Competition in Financial Services: The Impact of Nonbank Entry

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TABLE OF CONTENTS

LIST OF TABLES AND CHARTS

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EXECUTIVE SUMMARY

This study provides an information base that permits the measurement of the extent of competition between the financial activities of nonbanking-based firms and commercial banks. The study surveys the available data as of year-end 1981 and contrasts the present-day competitive environment in financial services with that of a decade ago. The underlying purpose of the analysis is to provide appropriate public policy recommendations.

In a study published by Citicorp a decade ago, Cleveland Christophe outlined the competitive impact of Sears, General Motors Acceptance Corporation, Ford Motor Credit, General Electric Credit, and seven other firms whose traditional product lines were not financial services. In 1972 these nonbank companies provided significant competition to commercial banks in the extension of consumer credit. For example, three large manufacturers provided more consumer installment credit to households than did three large retailers which in turn provided more consumer installment credit than the nation's three largest bank holding companies. Furthermore, Sears earned more profit on its financial activities than did any bank holding company.

This study details the financial activities of 34 major companies that compete with commercial banks. Included in the sample are manufacturers, insurers, retailers, and diversified financial companies. Their financial activities are compared with those of the 15 largest bank holding companies and the commercial banking system.

Among the more important findings are the following:

*Nonfinancial-based companies have continued to enter the product lines of commercial banks.

*The pace of this entry has accelerated in both lending and deposit-taking activities.

*Market shares in consumer installment lending have been very fluid. In auto loans, for example, the captive finance companies of the auto manufacturers have gained market share largely at the expense of commercial banks.

*Banks have been very successful in the credit card business with both Visa and MasterCard having passed Sears (which was the number one credit card in 1972) by most conventionally used measures.

*Banks remain dominant in short-term commercial and industrial loans but their dominance may be on the wane.

*In longer term lending to businesses, commercial banks are not the leading institutional lenders. Commercial mortgage lending is dominated by insurance companies, and leasing is dominated by manufacturers and leasing companies.

*The money market funds sponsored by several of the companies in this study have made significant inroads into the deposit base of the nation's commercial banks.

Two policy conclusions follow from analysis of the data:

*The markets for most credit services are rapidly becoming national in scope; the geographic market for retail deposits has recently become national. The market for wholesale deposits had, of course, been national for about two decades and international for about one decade.

*Commercial banking is no longer a distinct line of commerce. That is, in spite of the position held by the courts in the two decades since the U.S. Supreme Court ruled on Philadelphia National Bank, commercial banks do face significant competition from finance companies, manufacturers, retailers, S&Ls, mutual savings banks, and other depository institutions.

Competition in financial services continues to increase, and there is a changing mix of players in this game. Further legislative changes are required if all the players are to compete according to the same set of rules.

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INTRODUCTION

Commercial banks compete with many other financial institutions. For sources of funds, they compete with S&Ls, mutual savings banks, credit unions, and money market funds as well as capital market instruments such as Treasury securities, corporate securities, and other investment vehicles. Banks also face numerous competitors in the uses of funds, or on the asset side of their balance sheets. For example, they compete with S&Ls and government agencies in home mortgage lending; with credit unions, finance companies, S&Ls, and many other lenders in consumer credit; and with commercial finance companies, insurance companies, trade creditors, and commercial paper in lending to businesses.

Yet, commercial banks are the number one institutional lender to households and businesses. For many years, banks have had the largest share of the auto loan market as well as many other types of consumer loans. The long-standing hegemony of banks in commercial lending is to be expected since commercial banks were chartered originally to meet the needs of business.

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*The views expressed are those of the authors and do not necessarily represent the views of the Federal Reserve Bank of Chicago or the Federal Reserve System. Harvey Rosenblum is Vice President and Economic Advisor at the Federal Reserve Bank of Chicago. Diane Siegel was a Summer Intern in the Chicago Fed's Research Department during Summer 1982 when most of this research was undertaken. She is currently completing her MBA studies at the University of Chicago. Helpful research and editorial assistance was provided by Christine Wabich. The authors would like to thank Shirley Harris for her excellent typing and for her patience as the manuscript went through several transformations, and they would also like to thank George G. Kaufman (Loyola University), Paul Schweitzer (Federal Reserve Board), William F. Ford (Federal Reserve Bank of Atlanta), and Silas Keehn (Federal Reserve Bank of Chicago) for comments on an earlier draft.

The preeminent market position of banks, however, is somewhat surprising when one recognizes the constraints under which they operate, particularly because many of their competitors, allegedly, are less constrained in a number of ways. Nonbank competitors, such as captive finance companies, are free to enter or exit virtually any geographic location. Further, many competitors can offer both financial and nonfinancial services and products that banks are prohibited from offering. For example, a business such as Sears can offer life insurance, money market funds, shirts, and hardware as well as retail credit at any of its 851 retail locations throughout the United States.[1] Apparently the ability to offer life insurance and money market funds in a department store setting, at least until 1982, did not confer a great competitive advantage upon a business enterprise; if it had, Sears would not have been alone among retailers in offering both products.[2]

In spite of the geographic lines, product lines, and other regulatory disadvantages that banks face relative to their competitors, they are still the largest category of financial institutions. There are many who believe that banks would extend their preeminent position to one of dominance if regulatory restrictions on them were relaxed.

This paper examines in detail the extent of competition provided to depository institutions (with special emphasis on commercial banks) by nonfinancial institutions, or at least those whose primary line of business activity is primarily nonfinancial. In doing so, this paper updates and amplifies a 1974 Citicorp study by Cleveland Christophe [1] which examined the competitive incursions of unregulated nonfinancial firms into the financial services business. The next section reviews the literature on this subject; section III presents and analyzes the accounting data available on the extent of competition provided by 34 companies, most of whose main interest is not

(or has not been) financial. The financial activities of these 34 companies (and a few others) are compared with the nation's 15 largest bank holding companies. Important balance sheet and income data are given in Appendix A. A brief description and history of the financial activities of the companies that are studied are presented in Appendix B. Section IV discusses the policy implications of the findings. Finally, section V gives the summary and conclusions.

In short, the authors find that the sheer size and number of nonbank firms with substantial nationwide financial activities are impressive. Most of the industrial and retailing giants identified by Christophe nearly a decade ago have continued to expand their role in financial activities. In addition, these companies have been joined by many others. Nonetheless, commercial banks have managed to hold onto their market share in the provision of most financial services, having gained in some product lines while retrenching in others. A final conclusion is that the erosion of the uniqueness of demand deposits together with the increased entry into many types of lending activities by nonbank firms has made obsolete the notion that commercial banking is a distinct line of commerce. Further, there appears to be considerable circumstantial evidence that the geographic market for many financial services is now national in scope or will soon become so.

BACKGROUND

Citicorp Study-1974

It has been almost a decade since Citicorp released its study of the competitive inroads of unregulated firms in the financial services business. This monograph, authored by Cleveland Christophe [1], provided an in-depth view of the relative importance of banks and nonfinancial firms in the

extension of consumer credit. Christophe's findings were startling to many bankers, as few had recognized the importance of the competition represented by firms such as Sears and General Electric whose primary activities were nonfinancial. Most bankers were aware of competition from consumer finance companies and depository institutions, but the fact that Sears had more active charge accounts (as of 1972) than either Master Charge or National BankAmericard (the predecessors of MasterCard and Visa) was somewhat disquieting to many in the banking industry. Furthermore, Christophe revealed that Sears had credit card volume and receivables to match its greater number of accounts. Moreover, Sears earned more money after taxes in 1972 on its financial service business than did any bank or bank holding company in the country.

That Sears had such a large volume of consumer receivables--its $4.3 billion of credit card receivables at year-end 1972 were roughly 80 percent of the $5.3 billion of installment credit on all bank credit cards--should not have been surprising. Sears began to provide consumer credit in 1910 to support its retail operations. Most commercial banks concentrated their lending efforts on commercial customers until the post World War II-period. It is sometimes easy to forget that commercial banks are a "Johnny-come-lately" on the consumer lending scene.[3] Further, Allstate Insurance was formed in 1931 to sell auto insurance and long before 1972 had begun to offer a wide range of insurance products. By 1972, Sears was the largest retailer in the United States in the Fortune list. Should Sears' prominence in these segments of financial services have been surprising?

Though Sears and its two large national retailing rivals, Montgomery Ward and J.C. Penney, had combined consumer installment credit ($6.9 billion) that exceeded the amount outstanding at the nation's three largest bank holding

companies (BankAmerica, Citicorp, and Chase Manhattan with $4.3 billion) by more than 50 percent, the retailers were overshadowed by the financing arms of three large manufacturers. Through General Motors Acceptance Corporation (GMAC), General Motors had $7.8 billion in consumer receivables at year-end 1972, more than the combined total of the three largest retailers. The combination of GMAC, Ford Motor Credit Company (FMCC), and General Electric Credit Corporation (GECC) had more consumer receivables than the three retailers and three largest bank holding companies combined.

Again, the role of the manufacturers in consumer lending should not have been surprising. GMAC began making auto loans in 1919; GECC was formed in 1932; and FMCC was founded in 1959 (though Ford began making auto loans in 1928). GMAC and FMCC were largely captive finance companies in the true sense of the term; that is, they provided financing primarily to enable customers to purchase products manufactured by their parent companies or sold by their franchised distributors. GECC was a different story. Though it began as a marketing extension of General Electric's appliance division, largely financing dealer-distributor inventories and sales of General Electric products to consumers, GECC's customer orientation and profile began to change in the early 1960s when it began to extend its commercial lending and leasing business to finance products other than those made by General Electric. In 1965, GECC expanded its position in consumer financing by offering revolving charge plans to many retail electrical consumer-goods dealers. That same year, GECC began experimenting with direct consumer installment lending; by May 1972, it had expanded to 129 offices in 33 states.

In 1972, GECC accounted for less than 8 percent of General Electric's earnings; GMAC accounted for only 4.5 percent of General Motors' earnings; and FMCC, for just over 5 percent of Ford's net income. Although they were among

the largest consumer installment lenders in the country, the income derived from consumer lending was still small relative to their parent manufacturers' primary businesses.

Five other companies were highlighted in the Christophe study: Borg-Warner, Control Data, Gulf & Western, ITT, and Westinghouse. For these companies, financial earnings were generally a more important percentage of the company's total than was true for the previously discussed manufacturers. Unlike GECC, GMAC, FMCC, Sears, Wards, and J.C. Penney, the financial divisions of Control Data, Gulf & Western and ITT were less oriented toward consumer installment lending. Borg-Warner and Westinghouse derived only a small proportion of their income from financial operations in 1972, roughly one-tenth and one-eighth, respectively. But more than half of Borg-Warner Acceptance Corporation's (BWAC) new business was unrelated to the sale of the parent company's products. Similarly, Westinghouse Credit Corporation (WCC) had diversified significantly to the point where only about 15 percent of WCC's wholesale finance business was related to the sale of Westinghouse products.

Christophe concluded his study by raising the question of whether banking-based firms could remain an important competitive force in light of the many advantages their nonregulated competitors enjoyed. Among the advantages that nonregulated firms enjoyed were better product line breadth, new product innovation capability, distribution capability, ease of market entry, and financing flexibility. Christophe concluded that regulations applying to banks and bank holding companies were overly restrictive and reduced the ability of banking organizations to efficiently and effectively provide the public with the financial services desired.

Scholarly discussion of Christophe's findings and conclusions was very limited. Greer and Rhoades [7] challenged Christophe on several points. First, Greer and Rhoades suggested that Sears may look like a giant in consumer finance when compared to Bank of America or Citibank but not when compared with the entire commercial banking industry. Second, they argued that Sears' credit card receivables had been growing at a snail's pace when compared with the rate of growth of bank card receivables. Third, commercial banks had actually increased their share of total financial assets and consumer installment loans between 1960 and 1973. Fourth, the leading banks seemed to be successful in attracting the top M.B.A. students from the nation's best business schools. Given these counterarguments, Greer and Rhoades questioned Christophe's assertions that banks operated at a competitive disadvantage and that deregulation was the appropriate solution. Christophe's response [2] was that Greer and Rhoades had missed his main point because they had looked backwards and ignored the sheer size and penetration of many nonfinancial organizations whose financial activities were of a magnitude similar to top tier banks. In addition, Christophe argued that Greer and Rhoades failed to appreciate banks' lack of flexibility to react to the new competition.

Recent Studies

While Christophe's findings were interesting and in some ways startling to many bankers, the study had little immediate impact on future developments in the financial services industry. Around the same time that Christophe's study was released and shortly thereafter, a number of problems confronting the banking industry began to surface: large bank failures, massive loan losses, serious questions about capital adequacy, and "affiliated REIT" difficulties. Interest in expanding product lines and geographic markets

quickly waned, due in part to increased regulatory pressure from the Federal Reserve Board's "go slow" policy. The emphasis in banking returned to managing the fundamentals.

It was not until 1981, following the acquisition of several very large nonbank financial service companies by other financial and nonfinancial firms, that studies of the role of nonfinancial firms in the financial sector began to reemerge. The combinations that caught the public's eye were the acquisition of Bache by Prudential, Shearson by American Express, Dean Witter Reynolds and Coldwell Banker by Sears, and Salomon Brothers by Phibro.

Citicorp continued to publicize the presence of nonfinancial firms in the financial sector. Two of Citicorp's publications, Hooray for Hollywood [16] and Old Bank Robbers Guide to Where the New Money Is [3], are slick pamphlets produced by the Citicorp/Citibank Public Information Department. Hooray for Hollywood contains excerpts from a speech by Citicorp Chairman Walter Wriston given in the movie capital in November 1981. The speech outlined the advantages that banks' less-regulated competitors enjoyed.

The second Citicorp study, Old Bank Robbers Guide to Where the New Money Is, was a tongue-in-cheek attempt to convince the Willie Suttons, Bonnie and Clydes, and Ma Barkers of the world that banks were no longer the place from which to rob money; rather, would-be felons would do better to concentrate on Sears, GMAC, American Express and Baldwin Piano. The only evidence for this assertion was a chart which showed that commercial banks offered a smaller range of financial services than their nonbank competitors. Among the list of financial services were activities such as car rental, general data processing, telecommunications, and travel agencies--activities that most people would not characterize as being of a financial nature. Based on the

sparse evidence provided by Citicorp, very few people would be dissuaded from continuing to look upon banks as being "where the money is."

While addressing a narrower range of companies than the two recent Citicorp studies, a recent article by Carol Loomis [9] did give a somewhat detailed comparison of the financial activities of Citicorp with those provided by American Express, Merrill Lynch, Prudential, and Sears. According to the criteria used by Loomis, Citicorp (consolidated international) still held the edge in assets, deposits, commercial loans, and consumer loans but was second in revenue (behind Sears); last in money market funds (it had none while the other four companies had a total of $54.7 billion); and engaged in the second fewest number of financial activities (12), one more than Prudential but still behind Sears with 19, Merrill Lynch with 16, and American Express with 15. Among the financial activities were several that Citicorp is prohibited from entering: real estate development, commercial and residential real estate brokerage, executive relocation services, mortgage insurance, life insurance, and casualty insurance. Since the Loomis article appeared, Citicorp has been granted permission to acquire an S&L.

More recently, William F. Ford [6] has questioned whether commercial banks need to fear competition from their nonbank rivals. He has argued that retailers like Sears, brokerage firms like Merrill Lynch, and insurance companies like Prudential are diversifying into new financial services because they have been doing poorly in many of their traditional product lines. He also argues that retailers, like most medium and small banks, need not fear Citicorp--probably the nation's most diversified banking organization with respect to product lines and geographic markets--as Citicorp's recent profitability has not matched that of a composite regional bank.

COMPETITION IN FINANCIAL SERVICES: 1981-82

To explore the prevailing degree of competition between banks and nonbank companies, the financial activities of more than 40 major U.S.-based companies were analyzed and compared with the 15 largest bank holding companies as of year-end 1981 by utilizing company Annual Reports and 10-K statements filed with the Securities and Exchange Commission. To the extent feasible, relevant items from the balance sheet and income statements of these firms are presented for 34 of these companies in a uniform format in Appendix A. The companies are organized into their major industry categories.

A description and history of the financial activities (updated through year-end 1982) of these 34 nonbank companies, as well as several others, are given in Appendix B. The information in the latter Appendix was taken from company Annual Reports for various years, Christophe [1], and recent articles that have appeared in American Banker, Wall Street Journal, Business Week, Fortune, Moody's Bank and Finance Manual, and other current periodicals and publications believed to be reliable sources. Also included in Appendix B is a description of the activities of three of the more aggressive bank holding companies. The geographic and product line overlaps between the bank holding companies and many of the nonfinancial-based companies are striking.

Companies were chosen on the basis of their being the most frequently listed nonbanking-based competitors of commercial banks. Several diversified financial service companies are also listed. Many other financial companies (in particular, many large insurance companies) have been excluded because, as of year-end 1981, they had demonstrated no inclination to invade the turf of commercial banks. Some nonfinancial companies that have begun to invade commercial banking have likely been omitted simply because they have maintained a low profile and were therefore not readily identified. Also

discussed in Appendix B are a few companies that could easily become bank-like entities if they were so inclined. That they have not done so to date does not mean that banks and other lenders are unaware of their potential to become a major force in commercial or consumer lending or both.

No attempt was made in this paper to delineate precisely the geographic areas served by nonbanking firms. It should be kept in mind in interpreting the financial statistics provided in this paper that the competitive influence or impact of the various nonbank companies is diluted somewhat by the fact that they compete in many different geographic and product markets.

Overview

Christophe identified ten companies whose earnings in 1972 from financial lines of business were impressive. These companies are shown in Table 1. During 1972 their net profits from financial activities totaled $662.2 million, six times greater than a decade earlier. Indeed in 1962, three of the companies had virtually no earnings from financial activities, and four of the companies had financial earnings that averaged a mere $0.75 million. Within this group of ten, only General Motors and Sears would be considered significant financiers in 1962.

By year-end 1981, these ten companies had profits from financial activities totaling $1.73 billion, more than 2.5 times the total of a decade earlier and considerably more than could be accounted for by inflation. Eight of the ten companies showed an increase in the percentage of total earnings attributable to their financial activities; only Control Data and Gulf & Western showed a decline. Interestingly, the five largest New York City bank holding companies--Citicorp, Chase Manhattan, Manufacturers Hanover, Chemical,

Table 1

Estimated Financial Service Earnings of Nonfinancial-Based Companies

	1962		1972		1981	
	Million dollars	Percent of total earnings	Million dollars	Percent of total earnings	Million dollars	Percent of total earnings
Borg-Warner	$0.5	1.5%	$6.3	10.6%	$31	18.0%
Control Data	nil	nil	55.6	96.2	50	29.2
Ford Motor	0.4	nil	44.1	5.1	186	n.a.[1]
General Electric	8.7	3.3	41.1	7.8	142	8.6
General Motors	40.9	2.8	96.4	4.5	365	109.6[2]
Gulf & Western	nil	nil	29.3	42.1	71	24.5
ITT	1.2	2.9	160.2	33.6	387	57.2
Marcor	nil	nil	9.0	12.4	110	n.a.[3]
Sears[4]	50.4	21.6	209.0	34.0	385[5]	51.1
Westinghouse	0.9	2.0	15.2	7.6	34	7.8
	103.0		662.2		1,732	

[1]Ford Motor Company had a net loss of $1,060 million in 1981.

[2]General Motors and consolidated subsidiaries had a loss of $15 million after taxes; however, after adding $348 million of equity in earnings of such nonconsolidated subsidiaries as GMAC, General Motors had after-tax net income of $333 million.

[3]Marcor has been acquired by Mobil Oil Company. In 1981, Marcor's operating loss was $160 million.

[4]Sears' financial service earnings are stated before allocation of corporate expenses to its business groups. In 1981, such expenses were $103 million.

[5]Does not include net incomes of Dean Witter and Coldwell Banker because they were acquired on December 31, 1981.

SOURCE: 1962 and 1972 data from Christophe (1974), Table III, p. 10; 1981 data from company Annual Reports and 10-K forms.

and Morgan--earned a similar total, $1.78 billion from their worldwide activities during 1981.[4]

Companies which had 1981 profits from financial activities exceeding $200 million are shown in Table 2. Nine of the 17 are bank holding companies, but of the top nine, only three are bank holding companies.

If the manufacturing companies listed in Table 1 engaged solely in the

Table 2

Earnings from Financial Activities, 1981: Manufacturers, Retailers, Diversified Finance Companies, Insurance-Based Companies, and Bank Holding Companies

Company	Earnings ($ millions)
Prudential	1,576
Equitable Life Assurance	651
Citicorp	531
American Express	518
Aetna Life & Casualty	462
BankAmerica Corp.	445
Chase Manhattan Corp.	412
ITT	387
Sears	385[1]
J. P. Morgan & Co.	375
General Motors	365
Continental Illinois Corp.	255
Manufacturers Hanover Corp.	252
First Interstate Bancorp	236
Chemical New York Corp.	215
Security Pacific Corp.	206
Merrill Lynch	203

[1]Sears' financial service earnings are stated before allocation of corporate expenses to its business groups. In 1981, such expenses were $103 million.

SOURCE: Company Annual Reports and 10-K forms, as shown in Appendix A, infra.

financing of products manufactured by them, then we might suspect they did not compete vigorously with commercial banks. As shown in Table 3, several of the so-called captive finance companies provide credit, if not to all comers, then to a wide clientele involved in purchasing goods unrelated to their parents' products. This tendency to diversify the customer base has increased since 1972. It is clear that captive finance companies have the ability to evolve in ways not originally contemplated by the founding company. They can and oftentimes do take on a life of their own that is unrelated to their parents' operations. For example, financing of General Electric products accounts for less than 5 percent of GECC's financing volume. Over 90 percent of

Table 3

Percent of Financing in Conjunction with Sales of Parent's Products

Company	1972	1981
General Electric Credit Corp.	9	5
Borg-Warner Acceptance Corp.	not available	9
Westinghouse Credit Corp.	43[a]	less than 1
Associates/G&W	2[b]	1
Commercial Credit/Control Data	8[b]	11

[a]Estimated from information in Christophe (1974), pp. 48-49. As of 1973, Westinghouse stated in its 10-K that the percentage of its parent's products financed was a "small portion" of WCC's business.

[b]Data shown are for 1975, the earliest date available.

SOURCE: For 1972, Christophe (1974), except as noted. For 1981, Annual Reports and 10-K forms.

Borg-Warner Acceptance Corporation's income and assets result from financing other companies' products. Similarly, Westinghouse Credit serves a diverse clientele. On the other hand, several of the finance companies shown in Appendix A are much more "captive." Included in this category are GMAC, Ford Motor Credit, IBM Credit, Mobil Credit and Amoco Credit Corp.

Another way to look at the financial activities of the nonfinancial companies is by examining their total finance receivables. These data can be found in Appendix A and in Table 4 which ranks the companies by financing volume. Although some of the receivables of manufacturers such as General Motors and Ford are derived from foreign countries, Table 4 assumes that all such receivables are generated by domestic customers; consequently, the domestic receivables of bank holding companies are used for comparison.

Table 4 illustrates that banks are not the only major lenders in the United States. Of the top 10 companies shown, seven are bank holding companies, one is an insurance company and broker, and two are the finance

Table 4

Total Domestic Finance Receivables of 27 Selected Companies Having Over $5 Billion in Receivables: 1981

Company	Receivables ($ billions)
BankAmerica Corp.	52.0
General Motors	45.1
Citicorp	40.6
Continental Illinois Corp.	23.7
Manufacturers Hanover Corp.	23.1
Prudential/Bache/PruCapital	23.0
First Interstate Bancorp	21.3
Chase Manhattan Corp.	21.2
Chemical New York Corp.	20.3
Ford Motor	19.5
Security Pacific Corp.	19.2
Wells Fargo & Co.	16.1
First Chicago Corp.	14.5
Sears	13.8
Equitable Life Assurance	13.7
Bankers Trust New York Corp.	13.0
J. P. Morgan & Co.	12.9
Crocker National Corp.	12.7
General Electric	12.3
Aetna Life & Casualty	10.8
American Express	9.5
Mellon National Corp.	8.1
Marine Midland Banks, Inc.	7.9
Gulf & Western	5.9
National Steel	5.9
Merrill Lynch	5.1
Walter Heller	5.1

SOURCE: Company Annual Reports and 10-K forms, as shown in Appendix A, infra.

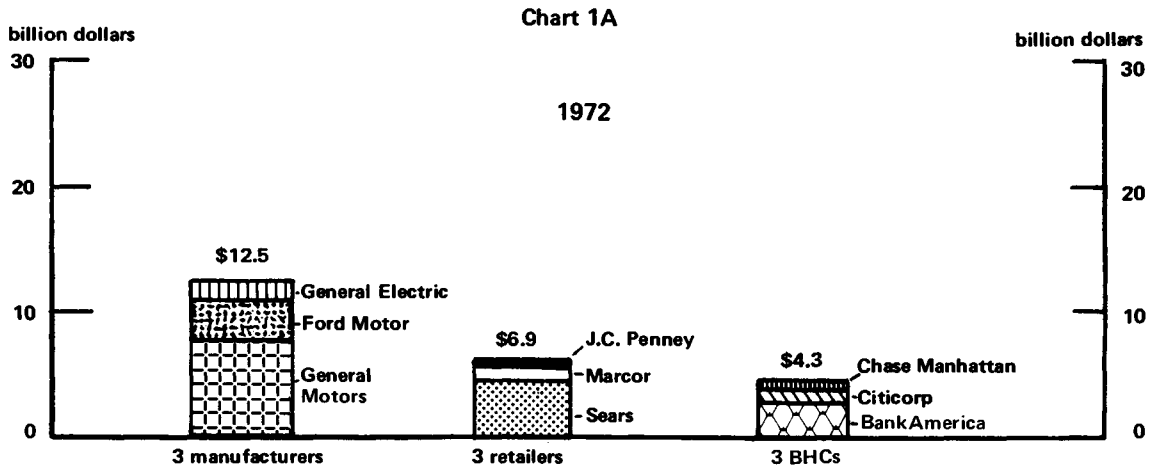
subsidiaries of automobile manufacturers. Of the next 11 companies, six are bank holding companies.

