwestern University.

These educational activities, plus many others conducted at the state and regional level, have helped thousands of bankers sharpen their skills and keep abreast of this rapidly changing business we are in. And, those of you who have been associated with the banking industry for the past 10 or 15 years realize how dramatic some of the changes have been.

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The two major overriding trends, of course, are rather obvious. First, corporations have been taking greater advantage of their cash flows, depreciation allowances and inventory controls, and, consequently, have been able to keep demand deposits down to a bare minimum.

With interest rates on the rise in the postwar years, these corporate customers have been getting more mileage out of each dollar. Idle balances have been eliminated. Then too, with more funds being generated internally, the credit needs of these customers have been reduced.

Bankers have responded to these circumstances by developing new and more imaginative ways to serve corporate customers. Needless to say, this has intensified competition for corporate business. But, I for one believe that this will lead to better banking.

The second major trend which I mentioned is the changing status of the consumer. With the steady rise in personal disposable income since World War II, more and more people are finding that they need bank services. As a consequence, banks have developed into what are commonly called department stores of finance to meet all the financial needs of an individual.

This trend has been the main force behind the rapid expansion of branch banking and the introduction of many new services such as in-plant banking and payroll services. Since convenience is uppermost in the mind of the consumer, I believe we will see more moves in this direction in the future. The changing status of the consumer as a bank customer has also encouraged banks to expand their participation in consumer credit and in mortgage lending.

It was only natural that some of our competitors would argue that we should not compete in the field of mortgage lending. They say we should limit our participation to indirect financing of mortgages. Others have said that because of fluctuations in the market we will find ourselves with excess capacity.

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Still others state that we will lose all interest in mortgage lending when other outlets appear to be more profitable.

This would indeed be a strange economic system if we could talk competitors out of competing with us. Fortunately, that is not the way our system works. The individual consumer has an uncanny knack of insisting on, and getting, performance. And the consumer alone can talk us out of competing. He can do this by simply ignoring our products.

I am firmly convinced that commercial banks are in the mortgage lending business to stay. I believe this for several reasons.

First, if we are to continue to push the concept of one-stop banking and provide for all of our customer's financial needs, we must maintain our interest in mortgage lending. It would be folly on our part to tell a customer that we can take care of all his financial needs and then back down when he wants to make what probably is the biggest investment of his life.

Second, savings and time deposits now account for close to 40 per cent of total deposits in commercial banks. If the present trend continues, and I believe it will, by 1970 over half of our total deposits will be in time and savings deposits. These deposits, of course, are more stable than demand deposits and lend themselves more readily to the mortgage market.

Then too, I think there is every reason to believe that the savings pattern of recent years will continue. This country has been doing a good job in maintaining price stability since about 1958. With the threat of inflation on the decline, people are more likely to save.

Many banks have also found that by servicing mortgages they can stabilize their mortgage operations.

I am sure that most of you are aware of the increase in mortgage loans held by banks. Since 1960 bank holdings of mortgages have increased by about $6.5 billion.

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As the Federal Reserve Bulletin for July points out, commercial banks have been taking more than 15 per cent of the record net increase in all mortgages outstanding during the past 18 months. This was an increase of 50 per cent over the share commercial banks had been taking over the preceding five years. The Bulletin went on to say, "This heavy investment by banks has been an important element in the continued ease in mortgage markets."

I stated earlier that the opening of any new educational activity for bankers was a significant occasion. But I feel the opening of this school has a special significance.

As you know, a lot of preliminary work must be completed before a school of this type can be established. The American Bankers Association and officials of Ohio State University had to work out the endless details of curriculum, materials, schedules, faculty and the many other problems involved in organizing a school.

But the most important aspect of this school being opened--in fact, the real starting point--was the aroused interest in mortgage lending that had been displayed by bankers across the country. Without that interest, such a school as this would not have been attempted. Your presence here, and I understand that 38 states plus the District of Columbia and Puerto Rico are represented, is indicative of that interest. Moreover, knowing bankers as I do, I am sure that your management would not have sent you to this school if they did not consider that your bank would be in the mortgage business on a permanent basis. It wouldn't make sense to train personnel and go to all the start-up expense of establishing a mortgage department for the short run.

It would seem to me that the very existence of this school should be ample proof that the commercial banks are going to be competing in the mortgage lending business for many years to come.

Before closing, I would like to take this opportunity to wish you all well in your studies here. The A.B.A. and Ohio State officials have made every effort to give you the latest information available about new trends and techniques in mortgage lending. The handbook prepared for this course is excellent. The faculty and administration of the school are groups of outstanding men. In short, I am sure this will be a very rewarding experience for you and a real benefit to your bank.