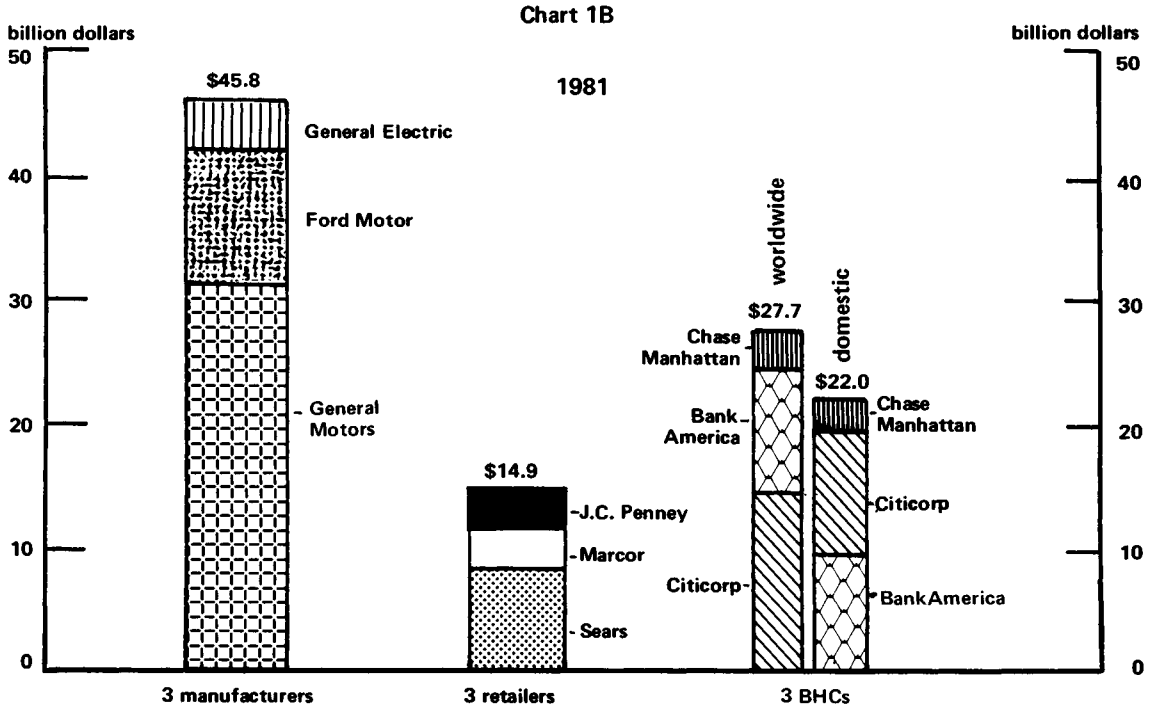
Perhaps the best way to examine the impact of nonbank entry upon banks is to look at what has happened to competition in individual product lines. To do this we examine the competitive thrusts made by the 34 nonbank companies listed in Appendix A into various segments of consumer and business credit. In addition, their role in deposit markets is also examined.

Consumer Credit

At year-end 1972, the date used by Christophe, the three largest bank holding companies held less consumer installment credit than the three largest nonfood retailers which in turn held less consumer installment credit than three large consumer durable goods manufacturers (see Chart 1A). As is apparent in Chart 1B, these rankings have changed in a number of ways. Most

CONSUMER INSTALLMENT CREDIT HELD BY SELECT LARGE BANK HOLDING COMPANIES, RETAILERS AND CONSUMER DURABLE GOODS MANUFACTURERS AT YEAR-END





notable is the dramatic gains made by bank holding companies, whether looked at on a worldwide or U.S.-only basis. Part of this gain was due to the acquisition of consumer finance companies by BankAmerica and Citicorp, but most of the increase is attributable to internal growth.

Over the last decade, the consumer installment credit held by the three large retailers grew by a factor of 2.1; that held by the three bank holding companies grew by a factor of 6.4 (worldwide); and that held by the three manufacturers grew by a factor of 3.7. Clearly, the bank holding companies experienced the highest growth rate of the three groups.

Another way to examine the impact of nonbank competition in the market for consumer credit is to rank the companies in Appendix A by their total consumer credit outstanding. This is shown in Table 5a for the 15 largest

Table 5a

Top 15 Consumer Lenders:*
Combined Retail Mortgage and Consumer Installment and Revolving Loans as of December 31, 1981
($ millions)

	Mortgage Loans	Installment and Revolving Credit	Total
General Motors		$31,077	$31,077
BankAmerica Corp.	$10,196	9,703	19,899
Citcorp	5,925	9,556	15,481
Sears	2,830	9,528	12,358
Ford Motor		11,892	11,892
First Interstate Bancorp	4,325	4,418	8,743
Security Pacific Corp.	3,835	3,799	7,632
Beneficial Corp.	3,785	3,078	6,863
Wells Fargo & Co.	4,606	1,977	6,583
National Steel	5,859	71	5,930
General Electric	2,460	2,792	5,252
Prudential/Bache/PruCapital		5,142	5,142
American Express	74	5,035	5,109
Merrill Lynch		4,725	4,725
Crocker National Corp.	3,354	1,192	4,546

*Data for bank holding companies are domestic loans; nonbank company data are worldwide. National Steel's loans and some of Sears' loans are those of its savings and loan subsidiaries.

SOURCE: Annual Reports and 10-K forms, as shown in Appendix A, infra.

consumer lenders. Of the top 15, only six are bank holding companies; within the top 5, only two are bank holding companies. Within the narrower category of installment and revolving credit, the same trend is evident (see Table 5c). Of the top 10 in consumer installment loans, only four are bank holding companies; the top five are GMAC, Ford Motor Credit, BankAmerica Corp., Citicorp, and Sears.

In spite of their impressive growth, banks have a long way to go to catch up with their credit-granting, manufacturing rivals in the more narrow field of auto loans. As can be seen in Table 6, commercial banks as a group have the largest market share in the auto lending product line with 47 percent of the market at year-end 1981. This share had fallen by thirteen percentage points from the peak reached only three years earlier in 1978. Over this same

Table 5b

Top 15 Retail Mortgage Lenders*
as of December 31, 1981

	Mortgage Loans
	($ millions)
BankAmerica Corp.	$10,196
Citicorp	5,925
National Steel	5,859
Wells Fargo & Co.	4,606
First Interstate Bancorp	4,325
Security Pacific Corp.	3,833
Beneficial Corp.	3,785
Crocker National Corp.	3,354
Sears	2,830
General Electric Credit Corp.	2,460
Household International	1,726
Equitable Life Assurance	1,696
Gulf & Western's Associates	1,500
Chase Manhattan Corp.	1,280
Avco Financial Services	1,252**

*Data for bank holding companies are domestic loans; nonbank company data are worldwide. Also, National Steel's and Sears' loans are those of its savings and loan subsidiaries.

**Slightly over $1 billion of Avco's mortgage loans are second mortgages.

SOURCE: Annual Reports and 10-K forms, as shown in Appendix A, infra.

Table 5c

Top 15 Consumer Installment and Revolving Credit Lenders* as of December 31, 1981

	Installment and Revolving Credit ($ millions)
General Motors	$31,077
Ford Motor	11,892
BankAmerica Corp.	9,703
Citicorp	9,556
Sears	9,528
Prudential/Bache/PruCapital	5,142
American Express	5,035
Merrill Lynch	4,725
First Interstate Bancorp	4,418
Security Pacific Corp.	3,799
Montgomery Ward	3,623
J.C. Penney	3,183
Beneficial Corp.	3,078
General Electric Credit Corp.	2,792
Chase Manhattan Corp.	2,726

*Data for bank holding companies are domestic loans; nonbank company data are worldwide.

SOURCE: Annual Reports and 10-K forms, as shown in Appendix A, infra.

Table 6

Domestic Automobile Loans Outstanding as of year-end: 1977-1981

	1981	1980	1979	1978	1977
	($ millions)				
General Motors Acceptance Corp.[1]	$ 28,545	$ 20,298	$ 17,526	$ 13,519	$10,999
Percent of total	23%	17%	15%	13%	13%
Ford Motor Credit Co.[2]	$ 10,450	$ 8,977	$ 7,678	$ 6,527	$ 5,127
Percent of total	8%	8%	7%	6%	6%
Chrysler Financial Corp.[3]	$ 1,948	$ 1,742	$ 1,472	$ 1,728	$ 1,634
Percent of total	2%	2%	1%	2%	2%
Total of three auto finance companies	$ 40,943	$ 31,017	$ 26,676	$ 21,774	$17,760
Percent of total	32%	27%	23%	21%	21%
Commercial banks	$ 59,181	$ 61,536	$ 67,367	$ 60,510	$49,577
Percent of total	47%	53%	58%	60%	60%
Other	$ 26,307	$ 24,285	$ 22,319	$ 19,363	$15,574
Percent of total	21%	20%	19%	19%	19%
Total auto loans outstanding	$126,431	$116,838	$116,362	$101,647	$82,911

[1]Includes small amount of financing of other General Motors products such as trucks and tractors.

[2]These domestic numbers are estimates. They also include a small amount of financing of Ford's other products.

[3]Includes Canadian and Mexican automotive receivables. The 1977 figure includes a small amount of European receivables as well.

SOURCE: *Federal Reserve Bulletin*, company Annual Reports and 10-K forms.

1978-81 period, the share of auto loans held by the captive finance companies of General Motors, Ford, and Chrysler had increased by 12 percentage points, to 33 percent of the market. GMAC alone in 1981 held $28.5 billion of auto loans, almost one-fourth of all auto loans outstanding and double its share of the total market just three years earlier.

By way of comparison, Bank of America was the largest auto lender among commercial banks with $2.2 billion of auto loans at year-end 1981, almost three times the total of the second largest bank in auto loans but a mere one-thirteenth the total held by GMAC. It should be recognized that Bank of America's auto loans are confined almost totally to California, while GMAC lends throughout the United States. Nevertheless, GMAC's market position as measured by loans outstanding is enormous. (Few financial services, no matter how narrowly the product line is defined, are characterized by this degree of dominance by the top few firms when the geographic market is viewed as being national. Travelers checks and credit cards are the other exceptions.)

At year-end 1981, according to their domestic consolidated Call Reports, the top 25 commercial banks in auto loans had $10.4 billion of such loans on their books, and the top 100 banks had $18.0 billion. As mentioned above, GMAC alone held $28.5 billion, 1.6 times the amount held by the largest 100 commercial banking auto lenders. Ford Motor Credit held $10.4 billion, the same as that held by the 25 largest commercial banking auto lenders. These figures are somewhat biased by the de facto exit of many lenders other than the big three automobile captive finance companies from the auto lending business during the last few years. This exit has occurred because of the soaring cost of funds, binding usury ceilings in many states, and use by General Motors, Ford, and Chrysler of below-market financing rates (at times, rates below the cost of funds) in an attempt to boost sluggish auto sales.[5]

This shift of market share away from commercial banks and other lenders toward the auto captive finance companies is illustrated even more dramatically in Tables 7 and 8. In 1978, commercial banks issued 55 percent

Table 7

Sources of New Consumer Installment Credit to Households

	1978		1981	
	$ billion	percent	$ billion	percent
Commercial banks	23.6	55	2.3	12
S&Ls	*	*	1.7	9
Finance companies	9.4	22	13.1	66
Credit Unions	6.7	16	1.9	9
Others**	3.4	7	.9	4
Total	43.1	100	19.9	100

*Less than $0.5 billion or less than 0.5 percent.

**Includes mortgage pools, mutual savings banks, federal and related agencies, state and local governments, and other lenders. Amount of loans and percent of total is computed as a residual.

SOURCE: Luckett, [10, Table 1, p. 282].

Table 8

Automobile Credit by Holder
($ billion)

	Amount Outstanding		Net Change During Year		New Loans	
	1978	1981	1978	1981	1978	1981
Commercial Banks*	60.5	59.2	10.9	- 2.4	53.0	42.8
Finance Companies	19.9	45.3	4.7	11.0	16.5	33.5
Credit Unions	21.2	22.0	3.1	0.9	18.5	18.1
Total	101.6	126.5	18.7	9.5	88.0	94.4

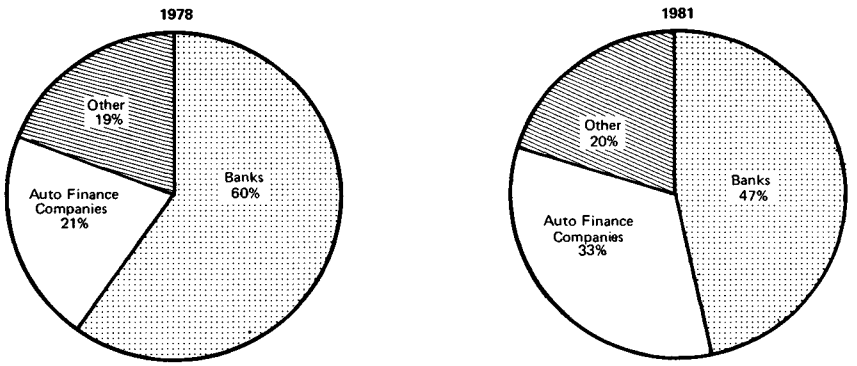
*Includes both indirect paper and direct loans.

SOURCE: *Federal Reserve Bulletin*, April and August 1982, Tables 1.56 and 1.57, pp. A42-A43.

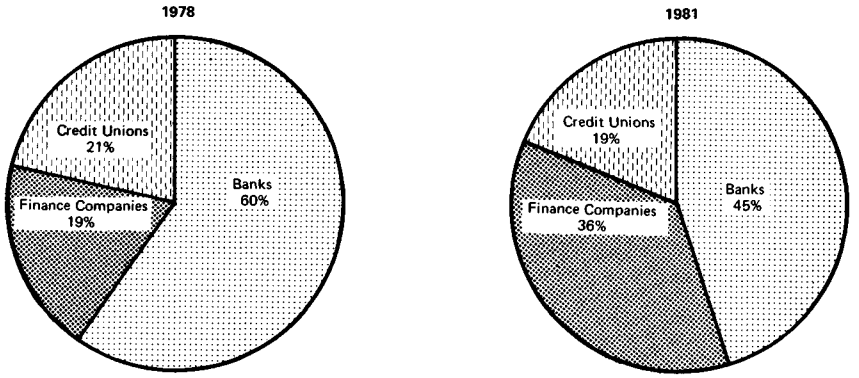
of new installment debt to households; finance companies accounted for only 22 percent of such debt. In 1981 these relative shares had reversed themselves; commercial banks issued only 12 percent of the consumer installment debt that year while finance companies accounted for 66 percent.[6] Not all of this increased finance company share, however, was used to finance auto loans. Many noncaptive, consumer finance companies have moved away from small, unsecured cash loans toward making second mortgage loans; they held at least $13 billion of second mortgage debt at year-end 1981 [10, p. 286]. As shown in Table 8, the captive finance companies of the auto manufacturers reinforced for auto loans the trends shown in Table 7 for all consumer installment loans. This is illustrated in percentage terms in Chart 2. But as is stated in footnote 6, the growth of finance company market share is distorted by the fact that the loans of finance company subsidiaries of bank holding companies

CHART 2

SHARE OF DOMESTIC AUTO LOANS OUTSTANDING



SHARE OF NEW AUTO LOANS ISSUED



are classified as finance company loans rather than bank loans.

The inference to be drawn from this discussion is that consumer loan markets are very fluid in the sense that the share of new loans written by any single group of lenders can change dramatically as economic conditions change. Households apparently care about price and service, not the name or type of financial or nonfinancial organization selling that service.[7]

Credit Cards

As of 1972, Sears held a leading position over Master Charge and National BankAmericard in the credit card business. Christophe [1] presented a chart illustrating vividly that Sears' 18.5 million active accounts were almost double that of its two bank card rivals, each of which had about 10 million active accounts. As can be seen in Table 9, Sears was also the leader in charge volume and account balances at that time.

Table 9

Consumer Credit Card Programs of Major Card Issuers

	1972	1981
Number of Active Accounts at Year-End (millions)		
Sears	18.5	24.5
MasterCard	10.3	22.1
Visa	10.0	25.8
American Express	—	10.0
Customer Charge Volume ($ billions)		
Sears	6.3	9.8
MasterCard	5.9	26.1
Visa	4.4	29.3
American Express	—	n.a.
Total Customer Account Balances at Year-End ($ billions)		
Sears	4.3	6.8
MasterCard	2.8	12.3
Visa	2.3	15.2
American Express	—	4.2

SOURCE: 1981 Company Annual Reports supplemented by phone discussions. For 1981, MasterCard and Visa data are U.S.-only, while Sears and American Express data are worldwide. Data for 1972 are from Christophe (1974), Chart II, p. 6.

As pointed out by William F. Ford [6], the situation has changed significantly since Christophe's study was published. Using 1980 data, Ford showed both bank cards having a slight edge over Sears in number of active accounts and a very wide edge in customer account balances outstanding. As shown in Table 9, by 1981 Visa had become the undisputed leader in charge volume, a very important measure of business activity because the income generated from merchants' discount fees is proportional to its charge volume. With U.S. charge volume of $29.3 billion during the June 1980-81 period, Visa did nearly triple the volume of Sears; in 1972, Sears' volume was 43 percent greater than Visa's.

As mentioned previously, Sears' lead in 1972 should have been expected; Sears began offering retail credit in 1910 while the two bank cards did not come into existence until the early 1960s. Greer and Rhoades [7, p. 62] pointed out that "bank credit card balances have grown at an annual rate from three to nine times as great as Sears' credit card balances over the period 1969-1973." However, this point is somewhat disingenuous since the Sears card was in the mature or declining phase of its life cycle while the bank cards were in a nascent, high growth phase.

Nevertheless, there is no questioning the success of the bank cards. Many retailers have begun accepting one or both bank cards alongside their own proprietary cards. For example, J. C. Penney began accepting Visa in 1980 and Mastercard in 1981. Montgomery Ward now accepts both bank cards. Many of the smaller regional department store chains which formerly accepted only their own credit cards have begun to accept the two bank cards as well as American Express cards. In spite of this trend, General Electric Credit offers revolving credit programs to department stores whereby it issues private label credit cards and services customer accounts.

The success of Visa and MasterCard vis a vis the Sears card does not necessarily imply a victory for banks over a nonbank competitor. The reason is simple; neither Visa nor MasterCard are banks. They are franchising companies that license a product to franchisees. The original franchisees were banks, but more recently this has not been the case. According to Visa's 1981 Annual Report, during 1981 "311 institutions joined Visa U.S.A. as proprietary members and another 571 joined as agent members. Many were thrift institutions--318 savings and loan associations, 28 mutual savings banks, and 98 credit unions--who [chose] Visa as the vehicle for exercising the new consumer payment powers granted to them by Congress." Some of Visa's growth in the last few years is attributable to the popularity of Merrill Lynch's Cash Management Account, which includes a Visa card.

An alternative way to interpret the data in Table 9 is to view Visa and MasterCard together as approximating a consolidated banking system in revolving installment credit. In this context the bank cards look even stronger. In 1972, the bank cards were slightly more successful than the Sears card by all three measures--active accounts, charge volume, and account balances. By 1981, the banks had more than double the number of active accounts of Sears, more than five times the charge volume, and about four times the account balances.

The latter interpretation of the success of bank cards has as much validity as the first interpretation. Very few banks issue their own proprietary cards, but more banks would issue such cards if they did not have a vested interest in Visa and MasterCard.

The fewness of credit card issuers is suggestive of significant economies of scale in producing credit card services. The evolution of two major bank cards represents an efficient adaptation by the marketplace; banks generally produce products themselves when no significant economies of scale are pre-

sent. When there are economies, banks purchase services or products from the Federal Reserve, large correspondents, or other suppliers who can produce the service or product more cheaply. Travelers checks, check clearing, and securities safekeeping are obvious examples. Charge cards appear to be similar in this respect. Indeed, many banks act as franchisees for the American Express card just as they do for travelers checks issued by American Express or by a few correspondent banks.

Business Loans

Commercial banks are an important source of credit to all businesses, large and small. Banks have a lion's share of outstanding commercial and industrial (C&I) loans in the United States. As can be seen in Table 10, the

Table 10

Business Lending by Selected Nonbanking-Based Firms and Bank Holding Companies at Year-End 1981[a]

	Commercial and Industrial Loans	Commercial Mortgage Loans	Lease Financing	Total Business Lending
	($million)			
15 Industrial/Communications/ Transportation[d]	39,365	1,768	14,417[b]	55,550
10 Diversified Financial[d]	3,602	3,054	1,581[b]	8,237
4 Insurance-Based	399	35,506	892[b]	36,797
3 Retail-Based	606	—	—	606
	43,972	40,328	16,890[b]	101,190
15 Largest BHCs				
Domestic	141,582	19,481	14,279[b]	175,342
International	118,021	5,046	—	123,067
Total, Top-15 BHCs	259,603	24,527	14,279	298,409
Domestic Offices, All Insured Commercial Banks	327,101	120,333[c]	13,168	460,602

[a]This table includes business lending data for 32 of the 34 companies covered in Appendix A, infra. Omitted are two oil-based companies which had no commercial loan receivables at year-end 1981.

[b]Includes domestic and foreign lending and may include leasing to household or government entities.

[c]Includes all real estate loans except those secured by residential property.

[d]Financing by banking and savings and loan subsidiaries has been subtracted.

SOURCE: Company Annual Reports and 10-K forms as given in Appendix A, infra., and *Federal Reserve Bulletin*, April 1982, p. A76.

15 largest bank holding companies held $141.6 billion of domestic C&I loans at year-end 1981, slightly more than triple the total held by the 34 nonbank companies shown in Appendix A. Nevertheless, the importance of nonbank lenders should not be underestimated. Funds that large firms raise from banks and from the money and capital markets are used to provide loans to many smaller businesses. For smaller businesses, trade credit is the most widely used source of credit, both in terms of the percentage of firms utilizing it as a credit source [14, Table 3] and in dollar volume [4, Table 2]. Trade credit is admittedly an imperfect substitute for bank credit since it cannot be used to pay other creditors or meet employee payrolls; nevertheless, its importance cannot be ignored.

Those firms that supply trade credit have alternatives to short-term bank credit; for example, nonfinancial firms had $53.7 billion of commercial paper outstanding at year-end 1981. In addition, nonbank financial firms had $77.4 billion of commercial paper outstanding at that time; some (unknown) portion of this was used to provide credit to businesses.

With respect to commercial mortgages, banks are an important source of funds but so are insurance companies. The four insurance companies listed in Appendix A--Prudential, Aetna Life & Casualty, Equitable Life Assurance, and American General Corp.--had $35.5 billion of commercial mortgages outstanding at year-end 1981; this compares with $24.5 billion of worldwide commercial mortgages held by the 15 largest bank holding companies. Nor do commercial banks dominate in lease financing. As shown in Table 10, with $16.9 billion of lease receivables, the 34 nonbank companies listed in Appendix A engaged in more lease financing than the 15 largest bank holding companies. Indeed, the lease receivables of those 34 companies exceeded the total lease receivables of the nation's more than 14,000 insured commercial banks.

Banks and bank holding companies still are the leaders in commercial lending. Among the top 10 commercial lenders, seven are bank holding companies. This can be seen in Table 11a. In the more narrow line of commercial and industrial loans, only General Motors ranks among the top 10; the other nine are bank holding companies (see Table 11b). In leasing, bank holding

Table 11a

Top 10 Commercial Lenders:*
Combined Commercial and Industrial and Commercial Mortgage Loans as of December 31, 1981
($ millions)

	Commercial and Industrial Loans	Commercial Mortgage Loans	Total
BankAmerica Corp.	$16,187	$4,643	$20,830
Citcorp	16,442	2,635	19,077
Continental Illinois Corp.	12,862	3,043	15,905
Prudential	362	14,928	15,290
Chemical New York Corp.	14,322	731	15,053
Chase Manhattan Corp.	10,563	2,012	12,575
Manufacturers Hanover Corp.	9,866	1,552	11,418
General Motors	10,824		10,824
First Interstate Bancorp	10,464		10,464
Aetna Life & Casualty	37	10,219	10,256

*Data for bank holding companies are domestic loans; data for Prudential, General Motors, and Aetna are worldwide.

SOURCE: Annual Reports and 10-K forms, as shown in Appendix A, infra.

Table 11b

Top 10 Commercial and Industrial Lenders*
as of December 31, 1981

	Commercial and Industrial Loans
	($ millions)
Citicorp	$16,442
BankAmerica Corp.	16,187
Chemical New York Corp.	14,322
Continental Illinois Corp.	12,862
General Motors	10,824
Chase Manhattan Corp.	10,563
First Interstate Bancorp	10,464
Manufacturers Hanover Corp.	9,866
Security Pacific Corp.	9,052
First Chicago Corp.	7,423

*Data for bank holding companies are domestic loans; data for General Motors are worldwide.

SOURCE: Company Annual Reports and 10-K forms, as shown in Appendix A, infra.

Table 11c

Top 10 Commercial Mortgage Lenders*
as of December 31, 1981

	Commercial Mortgage Loans ($ millions)
Prudential	$14,928
Aetna Life & Casualty	10,219
Equitable Life Assurance	9,357
BankAmerica Corp.	4,643
Continental Illinois Corp.	3,043
Citicorp	2,635
Chase Manhattan Corp.	2,012
Manufacturers Hanover Corp.	1,552
Transamerica Corp.	1,329
Wells Fargo & Co.	1,165

*Data for bank holding companies are domestic loans; data for the insurance-based firms are worldwide.

SOURCE: Annual Reports and 10-K forms, as shown in Appendix A, infra.

companies are overshadowed by their nonbank competitors. As shown in Table 12, four out of the five top lessors are nonbank companies. However, eight of the top 15 lessors are bank holding companies.

Foreign banks have also added to competition in business lending during the last decade. At year-end 1981, U.S. branches and agencies of foreign banks held $31.1 billion of C&I loans to U.S. domiciled businesses (and $22.0 billion to non-U.S. addressees). As can be seen in Table 10, this represents about 10 percent of the amount of C&I loans issued by U.S. banks to U.S. businesses.

Three nonbank companies listed in Appendix A--Control Data's Commercial Credit Corp., Merrill Lynch and ITT--have become approved lenders for the Small Business Administration (SBA). This has increased the competition in lending to small businesses because, prior to January 1980, SBA lending was the sole province of commercial banks.

Table 12

**Top 15 Lessors*
as of December 31, 1981**

	Lease Financing Receivables
	($ millions)
Manufacturers Hanover Corp.	$3,601
General Motors	3,209
General Electric	3,019
Ford Motor	2,088
Greyhound	2,044
Citicorp	1,883
BankAmerica Corp.	1,813
Control Data	1,211
Security Pacific Corp.	1,195
Continental Illinois Corp.	1,123
Chemical New York Corp.	1,117
First Interstate Bancorp	910
Prudential	892
Wells Fargo & Co.	887
RCA	706

*All data shown are worldwide leases.

SOURCE: Annual Reports and 10-K forms, as shown in Appendix A, infra.

Deposits

Turning to the sources of funds side of the bank balance sheets, it should be noted that substitutes for bank deposits have been around as long as there has been a reasonably efficient secondary market for government and private securities. Treasury bills, repurchase agreements with banks or government bond dealers, and large negotiable CDs are (imperfect) substitutes for bank deposits, including demand deposits. A comparatively recent substitute, money market mutual funds (MMFs), grew from only a few billion dollars in deposits in 1975 to over $230 billion of deposits by December 1982 when MMF deposits reached their peak just prior to the introduction of the Money Market Deposit Account permitted by the Garn-St Germain Depository Institutions Act of 1982. Money market funds, however, had only just come

into existence when Christophe published his findings about overlaps between banks and nonfinancial companies.

Table 13 shows the MMF assets of the companies listed in Appendix A, ranked by total MMF assets as of December 1, 1982. These 10 companies account for nearly 40 percent of all MMF assets. If MMFs are directly competitive with commercial bank deposits, then the combination of these 10 companies ranks in deposit size about halfway between BankAmerica and Citicorp, the nation's two largest bank holding companies in deposits. Merrill Lynch, with MMF assets of $50.4 billion as of December 1, 1982, was roughly comparable in size with Manufacturers Hanover and Chase Manhattan which had worldwide deposits of $42.5 billion and $55.3 billion, respectively, at year-end 1981.

Among the 10 companies listed in Table 13, only two, Sears and Ford, were

Table 13

Money Market Fund (MMF) Assets of Selected Nonbank Institutions Listed in Appendix A December 1, 1982

Company	Number of MMFs	Net MMF Assets ($ billion)
Merrill Lynch	7	50.4
Shearson/American Express	10	15.5
Sears/Dean Witter	6	11.9
E. F. Hutton	3	7.7
Prudential/Bache	3	4.3
American General Corp.	2	0.4
Transamerica Corp.	1	0.3
Equitable Life Assurance	1	0.4
Aetna Life & Casualty	2	0.03
Ford Motor	1	not available
		90.9

SOURCE: *Donoghue's Money Fund Report*, December 6, 1982.

among the companies studied by Christophe a decade ago. Sears itself had only about $0.5 billion in MMF assets; the remaining $11 billion of its MMF assets were obtained through the acquisition of Dean Witter Reynolds in 1981. Ford's Money Market Account is not an MMF by the usual standards as it is only available to certain salaried employees of Ford, and investments are used to purchase obligations of Ford Motor Credit.

In order to finance the loans extended to their customers, few of the nonbank companies rely to any significant extent upon deposits as a source of funds. (Even for the 10 companies shown in Table 13, MMFs are not a source of funds.) For the most part, their funds are raised in the money and capital markets at competitive rates. Consequently, the profit margins of most of these nonbank companies are not, and have never been, dependent upon the Regulation Q franchise. At year-end 1981, domestic offices of insured commercial banks had $222.3 billion in savings accounts subject to a Q-ceiling of 5.25 percent. Alex Pollock [12] has estimated that roughly half of the 1980 profits of 31 of the 50 largest U.S. banks could be attributed to their ability to pay below-market rates on savings accounts. The continued phase-out of Q-ceilings by the Depository Institutions Deregulation Committee should enhance the market position in lending of the nondepository firms listed in Appendix A.[8,9]

Particularly in the short time span since deposit interest rate ceilings have been eliminated on some time and savings deposits, banks have begun to fight back for sources of funds in a number of ways. For example, Citibank (South Dakota) has taken out several advertisements in the Wall Street Journal that invite the reader to contact an account representative about rates and other terms offered on several consumer CDs. Contact is available via a free 800 telephone number. Ironically, one of these advertisements recently appeared next to a similar ad from a money market fund.

In the last year competition for deposits has taken other new forms. Alliances that would have been termed unholy not long ago are commonplace now. Merrill Lynch has marketed, through its nationwide network of some 475 offices, All Savers Certificates for Bank of America, Crocker National Bank, and two S&Ls, one in Florida and another in Washington. Merrill Lynch, the same company that has $50.4 billion of MMF assets that purportedly compete with bank and thrift deposits, also maintains a secondary market for retail CDs issued by banks and S&Ls and has acted as a broker in the placement of retail CDs issued by 20 banks and thrifts, thus giving them a nationwide reach. As can be seen in Table 14, Merrill Lynch is not alone in this regard but is joined by several companies listed in Appendix A. These include Sears/Dean Witter, Shearson/American Express, and E. F. Hutton. Together these four companies operate about 1,325 offices throughout the United States. Even in rural locations where these companies have no physical office facilities, they are no farther than a newspaper, radio, TV, or magazine advertisement and a telephone call away. Thanks to Merrill Lynch, Sears/Dean Witter, and Bache, City Federal Savings and Loan of Elizabeth, New Jersey, now competes toe-to-toe on a nationwide basis with Bank of America for All Savers Certificates and other retail CDs.

The market for funds in denominations greater than $100,000 has been national ever since Citibank devised the negotiable certificate of deposit in 1961. The same is true for the market for large repurchase agreements. Bank-related commercial paper, also sold in a national market, amounted to some $31.9 billion at year-end 1981. What was true a decade ago for wholesale deposit markets has now become true at the retail level--the deposit market is national in scope.

Table 14

Depository Institution-Broker Relationships in the Distribution of Insured Retail Deposits As of August 1982

MERRILL LYNCH (475 offices)
ALL-SAVERS CERTIFICATES for 15 thrifts nationwide
RETAIL CDs* for 20 banks and thrifts nationwide including Bank of America
SECONDARY MARKET IN RETAIL CDs of 2 banks and 2 thrifts
91-DAY NEGOTIABLE CDs for Great Western Federal Savings and Loan, Beverly Hills

DEAN WITTER (8 Sears stores with financial center pilot programs and 320 Dean Witter offices nationwide)
RETAIL CDs* for 2 thrifts including Allstate Federal Savings and Loan
SECONDARY MARKET IN RETAIL CDs for City Federal Savings and Loan, New Jersey

BACHE (200 offices in 32 states)
ALL-SAVERS CERTIFICATES for City Federal Savings and Loan
RETAIL CDs* for City Federal Savings and Loan and one S&L in Los Angeles

SHEARSON/AMERICAN EXPRESS (330 domestic offices)
ALL-SAVERS CERTIFICATES for Boston Safe-Deposit & Trust Company
RETAIL CDs* for selected banks and thrifts

FIDELITY MANAGEMENT GROUP (29 offices in 50 states)
ALL-SAVERS CERTIFICATES for 6 banks including Security Pacific National Bank and First National Bank of Chicago

E.F. HUTTON (300 offices in 50 states)
ALL-SAVERS CERTIFICATES for 15 regional banking companies

EDWARD D. JONES & COMPANY (435 offices in 33 states)
ALL-SAVERS CERTIFICATES for Merchants Trust Company, St. Louis

MANLEY, BENNETT, McDONALD & COMPANY (10 offices in 2 states)
ALL-SAVERS CERTIFICATES for First Federal Savings & Loan, Detroit

PAINE WEBBER (240 offices)
ALL-SAVERS CERTIFICATES for 2 banks in California, including Bank of America

CHARLES SCHWAB & CO. (offices in 38 states)
ALL-SAVERS CERTIFICATES for First Nationwide Savings and Loan, San Francisco

THE VANGUARD GROUP (offices in 50 states)
ALL-SAVERS CERTIFICATES for Bradford Trust Company, Boston

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*3½-, 4-, 5-year, and zero coupon certificates of deposit.

SOURCE: Various issues of *American Banker* and other general business periodicals.

POLICY IMPLICATIONS

In 1963 the U.S. Supreme Court ruled in Philadelphia National Bank [15] that commercial banking was a distinct line of commerce. The ability to offer business loans and demand deposits together with a cluster of other financial services sets commercial banks apart from other depository and nondepository financial institutions. The Supreme Court still has not changed its mind regarding the line of commerce in banking.

In 1983 the uniqueness of commercial banking as a line of commerce is open to question. The demand deposit monopoly disappeared long ago. In 1972 mutual savings banks in New England innovated with NOW accounts which spread, in a number of different forms, outside the Northeast. By March 1980, Congress had no choice but to codify the (retail) NOW account nationwide when it passed the Depository Institutions Deregulation and Monetary Control Act (DIDMCA). More recently, Congress has permitted what amounts to small denomination, interest bearing checking accounts for households and businesses, thus giving legal sanction to the sweep account that technology and high interest rates had already brought into existence. These new accounts may be offered by all depository institutions. The only distinguishing feature between accounts is with respect to the frequency of debits; four or more checks written against one of these accounts make it a transaction account subject to reserve requirements.[10] Demand deposits have become a very small and unimportant source of funds for many banks, having become a residual of compensating balances and frictional levels of deposits that clear after preestablished presentment times. Demand deposits and their generic equivalents are offered by a wide variety of institutions; the uniqueness of demand deposits seems to have gone the way of the V-8 engine and the vacuum tube radio.

Business loans have never been the sole province of commercial banks. As shown in Section III, banks have encountered increasing pressure from numerous nonbank lenders in meeting the credit needs of business. For many types of business loans other than short-term commercial and industrial loans, banks are no longer the dominant lender.

To argue the separateness of commercial banking as a line of commerce may be making distinctions where there are no differences. The franchises that constituted the main value of a commercial bank charter in 1963 when Philadelphia National Bank was decided seem to be of little value today. The right to issue noninterest bearing demand deposits and 5¼ percent savings accounts and to make commercial loans is not much of an advantage today. The combination of demand deposit powers together with commercial lending powers does not seem to confer much advantage to banks, particularly since mutual savings banks already have had such powers (though somewhat more restricted) since DIDMCA, and S&Ls obtained similar powers in October 1982. Circumstantial evidence suggests that commercial banking is no longer a distinct line of commerce.

Competition has also increased in consumer lending and in taking deposits from households and other suppliers of funds. The entry of many nonfinancial firms into various segments of banking has heightened this competition.

The upshot of this discussion is that barriers to entry into banking--legal, economic, perceived, and real--seem to have diminished over the last decade. As a result, the number of potential entrants into any geographic market is very much greater than one would have thought a few years ago. Consequently, the opportunity to exercise market power seems to be severely constrained. One important barrier to entry that has been reduced in recent years is the information cost advantage of incumbent firms. Technological advances have made a national data base of household and

business credit histories available to all interested parties at a reasonable cost. These credit reports are provided by Dun & Bradstreet Credit Services, and by two divisions of TRW--TRW Business Credit Services and TRW Credit Data (see Appendix B).

Competition in financial services can no longer be measured by the role of firms domiciled in a particular geographic area. Many economic entities have access to a wide range of suppliers for deposit and credit services, some of whom are hundreds or thousands of miles away. The opportunity to exploit market power in such circumstances would appear to be minimal.

The bottom line of the findings in this study is that the line of commerce that was once called commercial banking has evolved into a new line of commerce, the provision of financial intermediation services. Technological advances and long overdue statutory and regulatory changes have blurred the distinctions between financial intermediation services offered at the wholesale and retail levels; between intermediation services offered to businesses and households and government entities; between intermediation services offered by banks, S&Ls, and finance companies; and between intermediation services offered by old-line, traditional financial institutions like banks and S&Ls and the services offered by the finance arms of manufacturers like General Motors, General Electric, and ITT, retailers like Sears, and diversified financial conglomerates like American Express.[11] These companies are capable of exploiting profitable opportunities to provide financial services when traditional suppliers fail to meet the public's needs at a reasonable price. In the long run the low cost producers will survive. The regulatory barriers that protected high cost producers have begun to be removed; it is a matter of time before a Darwinian struggle determines the new order of species in financial intermediation.

Table 15

Geographic Locations of Major Financial Firms that Provide Credit: 1981

Bank Holding Companies

	States	Offices	
		Nonbanking	Banking*
Citicorp	40 & D.C.	422	25
BankAmerica Corp.	40 & D.C.	360	38
Chase Manhattan Corp.	15 & D.C.	42	4
Manufacturers Hanover Corp.	32	471	28
Continental Illinois Corp.	14	20	28
Chemical New York Corp.	23	135	6
J.P. Morgan & Co.	6	7	5
First Interstate Bancorp	13	19	24
Security Pacific Corp.	39	427	7
Bankers Trust New York Corp.	4	2	8
First Chicago Corp.	27	23	14
Wells Fargo & Co.	16	52	6
Crocker National Corp.	6	15	5
Marine Midland Banks, Inc.	5	14	not available
Mellon National Corp.	13 & D.C.	151	11

Other Major Creditors

	States	Offices**
American Express	50	1400 Plus
American General's Credithrift Financial	24	545
Avco Corp.	47	1257
Beneficial Corp.	36	1470
Control Data's Commercial Credit	50	900
Ford Motor Credit Co.	50	330
General Electric Credit Corp.	50	480
General Motors Acceptance Corp.	50	310
G&W's Associates First Capital Corp.	50	670
Household International	47	1273
ITT	35	656
Merrill Lynch	50	475
Sears	50	1285

*These figures are exclusive of banking branches in their home states but include offices of bank subsidiaries.

**Avco Financial closed 539 offices in 1981; Beneficial has closed 576 offices since 1980, stopped making loans in 12 states, and sold its operations in Alabama and Tennessee; Household International closed 271 consumer finance offices in 1981; and the Associates consolidated 240 domestic offices in 1981.

SOURCE: Annual Reports and 10-K forms.

Given the above analysis, the new Justice Department guidelines seem to be academic with respect to their application to the banking industry. The market for many product lines seems to be national, and the existence of hundreds to thousands of competitors suggests an absence of significant scale economies, at least with present-day technology. (Exceptions are travelers checks and credit cards.) The number of potential new entrants is fairly large and seems to be increasing. Further, as shown in Table 15, the geographic scope of the financial activities of many of the larger bank holding companies covers a wide area and is almost as far-reaching as the geographic coverage of many of the nonbank companies listed in Appendix A.

Other public policy problems are raised by the findings presented here. Among these problems are the definition of the appropriate regulatory structure for the financial intermediation services industry. Another interesting question is whether the Federal Reserve should be given explicit authority to provide wholesale payments mechanism services to all firms that provide financial intermediation services, not just traditional depository institutions. The answers to these questions are beyond the scope of this paper.

SUMMARY AND CONCLUSIONS

Competition from nonbanks appears to have increased in deposit taking, business lending, auto lending, and most areas of consumer lending with the exception of credit cards. The preeminent position of commercial banks has eroded somewhat in many of these product lines.

Commercial banks now enjoy few natural or regulatory advantages that set them apart from other providers of financial intermediation services. As a result, consideration should be given to broadening the line of commerce definition.

FOOTNOTES

1. In addition, Sears had 2,388 catalog outlets in the U.S. at year-end 1981.

2. More recently, J.C. Penney began offering retail financial services on an experimental basis in five of its stores in Northern California. This pilot program began in December 1982 and was conducted jointly with First Nationwide Savings Association, a subsidiary of National Steel.

3. In 1920, retailers and oil companies held almost four-fifths of consumer installment credit. At that time banks held just over 3 percent. By 1950, banks had become the largest consumer installment lender with just under 40 percent of the loans outstanding, well ahead of finance companies which held about one-fourth and retailers and oil companies which held one-fifth of consumer installment loans. For more detail, see [11, Table 2].

4. Most of the financial activities of the ten companies shown in Table 1 are carried on domestically; many of the larger bank holding companies, on the other hand, derive a significant portion of their business from foreign activities, although the portion of profits from retail foreign business is fairly small. Thus, the profits of nonbanking-based companies and the larger bank holding companies are difficult to compare directly.

5. The auto captive finance companies have a different profit orientation than their competitors. The use of a captive finance company gives auto manufacturers an added degree of pricing and marketing freedom not enjoyed by the competition. Indeed a captive finance company could, in theory, lose money on every loan it makes provided its parent made up for such losses in added sales volume at higher average prices.

6. The data are distorted somewhat by the fact that finance company subsidiaries of bank holding companies are included with finance companies. For example, in 1981, Citicorp held $9.6 billion of consumer installment loans, $2.2 billion, or 23 percent, of which were attributable to Citibank and Citibank (New York State); BankAmerica held $9.7 billion of consumer installment loans, $6.8 billion, or 78 percent, of which were attributable to Bank of America; and Mellon National Corp. held $.9 billion of such loans, $.83 billion, or 87 percent, of which were attributable to Mellon Bank. Further complicating interpretation of the data is the tendency of some banks to sell consumer loans to their finance company affiliate, and vice versa.

7. In this context it should be noted that the post 1978 period, in particular the three-year period beginning October 6, 1979 to the present, has provided an unusual testing ground. One desirable characteristic of a financial firm is that it be able to survive large economic shocks--be it interest rate or regulatory changes or the combined impact of the two. The least diversified firms, S&Ls, have not done well in this regard. More diversified firms like banks, auto

captive finance companies, and many diversified finance companies have done somewhat better. Diversification of product lines is neither a necessary nor a sufficient condition for survival. Rosenblum [13] has shown that with no expansion of product lines, even S&Ls could have taken steps to reduce the impact of interest rate changes on their net worth. Kane [8] has shown how improperly priced FSLIC insurance induced S&Ls not to immunize themselves against interest rate risk. Eisenmenger has argued that the real risk is political risk of unpredictable, capricious changes in the legislative and regulatory environment [5]. It appears that firms with little opportunity to diversify out of unprofitable product lines have experienced greater difficulty over the last few years than those who are less constrained. Many of the manufacturers seem to have benefited from their presence in financial services and their competition with banks and other lenders.

8. It could be argued that Regulation Q has hampered the ability of banks to raise funds and that removal of Q-ceilings will enhance their ability to compete for funds. However, all 15 of the bank holding companies shown in Table 4 have long had access to nondeposit funding sources not subject to Q-ceilings. It would seem that, at least for the larger bank holding companies, elimination of Q-ceilings would increase the cost of funds but not the access to funds.

9. Offsetting this advantage to some extent is the probability that the phase-out of Q-ceilings will improve the ability of banks to immunize themselves against the earnings impacts of changes in interest rates. As shown in Rosenblum [13], by limiting the menu of maturities and interest rates that can be paid on time and savings accounts, Regulation Q has been an important barrier to immunization by banks and S&Ls and has raised tremendously the interest rate risk exposure in those industries over the last few years.

10. As of March 1983, noncorporate businesses as well as individuals are eligible to have money market deposit accounts; however, only individuals, certain nonprofit corporations, and governmental units are eligible to have Super NOW accounts.

11. Commercial banking and investment banking are still, for the most part, separated by some Glass-Steagall provisions, but even these separations are breaking down as cooperative agency relationships eliminate the need for direct participation in underwriting.

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APPENDIX A

Estimated Gross Finance Receivables and Selected Liabilities as of 12/31/81
Industrial/Communication/Transportation Based Companies

	General Motors Acceptance Corp.	Ford Motor Credit Company	General Electric Credit Corp.	CIT Financial Corp. (RCA)	Associates[1] First Capital (Gulf & Western)	United Fin. Corp. of California (Nat. Steel)	Combined Ins.[3] and Finance Subsidiaries of ITT	ITT Financial Corp.	Commercial[2] Credit Co. (Control Data)
	(million dollars)								
Consumer Loans									
Mortgage	--	--	2,460	971	1,500	5,859	698	698	630
Installment, Revolving Credit	31,077	11,892	2,792	1,392	1,742	71	1,235	1,040	1,293
Total	31,077	11,892	5,252	2,363	3,242	5,930	1,933	1,738	1,923
Commercial Loans									
Commercial and Industrial[5]	10,824	5,378	3,069	4,097	2,447	--	2,417	1,465	1,395
Mortgage	--	113	962	--	--	--	192	192	--
Total	10,824	5,491	4,031	4,097	2,447	--	2,609	1,657	1,395
Loans to Governments and Financial Institutions	--	--	--	--	--	--	--	--	--
Other Loans	--	33	--	--	--	--	--	--	--
Lease Financing	3,209	2,088	3,019	706	243	--	275	275	1,211
Total Finance Receivables	45,110	19,504	12,302	7,166	5,932	5,930	4,817	3,670	4,529
Selected Liabilities									
Deposits	--	--	--	--	--	4,670	--	40	--
Short-Term Debt[4]	23,378	8,418	5,800	2,491	2,194	1,153	1,893	1,205	1,377
Long-Term Debt	13,880	6,567	2,801	2,001	4,396	738	1,640	1,305	1,853
After-Tax Net Income									
Finance Subsidiary	365	186	142[6]	121	42	12	387	56	50
Consolidated Parent	333	(1,060)	1,652	54	291	86	677	677	171

[1] As of 7/31/81.

[2] International banking subsidiaries not consolidated. As of December 31, 1981 they had net receivables of $321 million and deposits of $303 million.

[3] Figures stated net of unearned income.

[4] Includes current portion of long-term borrowings.

[5] Includes construction lending.

[6] Includes income support payment from General Electric of $13 million after taxes.

SOURCE: Company Annual Reports and 10-K forms. Many companies do not report their receivables exactly as shown above, so some estimation was required to put the companies on a comparable basis. We were often assisted with our estimations by conversations with company officials.

Estimated Gross Finance Receivables and Selected Liabilities as of 12/31/81 (Cont.)

	Chrysler Financial Corp.	Borg-Warner Acceptance Corp.	Westinghouse Credit Corp.	Greyhound Financial Group Subsidiaries (million dollars)	IBM Credit Corp.	IBM Corp.	Diamond Financial Holdings (Dana Corp.)	Armco Financial Services
Consumer Loans								
Mortgage	--	235	--	--	--	--	556	--
Installment, Revolving Credit	1,948	195	91	--	--	--	25	--
Total	1,948	430	91	--	--	--	581	--
Commercial Loans								
Commercial and Industrial	1,350	1,394	1,521	--	868	4,569	n.a.	36
Mortgage	--	--	501	--	--	--	83	--
Total	1,350	1,394	2,022	--	868	4,569	83	36
Loans to Governments and Financial Institutions	--	--	--	--	--	--	--	--
Other Loans	--	129	--	--	--	--	--	--
Lease Financing	293	528	275	2,044	--	--	25	501
Total Finance Receivables	3,591	2,481	2,388	2,044	868	4,569	689	537
Selected Liabilities								
Deposits	--	--	--	--	--	--	646	--
Short-Term Debt[4]	300	1,111	981	158	415	773	67	424
Long-Term Debt	2,538	622	882	978	162	4,389	35	236
After-Tax Net Income								
Finance Subsidiary	62[7]	31	34	68	10		8	30
Consolidated Parent	(476)	172	438	138	3,308	3,308	116	295

[7] Includes income support payment from Chrysler of $70 million.

Estimated Gross Finance Receivables and Selected Liabilities as of 12/31/81
Diversified Finance Companies

	American[6] Express	Beneficial Corp. & Unconsolidated Subsidiaries	Merrill[1,7] Lynch	Walter E.[5] Heller International	Household[8] International	E.F. Hutton Group	Transamerica Corp.	Avco[2] Financial Services	Baldwin-United	Loews Corp.
					(million dollars)					
Consumer Loans										
Mortgage	74	3,785	n.a.	103	1,726	--	775	1,252	1,134	53
Installment, Revolving Credit	5,035	3,078	4,725	148	1,989	1,192	865	1,485	81	906
Total	5,109	6,863	4,725	251	3,715	1,192	1,640	2,737	1,215	959
Commercial Loans										
Commercial and Industrial[4]	2,241	14	n.a.	3,306	859	135	610	3	n.a.	--
Mortgage	184	49	n.a.	750	--	--	1,329	241	275	478
Total	2,425	63	353	4,056	859	135	1,939	244	275	478
Loans to Governments and Financial Institutions	1,409	--	n.a.	449	--	--	--	--	--	--
Other Loans	458	--	--	--	--	2,441	--	--	--	--
Lease Financing	71	218	--	316	338	418	31	169	93	--
Total Finance Receivables	9,472	7,144	5,078	5,072	4,912	4,186	3,610	3,150	1,583	1,437
Selected Liabilities										
Deposits	6,188	1,726	705	2,080	261	--	--	40	960	--
Short-Term Debt[3]	3,906	1,567	9,299	2,333	1,783	2,921	315	631	361	504
Long-Term Debt	1,076	3,352	502	806	3,334	358	1,754	1,951	375	723
After-Tax Net Income										
Finance Subsidiary	--	--	--	--	--	--	--	78	--	--
Consolidated Parent	518	(7.7)	203	23	142	79	223	70	85	253

[1] As of 12/25/81.

[2] As of 11/30/81.

[3] Includes current portion of long-term borrowings.

[4] Includes construction lending.

SOURCE: Company Annual Reports and 10-K forms.

[5] American National Bank and Trust Company of Chicago is consolidated. Its total loans outstanding were $1,385 million at year-end 1981.

[6] American Express International Banking Corp. is consolidated. Its total loans were $4,269 million.

[7] Two international merchant banking subsidiaries are consolidated.

[8] Valley National Bank is consolidated.

Estimated Gross Finance Receivables and Selected Liabilities as of 12/31/81
Insurance-Based Companies

	Prudential	Bache Group	PruCapital	Prudential + Bache Group + PruCapital	Equitable Life Assurance	Aetna Life & Casualty	American General Corp.	Credithrift[1] Financial, Inc.	American General + Credithrift Financial
				(million dollars)					
Consumer Loans									
Mortgage	--	--	--	--	1,696	--	--	486	486
Installment, Revolving Credit	3,894	1,248	--	5,142	2,692	564	429	678	1,107
Total	3,894	1,248	--	5,142	4,388	564	429	1,164	1,593
Commercial Loans									
Commercial and Industrial[4]	--	--	362	362	--	37	--	--	--
Mortgage[5]	14,928	--	--	14,928	9,357	10,219	1,002	--	1,002
Total	14,928	--	362	15,290	9,357	10,256	1,002	--	1,002
Loans to Governments and Financial Institutions	--	--	--	--	--	--	--	--	--
Other Loans	--	1,639	--	1,639	--	--	--	--	--
Lease Financing	--	--	892	892	--	--	--	--	--
Total Finance Receivables	18,822	2,887	1,254	22,963	13,745	10,820	1,431	1,164	2,595
Selected Liabilities									
Deposits	--	--	--	--	--	--	--	245	245
Short-Term Debt[3]	--	2,580	1,107	3,687	--	35	28	92	120
Long-Term Debt	--	141	45	186	--	263	97	546	643
After-Tax Net Income									
Finance Subsidiary	--[2]	5	26	31[2]	--[2]	--	--	15	--
Consolidated Parent	1,576[2]			1,576[2]	651[2]	462	164	164	164

[1] Purchased by American General in 1982.

[2] Increase in surplus before dividends.

[3] Includes current portion of long-term borrowings.

[4] Includes construction lending.

[5] Mortgages purchased in secondary markets not included.

SOURCE: Company Annual Reports and 10-K forms.

Estimated Gross Finance Receivables and Selected Liabilities as of 12/31/81
(million dollars)

	Oil Companies		Retail Based Companies			
	Mobil Credit	Amoco Credit Corp.	Sears	Montgomery Ward Credit	J.C. Penney[1] Financial	J.C. Penney[1] Financial and J.C. Penney Co. Combined
Consumer Loans						
Mortgage	--	--	2,830		--	--
Installment, Revolving Credit	1,206	343	9,528	3,623	1,755	3,183
Total	1,206	343	12,358	3,623	1,755	3,183
Commercial Loans						
Commercial and Industrial	--	--	570	--	36	--
Mortgage	--	--	--	--	--	--
Total	--	--	570	--	36	--
Loans to Governments and Financial Institutions	--	--	--	--	--	--
Other Loans	--	--	832	--	--	--
Lease Financing	--	--	--	--	--	--
Total Finance Receivables	1,206	343	13,760	3,623	1,791	3,183
Selected Liabilities						
Deposits	--	--	2,270	--	--	--
Short-Term Debt[2]	947	249	4,797	1,457	482	482
Long-Term Debt	--	--	5,838	1,262	837	2,242
After-Tax Net Income						
Finance Subsidiary	52	13	--	110	53	--
Consolidated Parent	2,433	1,922	650	(160)[3]	387	387

[1] As of 1/30/82.

[2] Includes current portion of long-term borrowings.

[3] Montgomery Wards' operating loss.

Estimated Gross Finance Receivables and Selected Liabilities as of 12/31/81
Bank Holding Companies

	Citicorp		BankAmerica Corp.[2]		Chase Manhattan Corp.		Manufacturers Hanover Corp.	
	Worldwide	Domestic	Worldwide	Domestic	Worldwide	Domestic	Worldwide	Domestic
	(million dollars)							
Consumer Loans								
Mortgage	7,642	5,925	10,196	10,196	2,005	1,280	1,327	1,198
Installment, Revolving Credit	14,645	9,556	10,668	9,703	3,363	2,726	1,858	1,858
Total	22,287	15,481	20,864	19,899	5,368	4,006	3,185	3,056
Commercial Loans								
Commercial and Industrial[4]	45,181	16,442	34,651	16,187	31,115	10,563	20,350	9,866
Mortgage	5,294	2,635	5,326	4,643	2,865	2,012	1,779	1,552
Total	50,475	19,077	39,977	20,830	33,980	12,575	22,129	11,418
Loans to Governments and Financial Institutions	9,143	1,287	8,386	1,237	10,177	2,745	11,378	3,009
Other Loans[5]	2,852	2,852	8,466	8,260	2,458	1,667	2,013	2,013
Lease Financing[3]	1,883	1,883	1,813	1,813	203	203	3,601	3,601
Total Finance Receivables	86,640	40,580	79,506	52,039	52,186	21,196	42,306	23,097
Selected Liabilities								
Deposits	72,125		94,369		55,300		42,462	
Short-Term Debt[1]	23,508		10,602		10,446		8,851	
Long-Term Debt	6,930		1,711		1,515		1,082	
After-Tax Net Income								
Finance Subsidiary	--	--	--	--	--	--	--	--
Consolidated Parent	531		445		412		252	

[1] Includes current portion of long-term borrowings.

[2] Figures stated net of unearned income.

[3] Total lease finance receivables are included under domestic receivables because of the difficulties involved in separating domestic leasing activity from international.

[4] Includes construction lending.

[5] Includes federal funds sold and securities purchased under resale agreements.

SOURCE: Company Annual Reports and 10-K forms and bank call reports. The Annual Reports and 10-K forms were the primary sources used. The call reports were used to estimate the breakdown of loan categories where needed.

Estimated Gross Finance Receivables and Selected Liabilities as of 12/31/81 (Cont.)

	Continental Illinois Corp.		Chemical New York Corp.		J.P. Morgan & Co.		First Interstate Bancorp	
	Worldwide	Domestic	Worldwide	Domestic	Worldwide	Domestic	Worldwide	Domestic
	(million dollars)							
Consumer Loans								
Mortgage	914	914	1,091	1,091	65	65	4,325	4,325
Installment, Revolving Credit	1,597	1,588	1,919	1,914	213	155	4,418	4,418
Total	2,511	2,502	3,010	3,005	278	220	8,743	8,743
Commercial Loans								
Commercial and Industrial	20,296	12,862	20,124	14,322	17,614	6,001	11,618	10,464
Mortgage	3,164	3,043	787	731	533	232	n.a.	n.a.
Total	23,460	15,905	20,911	15,053	18,147	6,233	11,618	10,464
Loans to Governments and Financial Institutions	4,858	2,633	4,477	196	7,561	2,510	1,012	n.a.
Other Loans	1,841	1,584	1,213	947	3,597	3,597	1,162	1,162
Lease Financing[3]	1,123	1,123	1,117	1,117	309	309	910	910
Total Finance Receivables	33,793	23,747	30,728	20,318	29,892	12,869	23,445	21,279
Selected Liabilities								
Deposits	29,594		29,430		36,024		27,407	
Short-Term Debt[1]	11,013		9,166		9,796		5,293	
Long-Term Debt	862		525		496		476	
After-Tax Net Income								
Finance Subsidiary	--		--		--	--	--	--
Consolidated Parent	255		215		348		236	

Estimated Gross Finance Receivables and Selected Liabilities as of 12/31/81 (Cont.)

	Security Pacific Corp.		Bankers Trust New York Corp.		First Chicago Corp.		Wells Fargo & Co.	
	Worldwide	Domestic	Worldwide	Domestic	Worldwide	Domestic	Worldwide	Domestic
	(million dollars)							
Consumer Loans								
Mortgage	3,833	3,833	n.a.	n.a.	868	868	4,606	4,606
Installment, Revolving Credit	3,799	3,799	889	889	1,078	1,078	1,977	1,977
Total	7,632	7,632	889	889	1,946	1,946	6,583	6,583
Commercial Loans								
Commercial and Industrial	10,886	9,052	10,548	6,549	10,682	7,423	7,327	6,390
Mortgage	654	654	981	981	832	686	1,165	1,165
Total	11,540	9,706	11,529	7,530	11,514	8,109	8,492	7,555
Loans to Governments and Financial Institutions	2,571	546	5,419	1,066	5,151	1,644	1,599	447
Other Loans	132	132	3,392	3,091	2,448	2,425	629	629
Lease Financing[3]	1,195	1,195	394	394	362	362	887	887
Total Finance Receivables	23,070	19,211	21,623	12,970	21,421	14,486	18,190	16,101
Selected Liabilities								
Deposits	23,446		23,345		25,555		16,854	
Short-Term Debt[1]	4,334		6,332		4,117		3,068	
Long-Term Debt	799		266		438		1,028	
After-Tax Net Income								
Finance Subsidiary	--		--		--		--	
Consolidated Parent	206		188		119		124	

Estimated Gross Finance Receivables and Selected Liabilities as of 12/31/81 (Cont.)

	Crocker National Corp.		Marine Midland Banks, Inc.		Mellon National Corp.[2]		Total Top 15 Bank Holding Companies	
	Worldwide	Domestic	Worldwide	Domestic	Worldwide	Domestic	Worldwide	Domestic
	(million dollars)							
Consumer Loans								
Mortgage	3,354	3,354	676	676	1,013	1,013	41,915	39,344
Installment, Revolving Credit	1,192	1,192	1,812	1,812	955	955	50,383	43,620
Total	4,546	4,546	2,488	2,488	1,968	1,968	92,298	82,964
Commercial Loans								
Commercial and Industrial	7,555	6,556	5,720	4,348	5,936	4,557	259,603	141,582
Mortgage	445	445	381	381	321	321	24,527	19,481
Total	8,000	7,001	6,101	4,729	6,257	4,878	284,130	161,063
Loans to Governments and Financial Institutions	1,724	--	2,503	n.a.	1,349	402	77,308	16,944
Other Loans	921	916	615	567	670	626	32,409	30,468
Lease Financing[3]	232	232	66	66	184	184	14,279	14,279
Total Finance Receivables	15,423	12,695	11,773	7,850	10,428	8,058	500,424	305,718
Selected Liabilities								
Deposits	16,495		14,096		11,838		518,340	
Short-Term Debt[1]	3,019		1,940		3,802		115,287	
Long-Term Debt	212		368		463		17,171	
After-Tax Net Income								
Finance Subsidiary	--		--		--		--	
Consolidated Parent	63		81		116		3,618	

Insurance Activities of Noninsurance-Based Companies
for Year-end 1981 (in millions)

	Life/Health	Property/Casualty	Credit	Annuity	Other
American Express	$ 8,726 in force	$2,476 premiums written			
Armco	$ 640 in force	$ 590 premiums written			
Avco Corp.	$ 6,212 in force	$ 86 premiums written	$ 77 premiums written	$ 158 premiums written	
Baldwin-United	$ 6,800 in force	$ 121 premiums written[1]		$1,500 premiums earned[2]	Liability and bonding, mortgage, and municipal bond: $186 premiums written
Beneficial Corp.	$ 7,393 in force	$ 103 premiums earned	$396 premiums earned	$ 143 premiums earned	
Borg-Warner		$ 42 premiums written[3,4]	*		
Chrysler			$ 30 premiums written		
Control Data	$ 134 premiums earned[5]	$ 136 premiums written	$ 30 premiums written		
Dana Corp.		$ 23 premiums earned			
Ford Motor			$127 premiums written		
General Electric	$ 56 premiums earned	$ 53 premiums earned[4]	*		Mortgage
General Motors	$ 35 premiums written[4]	$ 518 premiums earned	*		
Greyhound		$ 96 premiums earned			Mortgage
Gulf & Western	$ 4,090 in force	$ 133 premiums written[4]	*	*	
Household International	$ 3,306 in force		$1,127 premiums written		
E.F. Hutton	$ 3,400 in force			*	
ITT	$34,039 in force[6]	$3,100 premiums earned	$ 104 premiums written		
Loews Corp.	$ 882 premiums earned[5]	$1,560 premiums earned			
Merrill Lynch	$ 7,500 in force				
Montgomery Ward	$ 5,950 in force	$ 120 premiums written			
National Steel	*	*			
Parker Pen	*				
J.C. Penney	$ 128 premiums written	$ 101 premiums written			
RCA	$10,500 in force	*	*	$ 11 premiums earned	
Sears	$34,300 in force	$5,524 premiums earned			

*Figures not available. [1]$104 million of these premiums are from Empire Mutual Insurance in which Baldwin-United has a 75 percent share of earnings.

[2]This figure is for the Single Premium Deferred Annuity which lets investors make a single payment that is sheltered from taxes until the proceeds are paid. Baldwin-United is the nation's largest seller of this type of annuity.

[3]1980 data. [4]Includes credit insurance

[5]Includes investment income. [6]Includes reinsurance.

SOURCE: Annual Reports and 10-K forms.

APPENDIX B: COMPANY SUMMARIES

Industrial-, Communication-, and Transportation-Based Companies

American Can Company

American Can has historically been involved in packaging, consumer products, chemicals, and resource recovery. In 1981, the company announced it would sell its paper operations and expand into financial services. The chairman, William Woodside, intends to develop a rapidly growing, specialized financial division rather than to provide a wide range of financial services.

The company's first step was to acquire Associated Madison, an insurance holding company, in early 1982. Associated Madison's principal subsidiary, National Beneficial Life, specializes in selling life and health insurance through direct mail. American Can plans to expand National Beneficial's marketing efforts by linking them with American Can's Fingerhut subsidiary, a direct mail merchandiser of consumer goods.

Later in 1982, American Can acquired Transport Life Insurance Company, which is located in Fort Worth, and early in 1983, American Can acquired PennCorp Financial Inc., an insurance company based in California. The new subsidiaries will become units of Associated Madison.

American Can is preparing to provide home banking and home shopping services through two subsidiaries formed in 1981, HomServ and ViewMart. HomServ is currently testing a home banking cable television system in San Diego and Omaha. Eleven banks are using the system on a trial basis.

American Can's entry into financial services is part of the company's strategy to focus on the high growth lines in all its business areas. Its goal is to become a specialist in every sector in which it operates.

Armco, Inc.

Armco Financial Services Group (AFSG), a division of Armco Inc., has four subsidiaries involved in insurance, leasing, and commercial lending. Armco's insurance activities began in 1953 when it established a subsidiary to cover its own insurance needs. Today, the Armco Insurance Group has 16 insurance subsidiaries, 12 of which were acquired with the purchase of the NN Corporation in 1980. The group writes property-casualty and life insurance. Another AFSG subsidiary, Armco Financial Services Europe Limited, sells property-casualty insurance and reinsurance throughout the world.

Armco Financial Corporation is the commercial finance subsidiary. It leases and finances capital equipment in the United States and other countries. In 1981, roughly 21 percent of its financing receivables were for oil and gas drilling equipment, 16 percent for maritime equipment, 14 percent for commercial aircraft, and 8 percent for construction equipment.

AFSG's fourth subsidiary is Armco Management Corporation. It is involved in real estate and internal lending. It manages the investment portfolios of the insurance subsidiaries.

Armco's nonfinancial operations include production of energy equipment, aerospace parts, specialty steels, industrial products, and carbon steel.

AFSG's contribution to Armco's total net income fell to 10 percent in 1981 after fluctuating between 14 percent and 22 percent over the previous five years. The decline in 1981 was due to increased underwriting losses experienced by the insurance subsidiaries and to high income growth in the energy equipment and aerospace divisions. However, AFSG's share of Armco's total assets has grown from 3 percent in 1976 to 8 percent in 1981. Armco's goal for 1985 is to maintain AFSG's share at 8 percent, increase the energy equipment and aerospace shares, and decrease the share of carbon steel.

Borg-Warner Corporation

Borg-Warner Acceptance Corporation (BWAC) is a wholly-owned finance subsidiary of Borg-Warner Corporation. It was established in 1953 in order to provide financing for Borg-Warner products, but now over 90 percent of its income and assets result from business with other companies.

BWAC's policy has been to concentrate on short-term financing. This has enabled it to remain profitable despite recent high interest expense on its own debt.

One of BWAC's major activities is lending to dealers and purchasers of consumer products and agricultural equipment. In 1981, the company reached an agreement with Subaru of America to provide wholesale and retail financing for Subaru's car sales in the United States. BWAC plans to have a special office for this purpose in each of Subaru's distribution districts by 1983.

BWAC's other services to businesses include leasing and financing of sales installment contracts, trade accounts receivable, and insurance premiums. The company also makes real estate loans and wholesale and retail loans secured by manufactured homes. BWAC's insurance subsidiaries offer credit life, disability, property, and liability coverage.

At the end of 1981, BWAC was operating 264 offices in the United States, 31 in Canada, 15 in Australia, 14 in Puerto Rico, and six in Europe.

Borg-Warner Corporation was originally only an automotive parts manufacturer. Now its nonfinancial subsidiaries manufacture air conditioning systems, chemicals, plastics, and energy, industrial, and transportation equipment. Baker Industries, the protective services subsidiary, provides Wells Fargo armored transportation, guard and alarm services, and the Pony Express courier service. It also sells fire alarm systems.

In 1981, BWAC accounted for 18 percent of Borg-Warner's consolidated net income. This contribution was down from 21 percent in 1980 but up from 12 percent in 1979.

Chrysler Corporation

Chrysler Financial Corporation (CFC) is a wholly-owned finance subsidiary of Chrysler Corporation. It provides wholesale, retail, and lease financing to dealers of Chrysler products. It also purchases retail installment contracts from the sale of used vehicles of any make by Chrysler dealers. CFC makes capital loans to Chrysler dealers to finance expansion and provide working capital. The company no longer makes other commercial and industrial loans. In 1981, it also stopped leasing to auto rental companies.

CFC's insurance subsidiary provides floor plan insurance to dealers. It also sells physical damage insurance and credit life, accident, and health insurance to Chrysler customers.

The company has 95 U.S. offices in 43 states and the District of Columbia, 17 offices in Canada, and one in Mexico. CFC sold its European and South American operations in 1979 and its Australian operations in 1980.

In 1981, CFC concluded agreements with American Motors Financial Corporation and VW Credit, Inc. to service their finance receivables. The two companies will still bear the credit risk and raise the funds for their receivables serviced by CFC.

CFC's business has been adversely affected by high borrowing costs and the troubles of Chrysler Corporation in recent years. The damaging effect of high interest rates was offset somewhat in 1981 by the company's decision to raise lending rates, and dealer credit losses decreased as car sales improved slightly. However, CFC still suffered an operating loss in 1981. It showed a profit only because of a $70.5 million payment by Chrysler Corporation under the Income Maintenance Agreement between the two companies. High borrowing costs also forced Chrysler to make payments under the agreement of $57 million in 1980 and $27 million in 1979.

The poor economic health of Chrysler Corporation made it very difficult for CFC to raise new funds in 1981. Instead, CFC financed its operations by restructuring its debt and extending existing agreements to sell some of its receivables. In 1982, the company made a new agreement to sell $400 million of its receivables to a group of banks and $100 million to Chrysler to raise funds. It has announced that it will attempt to sell more of its receivables later in the year as well.

These sales were spurred by concern that a shortage of credit would hurt Chrysler's sales in parts of the country where banks are limiting their auto lending. At present, CFC is only able to finance about 10 percent of Chrysler's car sales, while General Motors Acceptance Corporation and Ford Motor Credit finance roughly 35 percent and 25 percent of their parents' car sales respectively.

Dana Corporation

Diamond Financial Holdings is a wholly-owned subsidiary of Dana Corporation. Its subsidiaries are involved in property and casualty insurance, equipment leasing, real estate, and saving and loan operations.

On December 31, 1981, Diamond acquired General Ohio Savings and Loan which has 46 branches in Ohio. Its name is now Diamond Savings and Loan

Company. In 1981, Dana transferred ownership of several domestic and international insurance companies and a bank to Diamond.

Dana Corporation manufactures truck components, service parts, and industrial equipment parts.

Ford Motor Credit Company

Ford Motor Credit Company was established as a wholly-owned, nonconsolidated subsidiary of Ford Motor Company in 1959. It provides retail and wholesale financing for new and used vehicles sold by Ford dealers. In March 1982, the Company restricted its new vehicle financing to vehicles manufactured and distributed by Ford Motor Company.

From 1928 to 1933, Ford Motor Company financed the retail and wholesale purchases of Ford cars through Universal Credit Corporation, a wholly-owned subsidiary. From 1933 to 1959, Ford held only a minority interest in this finance company.

In 1966, Ford Credit expanded into direct consumer lending and into commercial, industrial, and real estate financing. Other financing activities include capital loans to Ford dealers and purchases of accounts receivable from Ford divisions and affiliates. These operations were a small part of Ford Credit's outstanding finance receivables in 1981.

At the end of 1981, Ford Credit had a total of 279 branch offices. Of these, there are 146 vehicle financing branches in the United States and Puerto Rico and 18 in Canada. Other vehicle financing branches are in Australia, France, and the Dominican Republic. Ford Credit also has 82 consumer loan offices in 24 states and one in Ontario.

Other subsidiaries of Ford Motor Company provide financing for the sale of Ford vehicles in other countries, although Ford Credit coordinates their operations. Ford Credit is thus involved directly or indirectly in 29 countries.

Ford Credit finances its operations primarily by issuing commercial paper and medium-term and long-term debt. In 1981 and early 1982, Ford Credit's ability to raise funds was restricted by reductions in its commercial paper and senior debt ratings. The company was forced to rely more heavily on more expensive bank borrowings. However, Ford Credit's sources of funds increased in the spring of 1982 when Ford Motor Company offered a money market fund to Ford employees. The fund invests only in Ford Credit's commercial paper and is initially limited to white collar employees. But the company hopes to include its blue collar employees once the fund is approved by the United Auto Workers Union.

Ford Credit's subsidiary, The American Road Insurance Company, writes physical damage insurance on most vehicles financed at wholesale by Ford Credit. American Road's principal subsidiary, Ford Life, issues credit life and disability insurance for retail vehicle purchasers and for Ford Credit's consumer loan customers.

General Electric Company

General Electric Credit Corporation (GECC), a wholly-owned subsidiary of General Electric (GE), was formed in 1932 to finance the distribution and sale of GE products. In the early 1960s, GECC began serving other businesses and consumers. Today, financing of GE products accounts for less than 5 percent of GECC's total volume. The company has grown to be the nation's third largest finance company based on lending volume. At the end of 1981, it had roughly 480 offices in the United States and Puerto Rico.

GECC's consumer financing activities include retail financing and personal loans. GECC purchases consumer installment sales contracts from retailers in the United States and Puerto Rico. It finances retail inventories, primarily for GE products. GECC also offers revolving credit programs to department stores under which it issues private label credit cards, services customer accounts, and purchases retail receivables. At the end of 1980, GECC had $499 million of revolving credit receivables outstanding under such programs. This figure is not available for 1981.

GECC's direct cash loans are generally secured by home equity, although it has four offices which make direct loans specifically to finance the purchase of pleasure boats. The company also finances the accounts receivable of small personal loan companies.

GECC has reduced its involvement in retail and consumer financing in recent years. Retail and consumer receivables dropped from 35 percent of the company's total finance portfolio in 1979 to 27 percent in 1981. Over the same period, operating profit from retail and consumer lending fell from 26 percent to 11 percent of total operating profit. The company decreased the number of offices providing retail financing from 460 in 1979 to 143 in 1981. The number of offices providing personal loans has also decreased from 185 in 1979 to 133 in 1981.

While consumer lending has been declining in importance to GECC, the company's leasing business has been expanding rapidly. Leasing receivables grew from 13 percent of total receivables in 1979 to 24 percent in 1981. Commercial and industrial lending as a whole increased from 28 percent of operating profit in 1979 to 51 percent in 1981. This increase in relative profitability is probably attributable to leasing since GECC's other corporate loans fell from 24 percent to 21 percent of total receivables over the period.

GECC leases many types of capital equipment and facilities to businesses. Among the assets it owns and leases are the largest U.S. flag tanker fleet and the seventh largest commercial airline fleet in the nation. It also leases automobiles to car rental companies.

GECC was aggressive in pursuing the tax benefits of the "safe harbor" leasing provision of the Economic Recovery Tax Act of 1981. At the end of 1981, its unamortized investment in tax transfer leases was $202 million. In 1982, Congress eliminated most of the "safe harbor" tax benefits of leasing. However, this will not affect GECC's large investment in non-tax transfer leases which made up over 90 percent of its total lease receivables in 1981. GECC's total leasing activities, including tax transfer leasing, reduced GE's tax bill by $479 million in 1981.

In addition to leasing, GECC provides other commercial and industrial financing through general purpose secured loans, loans to finance equipment purchases, loans secured by inventories and accounts receivable, purchases of installment contracts from equipment sales, and preferred stock investments.

GECC's final major financing area is real estate financing which made up about 28 percent of the company's total receivables over the last three years. Financing of inventories and mobile home and recreational vehicle sales accounts for most of the real estate receivables. GECC also makes interim loans on commercial properties, provides future funding, and finances real estate receivables. In 1981, the company got into mortgage banking by acquiring Amfac Mortgage Corporation, now renamed General Electric Mortgage Corporation. In September 1982, GECC announced plans to offer mortgage pass-through certificates based on Conventional Income Mortgages. A GECC unit will acquire the mortgages from various financial institutions and then, acting as the agent, sell the certificates to investors.

In addition to its traditional financial services, GECC is now taking on some investment banking functions. It arranges loan syndications for some of its regular customers, and it is also expanding into debt placement services for medium-sized companies. Its new unit, Acquisition Funding Corporation, is involved in leveraged buyouts and other acquisition financing.

GECC offers property, credit life, accident, and health insurance to its finance customers through its insurance subsidiaries. However, over half of the insurance companies' premiums are from the sale of insurance products to the general public. Puritan Insurance Company sells property and casualty insurance. Puritan Life Insurance Company offers individual and group life and accident and health insurance. General Electric Mortgage Insurance Company, which was formed in 1980, writes mortgage guaranty insurance.

In 1981, GECC's reported income was increased by an income support payment from GE of $25 million before taxes, which amounted to $13 million after taxes. The payment was required by an agreement between the two companies to maintain GECC's income at a 1.15 ratio to its fixed charges.

General Motors Corporation

General Motors Acceptance Corporation (GMAC) is a wholly-owned finance subsidiary of General Motors Corporation (GM). It was incorporated in 1919 to provide financing for GM's products. Except for limited financing of other products, its mission remains unchanged today.

Since 1919, GMAC has grown to be the largest finance company in the country in terms of lending volume. At the end of 1981, it had 310 finance offices in the United States and Puerto Rico, 30 in Canada, and 43 in other countries.

GMAC finances the wholesale acquisition of GM products by GM dealers. It purchases the installment loans from retail sales of GM products and from sales of used cars of any make by GM dealers. GMAC also makes term loans to GM dealers to finance expansion of current operations.

GMAC's lease financing activities involve financing the sale of GM products to leasing companies. In 1976, GMAC began leasing capital equipment directly and on a leveraged basis. However, the company does not intend to develop equipment leasing into a large part of its business.

GMAC's insurance subsidiary, Motors Insurance Corporation (MIC), has 103 offices in the United States and nine in Canada. MIC provides physical damage insurance on cars sold or leased by GM dealers. It insures GMAC on the dealer inventories it finances. With a nonaffiliated company, MIC provides complete

insurance coverage to GM dealers and to GMAC on the cars it leases. MIC also insures GM's obligations under one of its warranty plans. Finally, MIC cooperates with other companies to reinsure liability coverage on GM and GMAC.

Since 1975, MIC Life Insurance Corporation, an MIC subsidiary, has provided credit life and disability insurance for GM customers in the United States. It reinsures half of a group life insurance plan offered by GM to its dealers. MIC Life also sells life and health insurance by mail to the general public.

The Greyhound Corporation

Greyhound Corporation is a diversified company involved in four major areas: (1) bus manufacture and transportation, (2) food processing and consumer products, (3) food services, and (4) financial services. The Financial Group subsidiaries have been increasing their contribution to Greyhound's consolidated earnings over recent years. In 1976, the Group made up 13 percent of total operating earnings, but by 1981, its share had grown to 27 percent.

One of the major Financial Group subsidiaries is Greyhound Leasing and Financial Corporation. It leases and provides other financing for capital equipment throughout the world. A few years ago, leasing made up roughly 85 percent of its financing volume. The company has since sought to diversify its financial services. In 1981, leasing made up only half of its new business. The company's other services include purchases of receivables from resort developers, construction and mortgage loans, and loans to the film industry.

Greyhound computer corporation leases computers and buys and sells used computers. It operates in the United States, Canada, Mexico, and Europe.

Travelers Express Company issues and processes money orders, credit union share drafts, and official checks. It serves financial and other businesses across the country and in Puerto Rico through a network of seven offices.

Greyhound added another processing service in 1982 by acquiring ACT Systems, Inc. This new subsidiary provides automated teller machines to financial institutions in Michigan and Ohio.

Greyhound's Financial Group also has two insurance subsidiaries. Pine Top Insurance Group is involved around the world in reinsurance and commercial property and casualty insurance. Verex Corporation sells residential mortgage insurance, including insurance of mortgage backed securities.

Gulf & Western Industries, Inc.

Gulf & Western entered the consumer and commercial finance business in 1968 when it acquired Associates First Capital Corporation. Associates First Capital's principal operating subsidiary is Associates Corporation of North America (The Associates). In 1981, The Associates had roughly 670 offices in the United States, 95 in Canada, 62 in the United Kingdom, 31 in Puerto Rico, 29 in Australia, and 10 in Japan. The number of international offices grew

from 164 to 227 over the fiscal year as the company expanded its overseas consumer operations. Its growth in Australia from three to 29 offices was the most rapid.

The Associates' commercial lending activities include financing dealer acquisitions and sales of industrial and transportation equipment as well as leasing car and truck fleets in the United States and Canada. The commercial finance division also lends directly to businesses through The Associates Business Loan Program. The program expanded its factoring activities by acquiring the assets of the Rusch Factors division of the BVA Credit Corporation in October 1980 and the assets of the Factoring Group of First National Bank in Dallas in May 1981.

The Associates' consumer finance division makes secured and unsecured loans to individuals and purchases retail sales contracts. The division was adversely affected in fiscal 1981 by low interest rate ceilings, increased credit losses due to the recession, and more liberal federal bankruptcy laws. The Associates responded to these problems by emphasizing second home mortgages and reducing its unsecured lending. It also consolidated 240 domestic offices and increased its international operations.

In 1981, the Associates brought its new consumer financial services together under one division called Diversified Services. The new unit includes the Execu-Charge/Visa card, a loan-by-mail service for high income individuals, several auto clubs, and a money order program. Diversified Services also includes Fidelity National Bank in Concord, California, which was acquired by Associates First Capital in August 1980. The bank provides consumer services only. In November 1982, Associates First Capital offered to acquire Heritage Federal Savings & Loan Association in Oakland, California.

The Associates has an insurance unit which serves the company's finance customers and the general public as well. Emmco Insurance Company and Excel Insurance Company provide property and casualty insurance. Cumberland Life Insurance Company offers credit life and disability insurance and term life, accidental death, and dismemberment insurance.

Gulf & Western's other financial subsidiary is Providence Capitol International Insurance Ltd. The company and its subsidiaries sell life insurance, annuities, and property and casualty insurance. It also develops and manages real estate property.

Gulf & Western's nonfinancial subsidiaries are involved in many diverse areas. The Leisure Time Group owns Paramount Pictures, Simon and Schuster, Madison Square Garden Corporation, a music publisher, and a theater operator in Canada and France. Another group makes women's clothing and home and commercial furniture. The Manufacturing Group produces energy and industrial products, automotive parts, capital equipment, and electronic games. The Automotive and Building Products Group distributes automotive replacement parts, cement, and concrete construction accessories. The Natural Resources Group is involved in chemicals, cement, and zinc. The Consumer and Agricultural Products Group makes sugar, sugar derivatives, and cigars. It also operates several hotels and resorts in the Dominican Republic.

IBM

IBM Credit Corporation was incorporated as a wholly-owned finance subsidiary of IBM in March 1981. IBM Credit's purpose is to purchase the installment payment agreements resulting from IBM's sale or lease of its products in the United States. It began operations on May 1, 1981, and by the end of the year it had $868 million in gross receivables outstanding. Gross trade receivables held by IBM at the same time were $4,569 million.

ITT

International Telephone and Telegraph Corporation (ITT) is involved in financial services through its subsidiaries, ITT Financial Corporation, the Hartford Insurance Group, and several captive finance companies that finance ITT's foreign sales.

ITT Financial Corporation was formed in 1974 through the merger of ITT Thorpe Corporation and ITT Aetna Corporation. ITT Thorpe was a commercial and consumer finance company acquired by ITT in 1969, and ITT Aetna was a consumer finance company acquired in 1964. Today, ITT Financial has four subsidiaries that provide commercial and consumer finance through 656 offices in the United States, Canada, and the Caribbean.

ITT Industrial Credit Company is the largest commercial finance subsidiary of ITT Financial. It serves the construction equipment, real estate, marine, natural resources, and various manufacturing industries through its 32 offices. It provides equipment loans and leases, large direct loans, and other large leasing deals. Its Real Estate Division makes second mortgages, interim first mortgages, and construction loans on commercial property. In 1981, ITT Credit established an automated credit processing system for equipment manufacturers and dealers to use in financing their sales.

Another subsidiary, ITT Diversified Credit Corporation, provides wholesale and other secured loans to businesses. The Wholesale Finance Division has 18 offices in the United States and two in Canada. The Commercial Finance Division has three offices in the United States.

ITT Consumer Financial Corporation is the subsidiary involved in both commercial and consumer lending. It makes small, secured commercial loans in 29 states. In 1981, it created the ITT Small Business Finance Corporation to make loans insured by the Small Business Administration.

The subsidiary's consumer lending operations are conducted through 543 offices in 30 states. It makes secured and unsecured personal loans and consumer mortgages. It also purchases consumer installment sales contracts, although this activity has been declining . The company's policy is to concentrate on real estate secured lending, which made up 40.1 percent of its consumer loans at the end of 1981.

Another finance subsidiary of ITT Financial is Island Finance Corporation. It provides consumer credit through 52 offices in the Caribbean and the Netherlands Antilles.

The Lyndon Insurance Group is seeking regulatory approval in all states to write various types of credit insurance directly. At the end of 1981, it had obtained licenses in 36 states.

ITT Financial raises funds by selling commercial paper, notes, and debentures. However, three of its offices in Minnesota and one in Colorado issue passbook savings accounts and thrift certificates.

The majority of ITT's financial services income comes from the Hartford Insurance Group, which was acquired in 1970. The Group writes and reinsures almost all types of insurance. It is now the seventh largest property and casualty insurer in the nation.

In September 1982, Hartford purchased 25 percent of WFS Financial Corporation, which is a holding company for Wheat, First Securities, Inc., an investment banking and brokerage firm in Richmond, Virginia. Wheat, First Securities' brokers market Hartford's insurance products.

ITT's financial and insurance subsidiaries have increased their contributions to ITT's profits over the past decade. In 1972, financial services made up 34 percent of ITT's consolidated net income, but by 1981 their share had grown to 57 percent.

ITT's nonfinancial subsidiaries are involved in telecommunications, automobile and industrial products, semiconductors, consumer goods, the Sheraton hotels, and natural resources.

National Steel Corporation

National Steel Corporation entered the financial services sector by acquiring United Financial Corporation of California (UFC) in 1980. UFC's principal subsidiary, Citizen Savings and Loan Association, acquired West Side Federal Savings and Loan Association of New York and Washington Savings and Loan Association of Miami Beach, Florida, in 1981. The combined savings and loans adopted the name of First Nationwide Savings, a Federal Savings and Loan Association.

First Nationwide has a total of 138 offices--90 in California, 30 in New York, and 18 in Florida. Based on total deposits, it was the sixth largest savings and loan association in the country at year-end 1981. Despite the problems plaguing the savings and loan industry, First Nationwide was profitable in 1981. In 1982, First Nationwide launched a franchise program, First Savings Alliance. This program offers other thrifts a variety of services and a common name.

Also, late in 1982, First Nationwide planned to set up service centers in five northern California J.C. Penney stores. First Nationwide will sell deposit accounts as well as loans at these centers, and First Nationwide will market its money market deposit account to Penney credit cardholders through the mail.

In addition to residential mortgage lending, First Nationwide is engaged in mortgage banking and real estate development. It was also one of the first to respond to a bill passed by Congress in October 1982 expanding the lending powers of savings and loans. First Nationwide immediately set up a commercial leasing subsidiary called FNS Leasing Company which reportedly will be managed by two former Citicorp executives.

UFC has other subsidiaries involved in casualty and life insurance, small business investment, and trustee duties for deeds of trust securing loans made by First Nationwide. However, the income and assets of these subsidiaries are small compared to that of First Nationwide.

The Parker Pen Company

Since 1892, The Parker Pen Company has principally manufactured and marketed quality writing instruments. However, facing stiff competition in the writing instrument market and looking for a more profitable long term business venture, Parker Pen, in 1981, entered the financial services business by establishing First Deposit Corporation in San Francisco to develop and market consumer financial services.

First Deposit Corporation then acquired the $5 million-asset Citizens National Bank of Tilton, New Hampshire, now First Deposit National Bank, and American Homestead First Life Insurance Company of Little Rock, Arkansas, now First Deposit Life Insurance Company. Late in 1981, First Deposit Corporation began a joint venture with Charles Schwab & Company to offer cash management services to securities customers without the use of a money market fund, but in June 1982, Schwab acquired First Deposit's interest in this venture. In September 1982, First Deposit Corp. acquired the $7 million-asset Redding Savings and Loan Association, Redding, California.

RCA Corporation

RCA Corporation entered the financial services field by acquiring CIT Financial Corporation (CIT) in January 1980. CIT was active in commercial and consumer finance, insurance, and manufacturing. It had also been a bank holding company but had sold its 100 percent equity in the National Bank of North America in April 1979, just shortly before being acquired by RCA. Since the acquisition, RCA has sold three of CIT's manufacturing subsidiaries, Picker Corporation, Raco Inc., and Gibson Greeting Cards. RCA also plans to sell CIT's fourth manufacturing company, All-Steel Inc.

In January 1982, CIT sold its Canadian finance subsidiary, Canadian Acceptance Corporation (CAC). CIT's financial statements for the previous years have been restated without consolidating CAC. Thus, CIT's receivables shown on our table of receivables outstanding on December 31, 1981 do not include the receivables of CAC.

Today CIT has operations in the United States and Puerto Rico. At the end of 1981, 53 percent of its receivables were from industrial financing and leasing, 33 percent from consumer financing, and 14 percent from factoring as well as commercial financing and wholesale lending.

The industrial financing and leasing subsidiaries assist more than 60 industries in purchasing and leasing capital equipment.

CIT Financial Services provides consumer financing in the form of second mortgages; loans to purchase mobile homes, recreational vehicles, cars, and other products; and educational loans. It also finances the inventories of

consumer goods retailers. In recent years, the division has been placing greater emphasis on real estate secured lending.

CIT's factoring subsidiaries are Meinhard-Commercial Corporation and William Iselin and Company. These two companies purchase the accounts receivable of manufacturers and distributors and assume the full credit risk. They also make secured and unsecured loans to businesses.

CIT Commercial Finance provides businesses with loans secured by their inventories and accounts receivable.

CIT's insurance subsidiary, North American Company for Life and Health Insurance, offers individual and group life insurance. In 1981, CIT formed North American Company for Property and Casualty Insurance to reinsure property and casualty coverage.

RCA also has an unconsolidated captive finance subsidiary called RCA Credit Corporation. RCA Credit purchases certain installment sales contracts from RCA. However, RCA is bound by an agreement to repurchase receivables in default from RCA Credit and to maintain RCA Credit's income at a certain ratio to fixed charges. At the end of 1981, RCA Credit had $476 million in gross purchased receivables outstanding.

Westinghouse Electric Corporation

Westinghouse Credit Corporation (WCC) is a commercial/industrial finance company owned by Westinghouse Electric Corporation. It was formed in 1954 in to finance the sale of Westinghouse Electric products, but it has since expanded to serve a diverse business clientele. By 1981, less than one percent of its finance business involved products produced by the parent company. It now has 119 offices throughout the United States.

WCC's Financial Services Group provides wholesale inventory financing for consumer goods retailers. It has been limiting its purchases of retail sales contracts over the past five years due to regulatory ceilings on interest rates. It now offers this service only to certain floor plan lending customers. In 1981 this Group began buying home equity loans in bulk in the secondary markets. The Group also provides financing for small business equipment lessors.

The Industrial Equipment Group leases income-producing equipment and makes equipment-secured loans. Its main customers are in the construction, mining, printing, energy, information services, and marine equipment industries.

The Business Financing Group is involved in leveraged leasing, corporate lending, preferred stock investments, and financing secured by inventories and accounts receivable. WCC's Real Estate Group finances commercial real estate projects across the country.

Diversified Financial Companies

American Express Company

American Express provides a broad range of financial services to individuals and businesses through its travel, insurance, international banking, and investment services divisions. The company moved into the latter area in 1981 through its acquisition of Shearson Loeb Rhoades, an investment banking and brokerage firm.

American Express Travel Related Services Company (TRS) issues Travelers Cheques and the American Express Credit Card. The number of cardholders, including the Corporate Card, rose 12 percent to 13.3 million in 1981, and the number of Gold cardmembers grew 29 percent to two million. TRS offers other travel services through 1,104 offices around the world, publishes two magazines, and sells merchandise through direct mail. First Data Resources, which provides credit card processing and authorization for over 5,000 financial institutions, was acquired in 1980. TRS subsidiaries are also involved in the provision of money order services to financial institutions and video programming.

American Express' insurance subsidiary, Fireman's Fund Insurance Company, offers property-liability and life insurance. It has more than 370 offices in the United States and other countries.

American Express International Banking Corporation (AEIBC) and its subsidiaries operate through 65 offices in 35 countries. AEIBC has been providing international, commercial banking services for more than 60 years. Over the last ten years, AEIBC has expanded into loan syndication management, construction financing, international debt portfolio management, and financial advisory services. In recent years, it has been developing its equipment leasing and private banking businesses. AEIBC also supplies consumer banking services on U.S. foreign military bases.

The new investment services subsidiary, Shearson/American Express, is the second largest securities firm in the United States in terms of capital. By the end of 1981, it had 248 domestic offices in 217 cities in 37 states and 21 offices in foreign countries. In March 1982, it merged with Foster and Marshall, Inc., an investment firm with 52 offices in the Northwest.

The company's financial services include raising capital for corporations and government entities, margin lending to investors, mortgage banking, investment management, and financial planning. In 1981, it managed or administered assets of $30 billion.

Shearson/American Express is joining with American Express' traditional businesses to expand and promote the corporation's services. Shearson/American Express now offers a Financial Management Account which is similar to Merrill Lynch's Cash Management Account and which can be accessed by check and the American Express Card. In 1982, Shearson/American Express began marketing Fireman's Fund life insurance through its offices.

In recent years, American Express has also increased its cooperation with commercial banks by linking its services with certain bank services. In 1980, Fireman's Fund Insurance started paying a fee to commercial banks for the opportunity to sell insurance to bank customers. In 1981, AEIBC began providing international banking services to customers of commercial banks when the banks could not satisfy such needs. Shearson/American Express began

selling deregulated 3½- and four-year certificates of deposit for certain banks and thrifts in 1982.

American Express has a sophisticated communication and data processing capability that services its travel, insurance, and brokerage businesses. Warner Amex, a cable company which is partly owned by American Express, is involved in testing electronic home banking systems. Such technological expertise will be an advantage to American Express in developing new financial services in the future.

In September 1982, American Express was named to the list of companies that make up the Dow Jones Industrial Average. Dow Jones chose American Express to be the first financial firm included in the index in order to reflect the shift in emphasis of American business away from heavy industry and toward services.

Avco Corporation

Avco Corporation is a diversified company with subsidiaries in financial services, insurance, transportation structures and engines, management services, and real estate development. In 1980 and 1981, 56 percent of the company's revenues were generated by the Finance and Insurance Group and 44 percent by the Products and Services Group.

The Finance and Insurance Group is made up of Avco Financial Services and its subsidiaries. Avco Financial has a total of 1,257 finance offices. Domestic offices are in all states except Alaska, Arkansas, and Michigan. The foreign offices are in Puerto Rico, Canada, Australia, Japan, and the United Kingdom.

The company's financial services are primarily directed at the consumer market. It makes small, short-term loans secured by personal property and larger, longer-term loans secured by real estate. It also purchases consumer installment sales contracts from retailers.

Because of high interest rates on its debt and greater credit losses, Avco Financial is raising its lending rates where legally possible and concentrating on real estate secured loans. Such lending accounted for 29 percent of its total consumer loans in 1979, 35 percent in 1980, and 50 percent in 1981. The company is also consolidating its operations in order to decrease its operating expenses. In 1981, it closed 539 offices in the United States and Canada.

Avco Financial is involved to a small extent in commercial financing, primarily leasing of equipment and commercial furniture and fixtures. It also makes some commercial loans secured by inventories, accounts receivable, equipment, and real estate.

The Avco Financial Insurance Group writes and reinsures credit life, disability and casualty insurance in the United States, Canada, and Australia. The majority of its insurance is provided to customers of Avco Financial Services. The insurance group also offers casualty coverage to the general public.

Another insurance subsidiary, Paul Revere Life Insurance Group, provides life, accident and health, and annuity insurance. Its business is independent of Avco Financial's other insurance and finance operations.

Baldwin-United Corporation

In 1968, D. H. Baldwin Company, a manufacturer of pianos and organs, entered the financial services sector by acquiring the Central Bank and Trust Company in Colorado. Mergers with many other financial firms took place over the ensuing years. Today, Baldwin-United Corporation is a diversified financial services company with interests in insurance, savings and loan associations, mortgage banking, trading stamps, and data processing. In 1981, the musical instruments business made up 1 percent of Baldwin-United's assets and contributed 8 percent to operating profits.

Baldwin-United has several life insurance subsidiaries which sell annuities and various forms of life insurance in 49 states and the District of Columbia. Its property and casualty insurance subsidiaries operate in 36 states and the District of Columbia.

In 1979, two of the life insurance subsidiaries introduced the single premium deferred annuities (SPSD) which have since grown to be Baldwin-United's largest product. An investor in an SPDA pays a single premium and is not taxed on the income until it is withdrawn, usually after retirement. Other features of the SPDA are guaranteed rates of return and access to the funds in the account at any time. The SPDA is marketed primarily by brokerage companies. In 1981, the revenues from sales of SPDAs exceeded $1.5 billion which amounted to 60 percent of Baldwin-United's total operating revenues.

In March 1982, Baldwin-United acquired MGIC Investment Corporation, an insurance holding company. MGIC's major subsidiary, Mortgage Guaranty Insurance Corporation, is the largest residential mortgage insurer in the United States. American Municipal Bond Assurance Corporation, another MGIC subsidiary, insures municipal bonds. The MGIC Indemnity Corporation provides specialty liability and bonding insurance covering officers and directors of financial institutions.

MGIC is also involved in several real estate development projects. Occasionally, it provides financing to promote the sale of its real estate investments.

Baldwin-United gained a retail insurance broker, Bayly, Martin and Fay International, Inc., when the company acquired Bayly Martin's parent, The Sperry and Hutchinson Company, in October 1981. Bayly Martin has offices across the United States and in London and Paris. In August 1982, Baldwin-United announced it was selling 40 percent of Bayly Martin.

In 1981, Baldwin-United also acquired a controlling interest in the American Mortgage Insurance Company (AMIC). However, at the time of the acquisition, Baldwin-United entered into a consent decree with the U.S. Department of Justice which requires Baldwin-United to sell its interest in AMIC by February 1983 and to operate it as a separate entity until then.

In addition to its insurance subsidiaries, Baldwin-United owns Empire Savings and Loan of Denver, the second largest savings and loan in terms of assets in Colorado. Empire is taking advantage of new regulations that allow savings and loan associations to provide some services formerly reserved for commercial banks. It is offering NOW accounts, its own credit card, Visa, and the American Express Gold Card. It is also making some commercial loans as well as consumer loans.

Empire opened four new branches in 1981 so that it had a total of 41 offices in Colorado at the end of 1982. It planned to open six additional branches in 1982.

Baldwin-United used to own 12 commercial banks in Colorado as well. But in December 1980, it transferred them to a limited partnership called the Central Colorado Company in order to comply with the amended Bank Holding Company Act. The partnership manages the banks, but Baldwin-United retains a 92.4 percent share in its earnings and dividends.

Baldwin-United has six mortgage banking subsidiaries which operate 35 offices in 12 states altogether. Three of these companies were acquired in 1981: Moyer Mortgage Company of Dayton, Ohio; Fulton and Goss of Cleveland, Ohio; and United Mortgage Company of Denver. By the end of 1981, the mortgage banking subsidiaries were servicing a total of $4.4 billion in commercial and residential mortgages.

Baldwin-United also has leasing operations in 40 states. It leases general capital equipment, cars, and farm equipment. The agricultural equipment division is experiencing especially rapid growth which the company expects to continue.

Baldwin-United owns two trading stamp companies, Top Value Enterprises and The Sperry and Hutchinson Company which was acquired in 1981. Both companies sell trading stamps, employee incentive programs, and travel services. Sperry and Hutchinson sold its furniture and carpet manufacturing operations before the takeover by Baldwin-United, but it did retain its insurance unit. The trading stamp operations provide Baldwin-United with low-cost funds to invest before the stamps are redeemed for merchandise. At the end of 1981, the reserves of the two companies together exceeded $344 million.

Baldwin Data Services, another subsidiary, was established in the early 1970s to provide data processing services to other Baldwin-United companies. It now serves outside financial institutions and manufacturing and distribution companies as well.

In 1980, Baldwin-United acquired a 58 percent share in The Continuum Company, a leading provider of software, computer, and consulting services to annuity and life and health insurance companies. Its customers are primarily located in the United States, but the company is beginning to expand into certain foreign markets.

Baldwin-United's strategy of expansion into many financial service areas has been beneficial for its stockholders. Its rate of return on equity grew from 22.8 percent in 1977 to 33.6 percent in 1981. Its average return on equity over the decade 1970-1980 was the highest on Fortune magazine's list of the 50 largest diversified financial companies. For the period 1971-1981, Baldwin-United had the second highest average return of the companies on Fortune's list. Thus, Baldwin-United has not only found the financial services sector to be profitable, but it has also been more successful than other firms with similar diversification strategies.

Beneficial Corporation

Originally incorporated in 1929, Beneficial is now an international financial services corporation with interests in merchandising as well. Its primary involvement is in consumer lending. In recent years the company has promoted growth in real estate secured loans, especially second mortgages. At the same time it has sharply reduced its unsecured personal lending and purchases of sales finance contracts.

Beneficial has also been consolidating its consumer finance operations. It closed 437 U.S. offices, a 23 percent reduction, in 1981. This was after reducing the number of offices by a net 149 in 1980. Beneficial has stopped making new loans in 12 states where regulations and poor economic conditions were hurting profitability. In addition, the company sold its remaining operations in Alabama and Tennessee.

By the end of 1981, Beneficial had 1797 consumer finance offices, 1461 of which were in the United States. Its domestic business is greatest in California, New York, Ohio, Pennsylvania, and Texas.

Its foreign consumer finance offices are in Canada, the United Kingdom, Australia, West Germany, Japan, New Zealand, and Ireland. In the United Kingdom, Beneficial Trust Limited is licensed as a bank. It takes deposits and offers consumer and commercial banking services.

Beneficial's commercial banking subsidiary, Peoples Bank and Trust, operates through seven branches in Delaware. It implements Beneficial's pre-approved, revolving consumer loan program. Such programs have now received regulatory approval in 29 states. Peoples Bank and Trust also issues Visa and MasterCard credit cards. In September 1982, Peoples Bank and Trust agreed to purchase the credit card portfolio of First National Bank of Denver which has 100,000 accounts and $40 million in oustanding receivables.

Beneficial's commercial finance activities include equipment leasing and lending secured by inventories and accounts receivable. While commercial financing is a very small part of Beneficial's business at present, the company expects it to grow in the future.

Beneficial sold its saving and loan subsidiary, First Texas Financial Corporation in November 1982.

BENICO, the Beneficial Insurance Group, is primarily involved in consumer credit insurance. It also writes and reinsures life, annuity, accident and health, and property and liability insurance.

Beneficial's merchandising subsidiary is Western Auto Supply Company, a retailer that specializes in automotive supplies. Spiegel Inc., which was part of the merchandising division, was sold in 1981.

Bradford National Corporation

Bradford National Corporation, formerly Bradford Computer and Systems, Inc., and its ten subsidiaries offer primarily five services: corporate shareholder services, mutual fund services, trust services, securities clearance and draft collection services, and systems and facilities services. Corporate shareholders services and systems and facilities services have usually accounted for most of Bradford's revenues.

Through its Shareholder Services Group, Bradford provides computer, clerical, and administrative services for certain banks who function as transfer agents or registrars for corporations. Approximately 100 banks in 30 states use these services including Chase Manhattan, Crocker, and Mellon. Through its chartered trust companies--Bradford Trust Company, New York; Bradford Trust Company Boston; and Security Trust Company, Los Angeles--Bradford provides shareholder services directly to banks' customers.

Until 1981, Bradford owned, along with Crocker National Corp., Western Bradford Trust Company, a state chartered bank in California. Bradford owned

49.9 percent of Western's common stock. In 1981, Bradford sold its 49.9 percent interest to Crocker.

Also through its trust companies, Bradford acts as a transfer agent for investment companies, including mutual funds. Bradford maintains shareholder records and provides shareholders, mutual funds, and dealers with such services as processing subscriptions, redemptions, and dividends.

In addition, Bradford Trust Company provides custody services, and Bradford Trust Company Boston provides automated recordkeeping and information processing for clients, and both trust companies offer trust operations services, including trust accounting for bank trust departments. Bradford Financial Processing services supplies the accounting module.

Bradford's trust companies are its in-house banks. They accept demand deposits from Bradford's subsidiaries; they lend securities belonging to trust customers and obtain cash collateral from the borrowers. This cash can be used by Bradford's clients for reinvestment. The trust companies also make broker loans and advances to customers against draft collections to facilitate securities clearance. Bradford's trust companies do not make commercial loans.

The trust companies also act as trustee and administrator of IRAs and Keogh plans and as a servicing agent for plans designed for employees' benefits of tax-exempt organizations.

Bradford Broker Settlement, Inc. (BBSI), Bradford's broker-dealer subsidiary, also acts as a trustee and administrator of IRAs and Keogh plans. This subsidiary offers securities brokerage back office services and clearing services to stock brokers, and in 1981, BBSI began offering execution capabilities in connection with its clearing services.

In January 1982, BBSI began offering clearing and execution services to banks and thrifts for their discount brokerage programs. These services were initially part of Bradford's asset management account (AMA) package which was developed in 1981 for the Industrial National Bank of Rhode Island and which is now marketed to other banks.

"Personal Asset Account," Bradford's AMA package, offers automatic transfer of incoming funds into money market funds, a zero balance checking account, a charge card for use in ATMs, automatic loans through a line of credit, automatic bill paying, and many securities investment options.

Through Bradford Securities Processing Services (BSPS), Bradford clears securities for commercial banks, brokers, and dealers through a network of facilities. BSPS' subsidiary, SPS Options Service, clears options and executes trades on the Chicago Board Options Exchange. In 1980, when Bradford acquired the Health Care Services Division of Optimum Systems Inc., Bradford began servicing medical insurance claims. And in 1981, Bradford became the transfer and fiscal agent in relation to the sale in the secondary market of SBA guaranteed loans for the U.S. Small Business Administration.

Bradford offers a System and Facilities service which includes management consulting, feasibility studies, and systems specifications.

In 1979, Bradford National acquired Eagle National Life Insurance Company, Lexington, Kentucky. At the time of this acquisition Eagle National had over $100 million of life insurance in force. Eagle National Life, now Eagle National Corporation, offers claims processing and control services to self-insuring employers. Eagle National Corp. owns Bradford National Life Insurance Company, a life and health insurer which is licensed in 39 states and the District of Columbia. In August 1982 Bradford agreed to sell 81 percent of Eagle National Corp. to Whitehall Insurance Holding Ltd., a subsidiary of Aim Management Inc., a Houston-based mutual fund manager.

Walter E. Heller International Corporation

Walter E. Heller International Corporation is a holding company with two commercial finance subsidiaries and a commercial bank that primarily serve small- and medium-sized businesses.

Its largest finance subsidiary is Walter E. Heller and Company (Heller) which was formed in 1919. Heller's business is concentrated in the United States. It operates 60 commercial finance offices in 27 states and five commercial finance offices in Canada. It also has 37 consumer loan offices in Puerto Rico and 10 in Canada.

Heller's activities include commercial lending, leasing, and factoring. It has been making commercial loans secured by inventories and accounts receivable since the 1930s and collateralized term loans to finance equipment purchases since 1940. These loans accounted for 46 percent of Heller's finance receivables at the end of 1981.

Heller's factoring operations began in 1935, and by the end of 1981, the company was serving approximately 665 factoring clients. Factored accounts receivable made up 12 percent of Heller's outstanding finance receivables at the end of 1981. However, factoring contributed 22 percent of the company's commercial finance volume during the year.

In 1938, Heller started a rediscounting service for furniture retailers and consumer finance companies. Heller lends to these companies so that they can offer their own credit programs. Rediscounting is a minor part of Heller's business. It made up only 4.7 percent of Heller's finance receivables in 1981.

Heller finances the commercial real estate and construction industries through its Abacus Group. Abacus has been making commercial mortgages and construction loans since 1961, and in 1972, it expanded into mortgage banking. At the end of 1981, 23 percent of Heller's outstanding receivables were real estate loans.

Heller has been involved in leasing since 1962, but it was not a large part of Heller's business until 1976 when the company acquired Chandler Leasing Corporation. Heller leases capital equipment which it purchases specifically for each client. Leasing receivables made up 11 percent of Heller's finance receivables in 1981.

The company's consumer lending activities began in 1962. It makes personal and second mortgage installment loans in Canada and Puerto Rico. Consumer lending accounted for only 2 percent of Heller's outstanding loans in 1981.

Heller provides financial advisory services through its Capital Services Division. Capital Services assists with mergers, acquisitions, and direct and private placements. The division also provides venture capital through its Small Business Investment Corporation.

Walter E. Heller International's second finance subsidiary is Walter E. Heller Overseas Corporation (Heller Overseas). It began providing commercial financial services in Europe in 1964, and it is now involved in 23 countries throughout the world. In most countries, Heller Overseas' subsidiaries are owned jointly by local banks or other financial institutions.

Heller Overseas' principal financial service is factoring. In 1978, it expanded into equipment financing and leasing in Europe and Latin America. By the end of 1981, its equipment finance and lease receivables totaled $50 million. Heller Overseas' subsidiaries provide import and export financing to U.S. companies. They also finance the working capital needs and acquisitions

of foreign subsidiaries of U.S. multinationals. Heller Overseas accounted for about 13 percent of Heller International's total finance receivables at the end of 1981.

In 1973, Heller International acquired its third financial subsidiary, American National Bank and Trust Company of Chicago. The purchase converted Heller International into a bank holding company subject to restrictions on its other lines of business under the Bank Holding Company Act. In order to comply with these restrictions, Heller International sold its three manufacturing subsidiaries over the period from 1973 to 1977. The subsidiaries manufactured office furniture, commercial food service equipment, and enamel surfaces on lighting fixtures.

American National has its main office and a business service office in Chicago and another business service office in Washington, D.C. It also has branches in London and Grand Cayman and representative offices in ten other countries in Europe, Asia, and Latin America. American National provides commercial, consumer, and correspondent banking services. It also offers trust and portfolio management services for individuals and institutions. At the end of 1981, the bank had $1.4 billion in loans outstanding, of which 72 percent were to domestic businesses and 11 percent to foreign borrowers.

In 1981, Heller International's commercial finance subsidiaries made up 41 percent of the company's net income before corporate expenses. However, this share was unusually low due to a special write-off by the domestic finance subsidiary to account for several problem loans and a diversion of funds in its Phoenix office. From 1977 through 1980, the finance subsidiaries' share of net income before parent company expenses fell from 68 percent to 61 percent. The remaining share was entirely attributable to the bank, as the last manufacturing subsidiary was sold in 1977.

Loews Corporation

Loews Corporation is a diversified company with interests in insurance, consumer finance, hotels, cigarettes, theaters, and watches.

Loews owns 90.8 percent of CNA Financial Corporation, which has subsidiaries in insurance and consumer finance. CNA's insurance divisions sell property and casualty and life insurance.

CNA's consumer finance subsidiary, General Finance Corporation, makes installment loans and purchases auto finance loans from car dealers. The company's profits were hurt in 1981 by high interest expense on its debt and increased credit losses resulting from a liberalized federal bankruptcy law. General Finance reacted to the adverse conditions by closing or consolidating 130 finance offices and selling $39 million of receivables during the year.

Loews' nonfinancial subsidiaries are Lorillard, a manufacturer of cigarettes and chewing tobacco; Loews Hotels; Loews Theaters; and Bulova Watch Company.

Merrill Lynch & Co.

Merrill Lynch is a diversified financial services firm involved in securities, insurance, financing, and real estate. Its principal subsidiary, Merrill Lynch, Pierce, Fenner & Smith (MLPF&S), is one of the largest brokerage and investment banking firms in the country. It has more than 400 offices in the United States, Guam, and Puerto Rico. A subsidiary, Merrill Lynch, Royal Securities Limited, provides brokerage services through 20 offices in Canada. Merrill Lynch International operates 48 brokerage offices outside the United States and Canada.

Merrill Lynch International also provides merchant banking services through subsidiaries in London and Panama. The two merchant banks accept deposits and make Eurocurrency loans. They account for much of Merrill Lynch's $353 million in gross loans outstanding at the end of 1981.

In 1977, MLPF&S cooperated with Bank One of Columbus, Ohio, to introduce a major new service for investors called the Cash Management Account (CMA). The CMA is a brokerage margin account which automatically sweeps idle funds into a money market fund and allows the investor to borrow against the account's assets. Bank One provides special checks and a Visa card to be used to access the account. The minimum investment of cash and securities required to open a CMA is $20,000.

In 1981, MLPF&S added a government securities money fund and a tax exempt money fund to the CMA service so that investors can choose among three funds for their idle account balances.

The CMA has experienced rapid growth. By the end of 1981, there were 583,000 accounts, up from 186,000 the previous year. Total CMA assets at year end 1981 were $33 billion. As of September 1982, the CMA had close to 780,000 customers and over $50 billion in assets. Although Merrill Lynch received a patent for the CMA, Merrill Lynch's competitors in the brokerage industry have responded to the popularity of the CMA by introducing similar accounts of their own over the last two years. But the CMA is the largest of the asset management accounts.

Merrill Lynch has five money market funds in addition to the three involved in the CMA service. Total assets of the money funds grew 150 percent in 1981 to reach $38.3 billion by the end of the year. This included $22.6 billion in the Merrill Lynch Ready Assets Trust, the largest investment fund in the United States, and $12.3 billion in the CMA Money Fund.

Merrill Lynch is broadening its consumer services through the Equity Access Account which provides a revolving line of credit secured by home equity. The new account is being tested in California and was expected to be offered in Arizona later in 1982.

Merrill Lynch is also expanding into commercial lending. In 1976, it formed Merrill Lynch Leasing Inc., which leases equipment and acts as a broker in equipment and real estate lease investments. In 1981, Merrill Lynch organized a new subsidiary, Merrill Lynch Capital Resources Inc., to finance commercial projects, provide venture capital, and lend to wealthy individuals. Merrill Lynch Leasing is now included in the activities of Capital Resources. The new subsidiary plans to develop its business by capitalizing on Merrill Lynch's established relationships with corporations and individuals.

In recent years, Merrill Lynch has entered the insurance and real estate fields as well. In 1974, it acquired Family Life Insurance Company. Family Life is primarily involved in mortgage protection life insurance. It serves residential mortgage customers of 407 lending institutions. It also provides

mortgage protection disability insurance, regular life insurance, and annuities. Several insurance agencies associated with MLPF&S since 1975 sell life insurance and annuities. In 1981, Merrill Lynch sold AMIC Corporation, a mortgage default insurer that Merrill Lynch acquired in 1979.

Merrill Lynch provides real estate financing through Merrill Lynch, Hubbard Inc. This subsidiary is also active in mortgage banking and real estate management. Merrill Lynch Realty Associates (MLRA) is a residential real estate brokerage firm formed in 1978. In 1981, MLRA bought 16 real estate brokers in California, Florida, Nevada, and Oklahoma. The company now has majority interests in 23 such firms. MLRA also has a division engaged in commercial and industrial real estate brokerage. Another Merrill Lynch subsidiary provides executive relocation services.

Despite its increasing encroachment on the traditional banking functions of lending and deposit-taking, Merrill Lynch is developing other services which should increase banks' penetration in some areas. For instance, Merrill Lynch account executives now market insured, negotiable, retail certificates of deposit. Banks which sell their CDs through Merrill Lynch benefit from its close contact with investors and its extensive interstate office network. As of September 29, 1982, Merrill Lynch was offering more than 50 investment alternatives for IRA accounts (including federally insured CDs of depository institutions) and had opened 360,000 accounts with over $2 billion in assets.

Merrill Lynch pursued this idea one step further in a recent agreement to establish a secondary market for the 3½-year CDs of Bank One of Columbus and the four-year CDs of Home Federal Savings & Loan Association of San Diego. Merrill Lynch will not only sell CDs for the two banks, but it will also find buyers for CD-holders who later wish to sell their instruments. Thus the owners can divest their CDs without incurring the penalty for early withdrawal. This liquidity makes the certificates more attractive to investors and therefore easier for the banks to sell. Merrill Lynch receives a fee from the banks for providing this service.

Commercial banks are not the only ones benefiting from Merrill Lynch's marketing strength. In 1981, the company also began marketing All-Savers certificates for 15 thrift institutions.

Merrill Lynch's plans for future expansion include development of its communications capacity. The company is involved in a joint project with the Port Authority of New York and New Jersey to build a satellite firm called Teleport on Staten Island. The facility will be in contact with 22 domestic satellites and eventually with international satellites as well. It will take ten years to complete, but data transmission may begin as early as 1983. Merrill Lynch will manage the facility and lease space to ten or twelve other companies.

Teleport will enable Merrill Lynch to cut its communications costs and to provide new communications services to its customers. The facility will be linked to Manhattan and Jersey City by fiber optic cables which could be extended to other areas as well. Merrill Lynch's clients could hook up to the system by telephone or cable. Thus Merrill Lynch may eventually compete with AT&T and other communications companies as well as brokerages and banks.

Transamerica Corporation

Transamerica Corporation is a diversified company with interests in insurance, financial services, air travel, car rental, and manufacturing. In 1981, the insurance and financial services subsidiaries accounted for approximately 70 percent of Transamerica's operating income.

Transamerica Occidental Life Insurance Company is Transamerica's largest subsidiary. The company and its affiliates provide ordinary life insurance, group life and health insurance, ordinary reinsurance, and pension products. Transamerica Occidental is active in every state except New York. Its foreign operations are in Canada, Puerto Rico, the Virgin Islands, Guam, the United Kingdom, Australia, and Hong Kong.

Another subsidiary, Transamerica Insurance Group, writes and reinsures property and casualty insurance in the United States and Canada.

Transamerica Financial Corporation is Transamerica's consumer finance subsidiary. In the early 1970s, Transamerica Financial decided to concentrate its operations and increase its branch sizes in areas where market and regulatory conditions were most favorable. In 1981, it had 436 offices in 22 states.

Transamerica Financial's primary activity is consumer installment lending, which made up 93 percent of the company's receivables in 1981. The company also finances sales contracts and revolving charge accounts. In recent years, it has emphasized real estate secured lending. Such loans made up 65 percent of the company's portfolio in 1981.

Transamerica Title Insurance Company, a subsidiary of Transamerica Financial, offers title insurance and escrow services for real estate transactions.

In 1979, Transamerica acquired Transamerica Interway, a transportation equipment leasing company. Its subsidiary, Transamerica ICS., leases a fleet of cargo containers. It has 232 depots in 44 countries. Another subsidiary, Transamerica Transportation Services Inc., leases piggyback trailers to railroads and steamship lines. It also leases a fleet of over-the-road trailers to private and common carriers in the United States.

Transamerica has several other subsidiaries involved in financial services. Transamerica Equipment Leasing Company provides tax-oriented leveraged leases to businesses and syndicates participations in certain financings. Transamerica Investment Services advises four Transamerica investment funds including Transamerica Cash Reserve, a money market fund. Transamerica Mortgage Corporation engages in mortgage banking in seven western states.

Transamerica's nonfinancial subsidiaries are Budget Rent a Car; Transamerica Airlines, a provider of charter and scheduled service to passenger and cargo markets; and Transamerica Delavel, a manufacturer of precision engineered products. In 1981, Transamerica sold United Artists to Metro-Goldwyn-Mayer Film Company.

Insurance-Based Companies

Aetna Life & Casualty

Aetna Life & Casualty owns the nation's fourth largest life insurance company and the third largest property-casualty insurance company. It also has interests in real estate, satellite communications, petroleum products, and other financial services. In 1981, the company was second in terms of assets on Fortune magazine's list of diversified financial services companies.

Aetna's insurance subsidiaries sell life, health, and property-casualty insurance as well as pensions and annuities to individuals and group clients. American Re-Insurance Company, an Aetna subsidiary, reinsures property and casualty coverages in the United States, the United Kingdom, Canada, Australia, and New Zealand.

Aetna has approximately 600 insurance offices in the United States and Canada. In 1981, over 95 percent of the company's insurance revenues came from its domestic operations.

In addition to its insurance subsidiaries, Aetna has a Diversified Business Division which consists of several firms in real estate and specialized technical areas. Urban Investment and Development Company develops and manages commercial real estate throughout the United States. Ponderosa Homes constructs houses in California. The Division owns a 29 percent interest in Geosource Inc. which supplies products and services to the petroleum industry. Aetna is also involved in a joint venture with IBM and Comsat General to develop a satellite system for business communications. The partnership had, as of year-end 1982, two satellites in orbit and was serving several corporate customers.

Aetna is engaged in other activities which compete directly with the banking sector. For example, Aetna provides financing through the investment of its insurance portfolio. Such investments include mortgages on commercial property, loans to policyholders, and term loans to the companies in its Diversified Business Division.

Aetna used to have a business finance subsidiary, Aetna Business Credit Inc., which provided secured loans to small- and medium-sized businesses all across the country. However, Aetna sold the subsidiary to Barclays American Corporation in December 1980.

In early 1982, Aetna formed two money market funds to market to its customers. By late December 1982, the Aetna Money Trust had net assets of $17.0 million and the Aetna Tax-Exempt Money Trust had net assets of $13.7 million. Also in 1982, Aetna agreed to acquire Federated Investors, Inc., the nation's largest manager of institutional money market funds. The acquisition was still being negotiated at year-end.

In September 1982, Aetna purchased a 40 percent share of Samuel Montagu and Company, which was the wholly-owned merchant banking unit of Midland Bank PLC of London. The move was part of Aetna's strategy to expand in international insurance and financial services markets. The new relationship may open opportunities for Aetna to service Montagu's customers who wish to invest in the United States. Likewise, Montagu will be able to help Aetna expand into international markets.

American General Corporation

American General Corporation is a holding company whose primary interests are in life and property-casualty insurance. The company also has a long history of diversifying in and out of other financial areas. At times its interests have even encroached directly upon the banking sector. In 1981, the company ranked 15th in terms of assets on Fortune magazine's list of diversified financial services companies.

The largest contributor to the company's earnings is its Life Insurance Division. It has twelve operating subsidiaries, of which there are nine in the continental United States, one in Hawaii and Guam, one in the United Kingdom, and one in Canada. The subsidiaries sell a full line of life and health insurance as well as pensions and annuities through their network of over 900 offices.

The Property-Liability Insurance Division has six operating subsidiaries which offer auto, property, and workers' compensation insurance in the United States. The division's headquarters are in Maryland, and it has ten regional and 35 branch offices throughout the country.

Like other insurance companies, American General earns a substantial portion of its income from the investments of its insurance reserves. Some of its investments such as commercial mortgages and loans to policyholders provide financing in competition with other lending institutions. Over the past two years, the company has emphasized variable-rate mortgages as part of its overall strategy to avoid long-term, fixed-rate investments. At the end of 1981, American General had just over one billion dollars in mortgages and $429 million in policy loans outstanding.

American General's noninsurance subsidiaries contributed only 5 percent of the company's net income in 1981. However, they are large competitors in their own markets and have been part of American General for a long time.

American General took its first step into a noninsurance area in 1939 when it formed a mortgage banking unit called American General Investment Corporation. It currently owns a large mortgage banking firm and other subsidiaries involved in real estate development and finance. It sells some of the mortgages it originates to American General's life insurance subsidiaries.

The company's next move into a noninsurance area did not occur until 1967 when it formed American General Management Company to advise a mutual fund. In 1969, American General expanded further into investment services by acquiring Channing Financial Corporation which had subsidiaries in insurance, investment management, advisory services, and stock brokerage. American General sold Channing's insurance subsidiaries soon after the acquisition. In 1974, American General merged Channing's investment advisory firm with American General Management Company. In 1976, it sold Channing's stock brokerage firm, Emmett A. Larkin Company, and changed Channing's name to American General Capital Corporation (AGCC).

Today AGCC's subsidiaries advise, market, and distribute 15 mutual funds and three open end funds, and they manage pensions and profit-sharing plans. AGCC's money market fund, American General Reserve Fund, reached $333 million in net assets at the end of 1981.

In addition to its current noninsurance subsidiaries, American General has had other financial businesses in the past which are no longer part of the company. One of these areas was banking, in which American General entered in 1968 by buying 34.7 percent of Texas National Bank of Commerce, now Texas

Commerce Bancshares, Inc. American General sold its interest in the bank in 1972, after the Bank Holding Company Act Amendments of 1970 required the company to divest its insurance and investment advisory services in order to retain its status as a bank holding company. Under an agreement with the Federal Reserve Board, American General sold its shares of Texas Commerce over the period from 1972 to 1980.

From 1973 to 1977, the Company owned a savings and loan association, Gulf Coast Savings Association, which had four branches in the Houston area. American General sold Gulf Coast because of federal regulations which prohibit insurance companies that own savings and loans from investing in other savings and loans. The regulations also prevent other savings and loans or companies with savings and loan subsidiaries from buying American General stock.

Thus in the years prior to 1981, American General reduced its diversification in noninsurance financial services. Over the same period, it added steadily to its roster of insurance subsidiaries. It completed acquisitions of six life insurance companies from 1976 through 1981.

However, in February 1982, the company made a new move into noninsurance services by purchasing Credithrift Financial, Inc., a consumer finance and credit insurance holding company based in Evansville, Indiana. The company's major consumer finance subsidiary is Credithrift Financial Corporation, but it also has two Morris Plan Companies in Indiana and one in California. In 1981, secured direct installment loans made up 84 percent of their combined consumer receivables, and the remaining 16 percent was made up of purchased retail sales contracts. Credithrift is currently emphasizing second mortgages because of their large size and relatively low credit risk. At the end of 1981, second mortgages made up 49 percent of the company's direct installment receivables.

Credithrift's consumer finance companies operate 545 offices in 24 states. Their business is greatest in California, Indiana, Ohio, Illinois, Kentucky, Florida, Louisiana, and North Carolina. In 1981, Credithrift decided to discontinue its operations in Michigan because of that state's low usury ceilings. The company closed 18 Michigan offices during the year, and it will close the remaining 18 offices as its outstanding loans mature. Outside of Michigan, Credithrift eliminated another 58 offices in an effort to reduce administrative costs by consolidating operations.

In addition to its finance subsidiaries, Credithrift has three insurance subsidiaries. Merit Life Insurance Company writes credit life insurance and reinsures credit life, accident, and health insurance on Credithrift's finance customers.

The other two insurance companies both provide casualty insurance. Great Falls Insurance Company is primarily active in California. Yosemite Insurance Company operates in 38 states and Guam. It mainly provides credit coverage to Credithrift's finance customers.

The acquisition of Credithrift approximately doubles American General's financing activity. If American General had owned the finance company at the end of 1981, its finance receivables would have been $1,164 million greater, an 81 percent increase over the actual level. Thus American General's present-day importance as a lender and a banking rival is understated in Appendix A.

The Equitable Life Assurance Society of the United States

Equitable Life Assurance is the third largest life insurance company in the United States based on assets. It sells life and health insurance, annuities, and pensions throughout the country. At the end of 1981, the company was managing $43 billion in assets. It is the largest pension fund manager in the country with $29 billion of pension funds under management.

Equitable competes with banks by investing its insurance reserves in commercial mortgage loans and policy loans. In recent years, it has been decreasing its mortgage lending and making equity investments in real estate instead. Most of the mortgages currently being made by the company are on agricultural property. At the end of 1981, Equitable had over $10 billion in mortgages and $2.7 billion of policy loans outstanding.

In 1980, Equitable established a money market fund called Equitable Money Market Account. As of December 1982, the fund had net assets of $433.3 million.

In June 1981, the New York State Insurance Department permitted Equitable to offer corporate cash management services. Since Equitable already has an electronic clearing house network, the insurance company is in a position to offer corporate cash management services nationwide.

John Hancock Mutual Life Insurance Company

John Hancock is a mutual life insurance company which has begun to diversify into other financial services including mutual funds, equipment leasing and financing, and financial planning. Also in June 1982, John Hancock entered the discount brokerage business.

John Hancock Advisers, Inc. was established in 1968, and through this subsidiary John Hancock manages five open-end mutual funds--The Growth Fund, the Bond Fund, the U.S. Government Securities Fund, the Tax-Exempt Income Trust, and the Cash Management Trust--and advises two closed-end investment companies--John Hancock Investors Inc. and John Hancock Income Securities Corp. The mutual funds are sold by John Hancock's broker-dealer subsidiary, John Hancock Distributors, Inc., and at the end of 1981, John Hancock Advisers managed $1.2 billion in assets.

John Hancock Financial Services, Inc. was established in 1980. This equipment leasing and financing subsidiary serves the "agricultural, professional and general equipment markets" and at the end of 1981 had a portfolio of $43 million of equipment financing.

Through its subsidiaries, Herbert F. Cluthe and Co. and Profesco Corp., John Hancock offers financial planning services. Cluthe services business and trade associations, and Profesco services professionals and executives.

In June 1982, John Hancock acquired Tucker, Anthony & R.L. Day Inc., a regional brokerage firm in New York. This firm is the 67th largest brokerage firm and has 31 offices throughout New York State and New England.

John Hancock expects to diversify further in the financial services industry.

Prudential Insurance Company of America

Prudential is the nation's largest life insurance company. It sells individual life, health, and property and casualty insurance as well as group insurance and group pensions in the United States and Canada. Its international operations include subsidiaries in Belgium and Brazil and a joint venture in Japan, the Sony Prudential Life Insurance Company. Also, Prudential sells individual insurance on U.S. military bases overseas, and its reinsurance subsidiary is very active in international markets.

Prudential made headlines in June 1981 by acquiring the Bache Group Inc., one of the largest brokerage and investment banking companies in the country. Bache's principal subsidiary is the brokerage firm, Bache Halsey Stuart Shields Inc. which in 1982 became Prudential-Bache. Bache's money market fund, MoneyMart Assets Inc., had net assets of $4 billion at the end of 1981.

The acquisition was a major step toward Prudential's stated goal of becoming a full service financial institution. In addition to expanding Prudential's services, Bache offers a new network for marketing Prudential's traditional products. Bache serves individual, institutional, and corporate clients through 201 offices in the United States and Canada and 25 offices in 17 other countries.

The two companies have already started cooperating on new products and marketing initiatives. In July 1981, they added the Chancellor Tax-Managed Utility Fund to the seven other Chancellor mutual funds that Bache manages or administers. The new fund is managed by Prudential and administered by Bache. By the end of 1981, it had net assets of $97 million.

Prudential and Bache also worked together to introduce several other mutual funds in 1982. Prudential agents began to market eight Bache mutual funds in Texas, Oklahoma, Pennsylvania, and New York in early 1982. In October, Prudential agents across the country started selling the Bache funds. Both Prudential and Bache agents are selling PRUFLEX, Prudential's new retirement annuity.

Prudential is also participating in the Bache Command Account which was first offered in the spring of 1982. The new account is an asset management service similar to Merrill Lynch's Cash Management Account. Prudential is managing the account's money market fund, and a Prudential subsidiary is providing supplemental insurance of up to $10 million on the account. The minimum initial investment in the account is $20,000.

The new Bache Command Account also involves the services of two banks. Bank One of Columbus processes Visa and check transactions for the account, and Citicorp's Pass-Word Travelers Checks are offered to account customers.

Bache provides other marketing services to banks and thrifts as well. In August 1982, it began a program called CD Plus in which it sells 3½- and four-year certificates of deposit for several banks. Bache agents also sell All-Savers certificates for thrift institutions.

One fact that may be overlooked in all the publicity over the Bache acquisition is that Prudential has traditionally provided various forms of financing through the investments of its portfolio. With $59.3 billion in assets at the end of 1981, Prudential's portfolio is the largest in the insurance business. In addition to investing in stocks, bonds, and real estate, Prudential lends to its policyholders and makes commercial mortgages. At the end of 1981, the company had $15 billion in mortgages outstanding. Some of these mortgages are of Prudential's joint venture real estate investments.

In 1981, the company set up two separate accounts that will make shared appreciation mortgages. These mortgages allow the creditor to share in any increase in the value of the mortgaged property during the term of the loan.

In late 1981, Prudential established an industrial lending subsidiary, PruCapital Inc., which combined Prudential's leasing subsidiary and the Regional Division of its Corporate Finance Department. PruCapital finances industrial and utility customers through leases of nuclear fuel cores, motor vehicles, corporate aircraft, and equipment. It makes secured and unsecured commercial loans. It also enters supply agreements whereby it purchases fuel or other raw material used in a customer's production process, stores it at or near the production site, and sells it to the customer as needed. PruCapital operates eleven industrial finance offices throughout the United States, and it conducts its lending to utilities through its headquarters in Massachusetts.

Prudential's development of PruCapital's business is establishing the insurance giant as an industrial lender. Its acquisition of Bache increases the range of its services, its customer contacts, and its investment funds. Prudential is thus poised to compete directly with the nation's banks and other diversified financial companies.

Oil and Retail-Based Companies

Amoco Credit Corporation

Amoco Credit Corporation was organized in 1969 and is a wholly-owned subsidiary of Standard Oil (Indiana). Amoco Credit is principally engaged in purchasing the receivables of Standard's domestic subsidiaries, mainly Amoco Oil's revolving charge receivables of credit card customers. In 1981 the credit subsidiary purchased $345 million of receivables from Amoco Oil. Amoco Credit's income is primarily derived from interest on receivables purchased. In 1981, Amoco Credit's net income was $13.3 million.

In 1982, Amoco introduced a new credit card, the MultiCard. This card can be used to purchase gasoline, lodging at various motels, and food at some restaurants as well as to cash personal checks of up to $50 per day. Also, the card provides discount and charge privileges with National Car Rental and cash advances by wire of up to $100 per day.

McMahan Valley Stores

McMahan Valley stores began in 1919 with one store in Bakersfield, California. Today the family-owned furniture company has 69 stores in California, Nevada, Arizona, and New Mexico. In 1981, annual revenues were more than $50 million, and it had over 110,000 retail customers.

Although McMahan Valley stores has been financing furniture purchases since 1919, it took a big step into the financial services business in August 1982 when the Comptroller of the Currency approved McMahan's application to establish a de novo bank--Western Family Bank, N.A.--on the premises of McMahan's furniture outlets.

Western will be based at the furniture company's headquarters in Carlsbad, California, and it will open a branch in Colton, California. Western also plans to open a Fresno branch in early 1983.

Western, which will principally serve low- and middle-income families and minorities, will offer NOW accounts; financial counseling and planning; and education, home improvement, auto, truck and farm equipment loans. Western will make no commercial loans.

Mobil Corporation

Mobil Corporation (Mobil) was incorporated in 1976 to operate as a holding company. Its main business is conducted by Mobil Oil Corp., a wholly-owned energy subsidiary. Mobil is also involved in chemicals, and, since the acquisition of Marcor in 1976, in paperboard packaging through Container Corp. and in retail merchandising through Montgomery Ward and Company.

Mobil owns Mobil Oil Credit Corporation (Mobil Credit) which operates Mobil Oil's credit card business, purchases accounts receivables from Mobil Oil, and issues short-term debt. At year-end 1981, Mobil Credit had over $1.2 billion of accounts receivable and net income of $52 million.

Montgomery Ward & Company

Montgomery Ward & Company (Wards) is a retail merchandising concern with 389 retail department stores in 42 states. Fifty-one of these stores are centralized check-out Jefferson Ward stores. Wards also conducts catalog sales activities, and during 1981, Wards had net sales in excess of $5.7 billion.

Montgomery Ward Credit Corporation is a wholly-owned subsidiary of Wards and is principally engaged in the financing of Wards' customer receivables. For 1981, credit sales under Wards' revolving credit plan accounted for about 54 percent of Wards' total sales, and as of December 1981, Wards had approximately 6.8 million customer charge accounts.

Wards also offers insurance products. Through Montgomery Ward Life Insurance Company and its subsidiary, Wards offers life and casualty insurance to Wards' customers, and through Signature Financial Marketing, Inc., Wards operates the third largest U.S. auto club and offers insurance and financial services to Wards' customers.

J. C. Penney Company

J.C. Penney Company provides credit to its merchandise customers through the J.C. Penney credit card. In 1979, J.C. Penney began to accept Visa in the United States and Puerto Rico, and in 1980 it began to take MasterCard as well. Neither bankcard is accepted by J.C. Penney's Belgian stores.

J.C. Penney formed a finance subsidiary, J.C. Penney Financial Corporation, in 1964. The new company's function was and still is to purchase some of J.C. Penney's customer receivables and make loans to the parent company. The sale of receivables to J.C. Penney Financial is dictated by J.C. Penney's seasonal working capital needs.

As of early 1982, J.C. Penney Financial owned a little more than half of J.C. Penney's total credit card receivables. In previous years, J.C. Penney Financial has held much higher percentages of the parent company's receivables.

In 1981, J.C. Penney terminated an agreement with Citicorp Industrial Credit Inc. (CIC), a wholly-owned subsidiary of Citicorp, under which CIC had been purchasing roughly 10 percent of J.C. Penney's receivables. J.C. Penney then repurchased its receivables from CIC for $262 million.

Another J.C. Penney subsidiary, J.C. Penney Financial Services, is a holding company for three insurance subsidiaries. These companies sell life and health insurance and car and homeowners casualty insurance.

J.C. Penney plans to sell Great American Reserve Insurance Company, the subsidiary which sells life and health insurance through an agency network. J.C. Penney plans to keep the other two insurance companies, J.C. Penney Life

Insurance Company and J.C. Penney Casualty Insurance Company. Both subsidiaries market their insurance through direct mail and through centers in J.C. Penney stores. Late in 1982, Penney agreed to let First Nationwide Savings establish financial service centers in five Penney stores. The centers will combine the sale of First Nationwide's deposit accounts and loans with Penney's insurance.

J.C. Penney also has a subsidiary involved in shopping center development, J.C. Penney Realty Inc. At the end of 1981, J.C. Penney Realty had interests in 47 shopping centers across the country.

Sears, Roebuck and Company

Sears, Roebuck and Company, the nation's largest retailer, has been involved in financial services since 1910 when it first began to provide retail credit. In 1931, Allstate Insurance was formed to sell car insurance. Now Allstate provides almost all types of insurance to individuals and corporations in the United States and Canada. The Allstate Insurance Group's consumer finance subsidiaries make installment loans secured by cars, light trucks, boats, and home equity.

In 1961 and 1962, Sears acquired two California savings and loan associations and combined them to form Allstate Savings and Loan. Allstate Savings and Loan has 90 branches in California, primarily in the Los Angeles area. It is the 12th largest savings and loan in California and the 18th largest in the United States.

Sears entered the real estate industry in 1960 when it started Homart Development Company to develop and manage shopping centers and other commercial property. In 1972, it purchased a mortgage banking company now called Allstate Enterprises Mortgage Corporation. Then in 1973, Sears acquired its PMI subsidiaries which are involved in mortgage guaranty insurance and mortgage banking.

Thus by 1981, Sears had developed a broad range of financial businesses which contributed just over half of the company's net income before deduction of corporate expenses. The Allstate insurance subsidiaries together were largest in terms of net income and assets.

The credit card division was the second largest in terms of assets, but its profits were hurt in recent years by the high interest costs and restrictive state usury laws which have afflicted the consumer credit industry. The division had after-tax losses of $83 million in 1981 and $25 million in 1980. Despite the unprofitable conditions, it has continued to finance more than half of Sears' merchandise sales. At the end of 1981, Sears had $7.3 billion of gross credit card receivables outstanding.

On December 31, 1981, Sears launched a major new expansion into financial services by acquiring Dean Witter Reynolds, the nation's fourth largest stock broker, and Coldwell, Banker and Company, the nation's largest real estate broker. Dean Witter operates through roughly 320 domestic offices and nine international offices. In mid-1981, the company introduced the Active Assets Account, which is similar to Merrill Lynch's Cash Management Account. The account offers brokerage services, automatic transfer of excess funds to a money market fund, borrowing privileges, checking services, and a special Visa card. By the end of 1981, 25,000 Active Assets Accounts had been established

with total assets of over $400 million. Dean Witter Reynolds InterCapital manages the three money market funds which serve the Active Assets Account as well as 12 mutual funds and institutional accounts. As of early 1982, it was managing total assets of $11 billion. In late 1981, it started the Sears U.S. Government Money Market Trust, a money market fund with investments in government securities. By August 1982, this fund had net assets of $410 million.

Coldwell Banker is engaged in real estate brokerage, mortgage banking, property management, executive relocation in North America and the United Kingdom, and other real estate related services. It operates through 249 residential real estate offices, 54 commercial real estate offices, 24 mortgage banking offices, and 32 real estate management offices.

Sears is taking steps to integrate the services of Dean Witter and Coldwell Banker with its retail and insurance businesses in order to increase the range of its financial products. It plans to use its large credit card data base to market the services of the two new acquisitions. In 1981, there were 24.5 million active Sears credit card accounts, and a total of 48 million households--57 percent of all households--held Sears cards.

In the summer of 1982, Sears opened new financial service offices in eight of its stores across the country, and in November, Sears announced plans to open financial service centers in 25 more stores. Each center provides insurance, real estate, and brokerage services and is staffed by salespeople from Allstate, Coldwell Banker, and Dean Witter. And since late in 1982, the new money market deposit account is being offered at in-store branches of Allstate Savings & Loan.

Cooperation between Sears and Dean Witter in the provision of financial services increased in 1982 when Dean Witter account executives began marketing certificates of deposit for Allstate Savings and Loan. Dean Witter is also expanding its services in this area. It has followed the lead of Merrill Lynch and is now selling retail CDs and making a secondary market in the instruments for City Federal Savings and Loan Association of Elizabeth, New Jersey. As of August 1982, Dean Witter was brokering retail CDs for two banks and nine savings and loans. It was also creating a secondary market in retail CDs for one bank and two savings and loans.

It is too early to tell how great a competitive threat Sears will be for the banking sector. As mentioned, the company's provision of retail credit is nothing new, and recently it has not been profitable. The new acquisitions will not increase competition in financial services unless Sears can expand the two companies' services and market penetration beyond what they could achieve on their own. If Sears is successful, it will compete directly with banks for savers' funds and consumer lending business.

Bank Holding Companies

BankAmerica Corporation

BankAmerica Corporation was established in 1968, and it became the holding company for Bank of America National Trust and Savings Association in 1969. At the end of 1981, BankAmerica Corporation was the largest commercial bank holding company in the United States based on assets and deposits. In the United States, Bank of America had 1,092 branches, 16 military offices, four Edge Act subsidiaries, and four corporate service offices. The bank also had 115 foreign branches and 17 international representative offices. Altogether, BankAmerica Corporation was active in 77 countries through Bank of America and through more than 800 offices of its other subsidiaries and affiliates.

Bank of America offers a full line of retail, wholesale, and other commercial banking services. It has been expanding its retail services by installing a network of automated teller machines throughout California. At the end of 1981, more than 300 of such machines were in operation. Bank of America has also been testing two new retail banking products in California. One is a phone banking service, and the other is a video banking service that is being provided in conjunction with the Times Mirror Company, the parent of the Los Angeles Times.

In 1981, Bank of America began to emphasize adjustable rate mortgages as part of its program to protect itself against interest rate fluctuations. By the end of the year, Bank of America's outstanding adjustable rate mortgages had grown to $382 million in home mortgages, $27 million in home equity loans, and $6 million in mobile home loans. These variable rate mortgages comprised only a small portion of Bank of America's total mortgage portfolio.

Bank of America's lending services to corporations and governments include loan syndications, lines of credit, and term loans. The bank participates in co-financings which include lenders in the private and public sectors. Bank of America also lends to agribusiness in California and overseas and to small businesses, proprietorships, and professionals.

Another industry with a significant share of Bank of America's loan portfolio is the financial services sector. The bank has more than 2,000 correspondent banking customers. In 1981, Bank of America's outstanding loans to financial institutions were approximately $5 billion. The majority of these loans were short-term credits and lines of credit .

Bank of America's other services to corporations include equipment leasing, cash management, and computerized business services.

Bank of America also trades and underwrites certain money market and government debt instruments. It acts as manager or co-manager for overseas debt issues, particularly in the Eurodollar market. In 1981, it participated in 37 such debt issues with a combined total worth of $2.4 billion. In the United States, Bank of America is active in private placements. It placed more than $500 million in 1981.

Finally, Bank of America's trust department offers investment planning and management as well as custody and trust administration services. The department's affiliated investment management company is BA Investment Management Corporation.

In addition to Bank of America, BankAmerica Corporation has many nonbank subsidiaries. The combined profits of these subsidiaries increased 4.3 percent to $48 million in 1981. This alone made up 10.8 percent of BankAmerica Corporation's total income before securities transactions.

BankAmerica's largest nonbank subsidiary is FinanceAmerica Corporation, which was GAC Finance Inc. before it was acquired by BankAmerica in 1974. At the end of 1981, FinanceAmerica and its subsidiaries had 253 consumer loan offices in 39 states.

The company has been expanding its lending services to middle- and upper-income customers, particularly, by making general purpose home equity loans and home improvement loans. It also buys receivables in bulk from other companies and finances retail and wholesale purchases of large consumer items such as mobile homes, boats and recreational vehicles. Like other consumer lenders, FinanceAmerica has been emphasizing adjustable rate loans recently.

In 1981, BankAmerica integrated the BA Insurance Company Inc. into FinanceAmerica. BA Insurance provides credit life and disability insurance to consumer loan customers of FinanceAmerica and Bank of America. Early in 1983, BankAmerica announced plans to acquire 24.9 percent of H.L. Capital Management Group, a holding company with interests in workmen's compensation insurance, risk management, and reinsurance.

FinanceAmerica has an agreement to manage BA Financial Services Corporation, an affiliated company. BA Financial Services' subsidiaries include two industrial banks, a commercial finance company, a corporate loan company, and a floor plan lender.

BankAmerica is involved in mortgage banking and real estate advisory services through its subsidiary, BA Mortgage and International Realty Corporation. The subsidiary was formed in 1977 by the merger of BankAmerica's two real estate subsidiaries, BA Mortgage Company and BankAmerica International Realty Corporation.

BA Cheque Corporation is the subsidiary that markets BA Travelers Cheques. In 1981, it began to offer travelers cheques in Deutsche marks and English pounds to customers in the United States and overseas.

Another nonbank subsidiary of BankAmerica is Decimus Corporation which leases computers and peripheral equipment. It also offers data processing services to banks and other financial institutions.

In November 1981, BankAmerica signed a letter of intent to acquire Charles Schwab Corporation, the parent of Charles Schwab & Co. Inc., a discount brokerage firm. The proposed acquisition was approved by the SEC and the Justice Department in 1982 and by the Federal Reserve early in 1983.

In late 1982, Bank of America installed counters with Schwab services on a pilot basis in six of its branches in the Palo Alto and Newport Beach areas. Federal Reserve approval was not necessary for such a program. Transactions carried out at the counters will be automatically settled to the customer's checking account with Bank of America.

In 1982, BankAmerica established another new subsidiary, BA Futures Inc., to execute financial futures contracts. BA Futures has two seats on the International Monetary Market and a subsidiary of the Chicago Mercantile Exchange, and it has applied to the Chicago Board of Trade for an associate membership. BankAmerica has also applied for Federal Reserve approval of a futures execution and clearance service for customers not affiliated with BankAmerica.

The consolidated net income of BankAmerica and its subsidiaries increased steadily at an average annual rate of 17.5 percent from 1976 through 1980. However, in 1981 net income fell by 30.8 percent. The company attributes this

decline to shifting of low interest consumer deposits to market rate instruments, high and volatile interest rates, high expenditures on electronic banking equipment, and increased competition.

Citicorp

Citicorp, incorporated in 1967 as a holding company, today is a multinational financial services organization staffed by over 58,000 people serving individuals, businesses, and governments through more than 2,200 offices in 94 countries. With its 422 bank and nonbank subsidiaries, including Citibank (the nation's second largest commercial bank), Citibank (New York State) and Fidelity Savings and Loan, Citicorp offers a wide range of financial services including commercial banking and trust services, merchant banking, mortgage banking, consumer finance, credit card services, asset-based financing, factoring, payment mechanism research, venture capital financing, services to financial institutions, and the sale of travelers checks (See tables below). As of December 31, 1981, Citicorp had total assets of $103 billion, total deposits of $72 billion, and total net loans of $65 billion.

Citicorp is organized into banking units. The Institutional Banking unit provides a variety of financial services to business, governmental, health, educational, and charitable organizations worldwide and to non-U.S. financial institutions. In October 1982, Citicorp established a state-chartered bank in Delaware to provide cash management services for corporations and institutions carrying demand deposits with Citibank.

Citicorp's Individual Banking unit offers a complete range of financial services to consumers and small businesses. This unit is comprised of three groups.

The first group, the Consumer Banking, Travel and Entertainment Group provides traditional banking services domestically including checking and savings accounts, loans, mortgages, and credit cards.

Credit card services are offered by Citibank (New York State), N.A., Citicorp Credit Services Inc., Citicorp Custom Credit Inc., Citicorp Financial, Inc., Carte Blanche, and Diners Club. In June 1981, Citibank moved its credit card operations to a newly established subsidiary in South Dakota, Citibank (South Dakota) N.A.

In early 1982, Citibank staged a massive nationwide credit card solicitation campaign by mail and, in order to attract new customers, offered special services to cardholders such as Citidollars (discounts on name brand merchandise when a card is used for the purchase), Citiphone (a discount on long distance phone calls), and Citiwheels (a low-cost auto towing service). Also in August 1981, Citibank and Tandy Corp. introduced the first national co-branded bank card, Radio Shack/Citiline, for customers who want to buy big-ticket items from Tandy's Radio Shack stores. The card can also be used to purchase financial services from Citicorp affiliates.

The second individual banking group, the North American Division, serves domestic customers outside the New York City Area. And the third group, the Western Hemisphere Consumer Group, is responsible for loan delivery and some deposit services domestically, primarily through nonbank affiliates of Citicorp. This group is also responsible for managing consumer business in Latin America.

Four other units provide specialized services to Citicorp's customers. The Investment Management Group (IMG) provides a broad range of products and services to high net worth individuals and institutions. In 1981, IMG had $18 billion in discretionary assets under management. Also, IMG acts as an advisor for corporations, municipalities, and other domestic institutions and as a trustee for employee benefit programs.

The Merchant Banking Group, located in 24 major cities around the world, provides advisory and fund-raising services to corporate, governmental, and financial institutions. Advisory services include corporate, public, and project finance and assistance with mergers, acquisitions, and divestitures. Through Citicorp Capital Investors, Citicorp makes venture and risk capital investments.

The Financial and Information Services Group provides information, processing and marketing services to financial institutions within the United States through 40 locations around the country.

The Financial Markets Group (FMG) is mainly responsible for maintaining sufficient liquidity for the activities of Citicorp and Citibank; however, FMG also underwrites, distributes, and trades U.S. government and agency securities, money market instruments, and certain state and municipal obligations. In 1982, Citicorp established a new subsidiary, Citicorp Government Securities Inc., to carry on its government securities trading. As part of the holding company, this subsidiary can open offices throughout the country.

Citicorp is not just a United States bank with international branches; it is a global institution with business activities around the world. To enhance these activities, Citicorp purchased two transponders on the Westar V Satellite, thus becoming the first financial institution to own transponders in space. The purchase strengthens Citicorp's own communications system which interconnects its more than 1,400 offices in 93 foreign countries, and Citicorp can now sell communications space on its own transponders. Citicorp has one earth station, an antenna which receives and sends information, and Citicorp plans three more. Citicorp has invested substantially in electronic banking technology--$500 million by year-end 1981.

Not only is Citicorp preparing for global electronic banking, but it is also preparing for deregulation. In an attempt to override geographic barriers, Citicorp's chairman has lobbied for interstate banking legislation in California and Illinois. Also Citibank advertises its "innovative" CDs in national newspapers. These CDs can be purchased by calling a Citibank representative via a toll-free number or through the mail. In 1975, a Citicorp Person-to-Person Financial Center in Salt Lake City was converted to an industrial loan company that can accept time deposits, and in 1982 Person-to-Person opened three offices which can accept consumer deposits in Minnesota. As mentioned above, Citibank moved its Credit Card operation to South Dakota and, in September 1982, acquired Fidelity Savings and Loan Association of San Francisco.

Citicorp has also tested regulatory limits on product lines by challenging the list of approved activities of banks and bank holding companies. Citibank has developed several products to compete with money market funds. Its most recent such product, the Insured Money Market Rate Account, however, was stopped, as were the others, at the request of regulators. In April 1982, Citibank began a cash management account (much like Merrill Lynch's CMA) in collaboration with Quick & Reilly, Inc. Also in June, Citishare, a Citicorp subsidiary, received approval to engage in data processing and transmission activities including home banking, data bases

(providing customers with information through terminals in their offices), and packaged financial systems. In October 1982, Citicorp was granted permission to engage in futures commissions activities overseas through a British subsidiary, Citifutures Ltd., and then in December 1982, Citicorp received permission to trade futures for its customers domestically through its subsidiary, Citicorp Futures Corp.

Citicorp has been an innovator and a risk-taker in the financial services industry. In order to continue this trend Citicorp is trying to insulate itself from interest rate fluctuations by becoming more dependent on fee income through new and existing financial products and services. In 1981, its ratio of noninterest income to net interest income was 65 percent, a substantial increase over the 23 percent ratio achieved in 1977.

Worldwide Activities of Citicorp

Activity	Subsidiaries
Institutional Banking: corporate lending, equipment leasing and financing, factoring, and commercial finance	Citibank, Citibank (New York State), Citicorp (USA), Citicorp Industrial Credit, Citicorp Real Estate
Individual Banking: travel and entertainment cards, MasterCard and Visa operations, traveler's checks, and home and personal finance	Carte Blanche, Diners Club, Citibank (South Dakota), Citicorp Services, Citicorp Person-to-Person, Citicorp Acceptance Company
Other:	
Edge Act international banking	Citibank International Retail
Private labeled credit card services	Consumer Services
Processing and other services for depository institutions	Citicorp Associates
Data processing and transmission	Citishare
Futures trading	Citicorp Futures Corp.
Merchant banking	Citicorp International Group
Venture capital financing	Citicorp Capital Investors

SOURCE: George G. Kaufman, *The U.S. Financial System: Money Markets and Institutions*, second edition, 1983, Prentice Hall.

Citicorp Domestic Offices

United States (40 states and D.C.)	
Citibank, N.A., branches	284
Citibank, N.A., subsidiaries	75
Citibank (New York State), N.A. branches	34
Citibank (New York State), N.A. subsidiaries	33
Citicorp subsidiaries	433
Total	848

SOURCE: Citicorp's 1981 Annual Report.

Manufacturers Hanover Corporation

Manufacturers Hanover Corporation is the fourth largest bank holding company in the nation with $59 billion in assets at the end of 1981. The corporation and its subsidiaries have more than 700 domestic offices in 32 states. The company's international operations are conducted through 102 facilities in 40 countries.

The Corporation's principal subsidiary is the commercial bank, Manufacturers Hanover Trust Company. The bank was formed in 1961 through the merger of the Hanover Bank with the Manufacturers Trust Company. At the end of 1981, Manufacturers Hanover Trust had a total of 201 branches in the New York metropolitan area. Its international facilities include a network of Edge Act offices, an International Banking Facility in New York, corporate offices in Houston and San Francisco, 20 branches in 15 countries, 30 representative offices in 26 countries, and merchant banks in London and Hong Kong.

Manufacturers Hanover Trust offers a complete line of retail banking services. These include services tailored for small- and medium-sized businesses such as specialized financing, automated accounts receivable, bookkeeping, and transfer and collection facilities. The bank has also installed Automated Teller Machines in the New York metropolitan area to serve its retail customers.

Manufacturers Hanover Trust also provides a wide variety of wholesale banking services to corporations, governments, and other financial institutions. Its wholesale lending services include term loans, revolving credit, letters of credit, inventory and accounts receivable financing, and real estate construction loans. Its non-credit services to corporate customers include cash management and assistance in securities placement. Manufacturers Hanover Trust also provides correspondent banking services to more than 3,000 banking institutions.

The bank is also active in public finance, sales and trading of U.S. government and municipal securities, and trust services. At the end of 1981, its trust division had more than $30.5 billion under fiduciary and investment management.

Manufacturers Hanover Trust is currently expanding its U.S. network by establishing a banking subsidiary in Wilmington, Delaware. The Federal Reserve approved the proposal in 1982. The bank will be named the Manufacturers Hanover Bank, and it will engage primarily in wholesale lending.

Manufacturers Hanover has other subsidiaries in addition to Manufacturers Hanover Trust. Three of these subsidiaries are banks in upstate New York. In early 1982, the three were merged into one bank named Manufacturers Hanover, N.A.

Another subsidiary is Manufacturers Hanover Leasing Corporation which was formed in 1972. It leases equipment and property and makes loans secured by equipment and property. It is headquartered in New York City and has 18 offices in 15 states and Puerto Rico. The company's subsidiaries and affiliates also operate 25 international offices.

In 1973, Manufacturers Hanover moved into the mortgage banking business by acquiring Citizens Mortgage Corporation, now called Manufacturers Hanover Mortgage Corporation. The company currently has 25 offices in 10 states.

In 1975, the holding company purchased Ritter Financial Corporation, a consumer finance company. In 1980, Manufacturers Hanover acquired several other consumer finance companies from First Pennsylvania Corporation. These

companies were subsequently merged with Ritter Financial, and the combined company was named Manufacturers Hanover Consumer Services, Inc. (MHCSI). MHCSI's operating units do business primarily under the names Finance One and Finance One Mortgage Inc.

In 1982, MHCSI purchased the consumer finance receivables and certain other assets of the American Investment Company. The acquisition included 67 consumer finance offices in California, Oregon, and Washington. Including this purchase, MHCSI now has 386 offices in 25 states, Puerto Rico, and the Virgin Islands.

MHCSI lends directly to individuals and purchases sales finance contracts. The company began offering second mortgage loans in 1981. By the end of the year, real estate secured loans accounted for 26 percent of the company's direct consumer loan portfolio.

MHCSI sells credit life, credit accident, health, and casualty insurance to its finance customers. It also reinsures credit life and credit accident and health insurance provided to its finance customers by other insurance companies. In 1980 and 1981, insurance premiums contributed 11 percent of MHCSI's income, while its finance business accounted for most of the remainder.

In 1979, Manufacturers Hanover formed a factoring and commercial finance subsidiary called Manufacturers Hanover Commercial Corporation. The company presently operates nine offices.

The holding company's most recent addition is Manufacturers Hanover Venture Capital Corporation which was established in early 1981. The new firm makes equity investments in other companies.

Manufacturers Hanover's net income has increased at an average annual rate of 12 percent from 1977 through 1981. The corporation's foreign operations have accounted for just under half of Manufacturers Hanover's net income over the past several years.

Despite the growth in net income, Manufacturers Hanover's profits have been squeezed in recent years by the high cost of funds and heavy competition in lending markets. Its interest rate spread has declined steadily from 2.29 percent in 1977 to 1.08 percent in 1981.

Potential Entrants

The Dun & Bradstreet Corporation

Dun & Bradstreet (D&B) has operations in broadcasting, marketing services, publishing, and business-credit information services. It is in this latter area that D&B has been the leader since 1941, and it is because of this expertise that D&B could be considered a potential entrant into the financial services industry. Through Dun & Bradstreet Credit Services (D&B Credit Services), D&B provides credit information on some 70 million U.S. households and 4.9 million U.S. businesses, either electronically or through the mail.

D&B is making great advances in electronic delivery. In 1981, 40 percent of D&B Credit Services' inquiries were answered electronically through DunsSprint, DunsDial, and DunsVue whereas in 1977 no inquiries were answered electronically. DunSprint enables complete information to be delivered, in hard copy, instantaneously via online computer terminals in subscribers' offices. DunsDial enables subscribers to check information or to obtain summarized information by dialing a toll-free telephone number. Over the phone, a D&B representative reads the desired credit information from a computer terminal. In 1981, over 11,000 DunsDial calls were answered daily. DunsVue enables subscribers to obtain ratings and summarized credit information from interactive terminals in their offices.

Although electronic delivery is progressing rapidly at D&B Credit Services, those customers who do not need information quickly can have their reports delivered by the U.S. mail. D&B Credit Services mails over 8.5 million credit reports a year to its subscribers.

In 1981, D&B Credit Services introduced two new products. The first product, Duns Financial Profiles, compares the balance sheet and income data of a company with that of other companies of the same size, location, and industry. D&B has such data on over 800,000 companies. The second product, Payment Analysis Reports, details a company's bill-payment trend and compares it with others in its industry.

In addition to providing business-credit information domestically, D&B provides such information in 24 countries through D&B International. And in 1981, D&B's National CSS, its computer services division, entered into a joint venture with D&B Canada to provide online information on 500,000 Canadian businesses, through Dun & Bradstreet Plan services.

Through a division of its publishing operation, Moody's Investors Service, D&B publishes financial manuals and handbooks and rates corporate bonds, commercial paper, and municipal bonds. In 1981, Moody's rated over 800 corporate bond issues and 953 commercial paper issues. D&B markets and administers group life, health, accident, and disability insurance for small business through Multiple Employer Trusts. Plan Services uses D&B information resources to assist in marketing these products to small businesses through insurance agents. Plan Services collects premiums and investigates and pays claims. Claims are then billed and premiums rebated to the insurance underwriters.

Indeed, just as D&B uses its extensive credit information resources to market insurance, D&B could move into the financial services industry by making business and consumer loans. The likelihood of D&B making such a move is reduced significantly by its success in its primary line of business, the processing and sale of information. Over the last decade D&B has averaged 24.5 percent return on equity (ROE); indeed, its lowest ROE in the last ten years was 20 percent in 1975. An ROE of this magnitude is considerably higher than that achieved by most banks which suggests that the sale of information

on credit histories may be more profitable than lending to these same firms and households. In addition, D&B's sales of information could be hurt if it were to engage in lending because of the potential loss of objectivity. Thus even though it could easily enter the lending business by gaining a source of funds through such means as the sale of commercial paper, D&B appears unlikely to do so. Nevertheless, by reducing the information costs to all potential lenders, D&B has probably made the lending business more competitive that it would otherwise have been.

TRW

TRW is a diversified manufacturing concern with activities in computerized credit reporting. In 1969, TRW entered the consumer-credit-reporting business with the establishment of TRW Credit Data, a division of TRW Information Services. In 1979, TRW Business Credit Services, another division of TRW Information Services, began reporting business-credit information in a joint venture with the National Association of Credit Management (NACM).

Information Services gets most of its credit information from participating subscribers that have automated their accounts receivable. Some information is from manual reports and is supplemented with financial information that is of public record. If the data from these sources are not sufficient, Information Services will develop a credit history based upon a subscriber's particular criteria.

TRW Credit Data has over 70 million consumers on file and serves more than 10,000 grantors of consumer credit nationwide. TRW Business Credit Services has data on over 7 million business locations and markets its credit information to NACM's 43,000 members and to nonmembers as well.

Business Credit Services reports its data in National Credit Information Service (NACIS) Reports. An NACIS Report contains trade payment information on a company in question, including its six-month payment trend, bank information, and relevant information supplied by Standard & Poors. An NACIS report is almost entirely statistical.

TRW Information Services enables subscribers to access consumer-credit and business-credit data in several ways. In addition to requesting information by telephone, subscribers who process many credit applications, can go online with TRW's computers and read the credit information from terminals in their own offices. Subscribers can also send their inquiries on computer tape to TRW and receive the desired credit profiles on tape or in hard copy form.

By the end of 1981, TRW Credit Data was showing good results and the growing TRW Business Credit was reducing its losses. Quite possibly, in the near future, TRW could broaden the activities of TRW Information Services by using the credit information which it has gathered to do just what many of its customers do, namely profitably extend credit to consumers and businesses. As with Dun & Bradstreet, such forward vertical integration will not likely occur.

TRW also engages in manufacturing activities. Included among these activities are the manufacturing of automobile, electronic, and aircraft components; electronic systems equipment and spacecraft; fasteners; and energy-related tools.

APPENDIX C

THREE CHRONOLOGIES ON INTERINDUSTRY AND INTERSTATE DEVELOPMENTS AND THE DEVELOPMENT OF CASH MANAGEMENT PRODUCTS: 1980-82

Christine Wabich
and
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APPENDIX C: THREE CHRONOLOGIES ON INTERINDUSTRY AND INTERSTATE DEVELOPMENTS AND THE DEVELOPMENT OF CASH MANAGEMENT PRODUCTS: 1980-82

Introduction and Overview

This appendix contains three chronologies of events in the financial services industry covering the January 1980-December 1982 period. The first chronology deals with interindustry activities, that is, efforts by banks, S&Ls, brokers, etc. to invade one another's traditional product markets. The second chronology concentrates on interstate activities, that is, efforts by banks, credit unions, S&Ls and mutual savings banks to cross state lines in deposit-taking and lending operations. The focus of the third chronology is the growth of money market fund substitutes and cash management products.

These chronologies illustrate the nature of the kinds of innovative activities which have contributed to the trends discussed in this paper. These listings of events provide additional evidence of a movement toward a comprehensive national market for most financial services. The increasingly aggressive nature of financial institutions in testing the limits imposed on them by regulation can be seen by the acceleration in the number of entries in the chronologies beginning in late 1981 and extending through 1982.

These chronologies are intended to be representative of the interindustry, interstate, and new product activities that have occurred during the last three years; these chronologies are not intended to be comprehensive. The primary source for items contained in this appendix was American Banker. The information from the various issues of this newspaper was supplemented by phone calls to the companies involved. Other periodicals used were the Wall Street Journal and Fortune.

Interindustry Activities

January 1980	Commercial Credit Corp., a subsidiary of Control Data Corp., becomes the first nonbank SBA lender.
	National Steel Corp., merges with United Financial Corp., parent of Citizens Savings and Loan Association, California.
June 1980	The Federal Reserve Board allows First Financial Group of New Hampshire, a bank holding company, to acquire First Guaranty Savings Bank, New Hampshire.
August 1980	Suburban Credit Union of Farmington, Massachusetts, merges with Union Warren Savings Bank, Massachusetts.
October 1980	The Comptroller of the Currency permits Associates First Capital, a consumer finance company and a subsidiary of Gulf & Western Corp., to acquire Fidelity National Bank. Fidelity divests itself of its commercial loan portfolio; therefore, it technically is no longer a commercial bank.
November 1980	Wilshire Oil Company of Texas tries to persuade the Federal Reserve Board to allow Wilshire to retain the Trust Company of New Jersey. In a move somewhat similar to that of Gulf & Western, Wilshire proposes to stop the bank from accepting demand deposits. (See October 1980, Gulf & Western.) The Fed rejects Wilshire's proposals, and the U.S. Third Circuit Court of Appeals unanimously upholds the Fed's decision; the U.S. Supreme Court declines to review the case.
	The FHLBB allows Kaufman and Broad, a Los Angeles-based parent of a life insurance company and of home building subsidiaries, to buy 25 percent of the stock of Biscayne Federal Savings & Loan Association, Florida.
December 1980	The Arizona Superintendent of Banks and the FDIC approve the merger of Surety Savings & Loan Association, Phoenix, with City Bank, a commercial bank in Sun City.
	The Connecticut State Bank Commissioner allows Peoples Savings Bank of Bridgeport, a mutual savings bank, to acquire Stamford Bank & Trust Company.
	Charleston Savings Bank, Massachusetts, acquires Hellenic Credit Union, Massachusetts.
January 1981	Merrill Lynch & Company becomes the second nonbank SBA lender. (See January 1980, Commercial Credit Corp.)

ITT becomes the third nonbank SBA lender through a subsidiary of ITT Financial Corp., ITT Small Business Financial Corp. (See January 1980, Commercial Credit Corp. and January 1981, Merrill Lynch.)

March 1981 — The FDIC merges the failing Fidelity Mutual Savings Bank of Spokane, Washington, into First Interstate Bank of Washington.

California Federal Savings and Loan Association, Los Angeles, acquires California Thrift & Loan.

April 1981 — Prudential Insurance Company of America acquires the Bache Group Inc., a brokerage house. In November 1982, Bache becomes Prudential-Bache.

Commercial Credit Corp., a finance company and a subsidiary of Control Data, buys Electronic Realty Associates Inc. (ERA), a franchised real estate brokerage.

Legislation is passed which allows Pennsylvania mutual savings banks to make commercial loans.

May 1981 — Seattle-First National Bank actively markets a new profit-making venture--handling securities for customers on a third party/profit basis. Customers can place orders through any Seattle-First branch.

Merrill Lynch advises corporations on hedging with interest rate futures, thus taking some business from banks because Merrill Lynch can carry out its strategies while banks cannot.

J.P. Morgan & Co. forms a subsidiary to trade financial futures for Morgan Guaranty's account. In July 1981, the Federal Reserve Board allows Morgan Guaranty to execute trades for its customers; in December 1982, the Commodities Futures Trading Commission approves.

June 1981 — Mutual Benefit Life Insurance Co. turns into a securities broker by expanding its services through Mutual Benefit Financial Co., an in-house broker-dealer. Mutual Benefit Life sells its new services through its 1,600 insurance agents nationwide.

Prudential Insurance Company introduces a stock fund which is available to the public and is designed to provide tax advantages for upper income investors. It is distributed by Bache.

The New York State Insurance Department gives Equitable Life Assurance Society of the United States permission to offer corporate cash management services.

American Express and Shearson Loeb Rhoades, Inc., a large securities firm, merge.

Bechtel, a construction firm, merges with Dillion Read, an investment banking concern.

July 1981 E.F. Hutton & Company, a brokerage firm, buys International Credit Corp., a subsidiary of International Paper Company.

August 1981 Household International Inc., parent of Household Finance Corp., a consumer finance firm, acquires Valley National Bank of Salinas. Household divests Valley National of its commercial loan portfolio to retain it as a "consumer bank." (See October 1980, Gulf & Western.)

First Texas Savings Association, a subsidiary of Beneficial Corp., agrees to put ATMs in Kroger supermarkets throughout Texas.

September 1981 Shearson Loeb Rhoades Inc., now Shearson/American Express, acquires Boston Co. Inc., a diversified financial firm and parent of Boston Safe Deposit and Trust Company, a trust institution.

October 1981 Security Capital Corp., a real estate investment trust in New York, acquires Benjamin Franklin Savings Association, Houston.

Shearson/American Express offers an insurance and annuity plan through American Express's insurance company, Fireman's Fund.

Salomon Brothers, the nation's largest private investment bank and the world's largest bond-trading firm, merges with Phibro, the world's largest publicly owned commodities trading firm.

ACLI, a commodity trading firm and the world's largest coffee dealer, merges into Donaldson Lufkin Jenrette, a brokerage firm.

The Parker Pen Company acquires Citizens National Bank of Tilton, New Hampshire, and American Homestead First Life Insurance Company of Little Rock, Arkansas, through Parker Pen's new subsidiary, First Deposit Corp., San Francisco. Citizens National divests itself of its commercial loan portfolio. (See October 1980, Gulf & Western.)

November 1981 H.F. Ahmansson & Company, an S&L holding company, acquires Bankers National Life Insurance Company.

BankAmerica Corp. plans to acquire Charles Schwab & Company, the nation's largest discount brokerage firm; the Federal Reserve Board approves the acquisition early in 1983.

Goldman Sachs, an investment banking partnership, merges with J. Aron, a commodities and foreign exchange trader.

The FDIC approves the sale of Granite State Trust Company, a small commercial bank in New Hampshire, to Plymouth Guaranty Savings Bank, a New Hampshire thrift.

December 1981 Dana Corp., a manufacturing concern, acquires General Ohio Savings & Loan Corp., Ohio's largest savings and loan holding company.

Sears, Roebuck and Company offers Sears U.S. Government Money Market Trust, a money market fund; acquires Coldwell Banker and Company, a real estate broker; and merges with Dean Witter Reynolds, a brokerage firm.

Great Western Financial Corp., parent of Great Western Savings, a federally chartered S&L, acquires the rights to purchase Walker & Lee, a diversified brokerage and real estate services firm. Early in 1983, Great Western acquires Walker & Lee.

Prudential Insurance Company sets up a trust company in suburban Philadelphia to handle investments for its pension plan customers.

January 1982 The Pendleton Banking Company, Oregon, merges with two Oregon S&Ls into a single commercial bank, Pioneer American Bank.

American General Corp., one of the nation's largest insurance organizations, merges with Credithrift Financial Inc., a consumer finance company.

H&R Block, Inc., Kansas City, Missouri, jointly promotes tax seminars and the tax advantages of IRAs and All-Saver certificates with several banks. Some banks give $10 off on tax preparations as a premium for opening an IRA or All-Savers account.

Banks and thrifts (including Crocker National Bank, Security Pacific National Bank, and American Savings Bank) collaborate with brokerage firms (including Bradford Broker Settlement, Fidelity Brokerage Services, and Quick & Reilly Inc.) to offer discount brokerage services to customers of the banks and thrifts.

Teachers Service Organization, a Philadephia-based consumer finance company which specializes in loans to teachers, acquires control of Colonial National Bank of Wilmington, Delaware.

February 1982 Marquette National Bank, a Minneapolis commercial bank, acquires Farmers and Merchants Savings Bank, Minneapolis.

March 1982 Shearson/American Express and F&M corp., parent of Foster & Marshall Inc., an investment banking firm, merge.

Hartford Federal Savings and Loan Association, Connecticut, merges into Schenectady Savings Bank, New York, to form Northeast Savings.

In California, Merrill Lynch & Co. tests its Equity Access Account which gives homeowners access to the equity in their homes through checks and debit cards.

The Federal Reserve Board allows Peoples Bancorp. of Seattle, Washington, to acquire Tellus Financial Services, Inc., a resort timesharing firm.

The Federal Reserve Bank of Kansas City allows American Multi-Cinema Inc., a theatre chain, to increase its ownership in First National Charter Corp., a $2 billion-asset bank holding company in Missouri, from 8.46 percent to 24.9 percent.

The California Banking Department approves the merger of Equity Savings & Loan Association, San Diego, into Commonwealth Bank of Hawthorne, a California commercial bank.

Chase Manhattan Bank plans to form an investment banking subsidiary, Chase Manhattan Capital Markets, to exploit changes in the Glass-Steagall Act.

April 1982 Kemper Corp., a holding company of financial services firms, and Loew Financial, a brokerage firm, merge, and Kemper acquires two more brokerage firms by September 1982.

The Federal Reserve Board approves the merger of Scioto Savings Association, Columbus, Ohio, and Interstate Financial Corp., owner of Third National Bank and Trust Company in Dayton.

The Comptroller of the Currency allows North Carolina National Bank to establish a futures brokerage subsidiary to trade for the bank's customers; in September, the Commodities Futures Trading Commission approves.

Through its new subsidiary, Capital Resources, Merrill Lynch sells its commercial paper and long-term bonds on the open market and then lends the proceeds to certain business groups.

American Can buys Associated Madison Co., a holding company for National Benefit Life Insurance Co., Mass Marketing Systems International, and Triad Life Insurance Company. National Benefit Life plans a money market fund.

May 1982 Three S&Ls receive permission to start a joint securities brokerage service that S&Ls nationwide can use to offer investment services to their customers. The service, known as Invest, begins operations in November.

Bank of Virginia is given regulatory approval to acquire four branches of the ailing Northern Virginia Savings and Loan Association.

June 1982 Citicorp purchases two transponders on the Westar V satellite in preparation for global banking.

John Hancock Mutual Life Insurance Company acquires Tucker, Anthony & R.L. Day., a regional brokerage firm in New York.

A new Massachusetts state law allows banks and thrifts to merge or acquire each other. The law also ensures that thrifts have the same powers as commercial banks by 1986.

California Federal Savings and Loan Association takes over the trust department of Title Insurance and Trust Company.

Alington Five Cents Savings Bank, Massachusetts, intends to acquire Tanners National Bank in Woburn, Massachusetts. (See June 1982, a new Massachusetts state law.) The acquisition was still being negotiated at year-end.

July 1982 The Delaware Banking Commission grants E.F. Hutton a charter to operate a trust company in Delaware to solicit Keogh and IRA customers.

Sears, Roebuck and Company opens financial service centers in eight stores to offer customers access to Allstate Insurance, Coldwell Banker real estate, and Dean Witter Reynolds, Inc. In November, Sears announces plans to open 25 more financial service centers.

The Minnesota Banking Commission grants Inter-Regional Financial Group Inc., parent of Dain Bosworth, a brokerage firm, a charter to create Dain Savings Association in Minneapolis; Dain Savings receives state approval in October.

The Comptroller of the Currency allows National City Bank, Minneapolis, to form NCB Financial Futures, Inc.

Florida's Freedom Savings and Loan, Tampa, acquires ComBanks Corp. of Winter Park, Florida.

American Express tests IRAs and two money market funds with a sample of its green card holders.

Aetna Life & Casualty Co. agrees to acquire Federated Investors Inc., the nation's largest manager of institutional money market funds. The acquisition was still being negotiated at year-end.

The Federal Reserve Board allows Citicorp to offer various data processing and data transmission services nationwide through a new subsidiary, Citishare Corp.

August 1982 The Comptroller of the Currency allows First National Bank of Chicago to form a subsidiary to trade in the futures market for its customers.

American Express starts a Cable TV show--"How's Business?" Cable TV represents an untapped resource for Amexco.

Citibank and Tandy Corp. introduce the first national co-branded bank card for customers who want to buy big-ticket items at Radio Shack stores and who want to purchase services from Citicorp's affiliates.

The Pennsylvania Department of Banking allows two Pennsylvania savings associations to invest in a new real estate brokerage firm.

The Comptroller of the Currency allows Security Pacific National Bank to offer discount brokerage services through a subsidiary of the bank rather than through its holding company.

In a joint venture, Merrill Lynch & Co. and the Port Authority of New York and New Jersey plan to construct a teleport on Staten Island.

The Comptroller of the Currency gives McMahan Valley stores, Carlsbad, California, permission to establish Western Family Bank NA on the premises of three of McMahan's retail furniture stores. The bank will make no commercial loans.

September 1982 The Federal Reserve Board conditionally allows Bank of America's mortgage banking subsidiary to expand into equity financing.

The Federal Reserve Board allows Citicorp to acquire Fidelity Savings & Loan of San Francisco.

Union Planters National Bank in Memphis acquires Brenner Steed and Associates Inc., a Memphis-based discount brokerage firm.

American Can Co. acquires Transport Life Insurance Company of Fort Worth.

Gibraltar Financial Corp., parent of Gibraltar Savings & Loan Association, California, establishes a securities brokerage subsidiary, GFC Securities Corp.

Aim Management Inc., a Houston-based mutual funds manager, acquires 81 percent of Eagle National Corp., a wholly-owned insurance subsidiary of Bradford National Corp.

In a joint venture with Capital Holding Corp., a Kentucky-based insurance company, Kroger tests Kroger Financial Centers in several Columbus, Ohio area food stores. These centers offer various kinds of insurance, mutual funds, and an annuity for IRAs. In November, Kroger opens more financial centers.

The Parker Pen Company acquires Redding Savings and Loan Association, Redding, California. (See October 1981, the Parker Pen Company.)

The Federal Reserve Board allows Bankers Trust New York Corp. to buy and sell futures contracts for its customers through a new subsidiary, BT Capital Markets Corp.

Xerox, an office automation company, agrees to acquire Crum & Foster, the nation's 15th largest property-casualty insurer. The acquisition is expected to be completed early in 1983.

Charles Schwab & Co., a discount brokerage firm, establishes kiosks in six branches of Bank of America. At these branches, Schwab opens securities accounts, takes order to buy and sell stocks and bonds, and debits and credits customers' demand deposit accounts. (See November 1981, BankAmerica Corp.)

Amoco introduces a new credit card, the Multicard, which can be used for gasoline purchases as well as for other services such as lodging at various motel chains. The Card can also be used for cashing personal checks of up to $50 per day.

United Jersey Banks negotiate to buy Richard Blackman & Co., a discount brokerage. The acquisition was awaiting regulatory approval at year-end.

Poughkeepsie Savings Bank applies to the FHLBB to acquire Investors Discount Corp., a Poughkeepsie discount brokerage firm.

October 1982 Marsh & McLennan Inc., a Delaware-based corporation with insurance brokerage and investment management subsidiaries, establishes a non-depository trust company in Boston.

The Comptroller of the Currency allows Security Pacific, Los Angeles, to acquire Kahn & Co., as Memphis-based discount brokerage firm.

Landmark Land Company, a real estate company in Carmel, California, acquires the merged Heritage Federal Savings and Loan and Dixie Federal Savings and Loan, both of Louisiana.

Aetna Life & Casualty buys a 40 percent interest in Samuel Montagu & Co., a British merchant banking firm.

Congress passes the Garn-St Germain Depository Institution Act of 1982 which allows depository institutions, beginning in December 1982, to offer ceiling-free deposits directly competitive with money market mutual funds. In another section of the act, Congress states a preference for failing depository institutions to be acquired by other institutions of the same type; i.e., S&Ls by S&Ls, banks by banks, etc. Another provision gives S&Ls authority to make commercial loans.

Dreyfus Corp., a money fund group, applies to open a new institution, Dreyfus National Bank & Trust Co. in New York. Early in 1983, the Comptroller of the Currency grants Dreyfus a bank charter.

First Fidelity Savings & Loan, Winter Park, Florida, and American Pioneer Corp., a Florida-based insurance company, agree to merge.

The Westport Co., a real estate development and management firm based in Connecticut, agrees to acquire the $1.5 billion-deposit Dade Savings & Loan of Miami.

The Comptroller of the Currency approves Kanahwa Banking & Trust Co.'s plans to install ATMs in several Kroger stores in West Virginia.

Publix Super Markets allows any depository institution to participate in its Publix Teller ATM network which it has installed in its stores.

The Comptroller of the Currency grants Citibank NA the authority to pool the assets of IRAs in one or more funds (stock, bond, and money market) by the bank.

November 1982 Wilshire Oil's Trust Company of New Jersey agrees to acquire Elizabeth Savings Bank of Elizabeth, New Jersey. The Trust Company will assume the charter of the Elizabeth Savings Bank and operate under the name Trust Company of New Jersey for Savings; therefore, Wilshire will not be in violation of the Bank Holding Company Act. The Federal Reserve Board, however, disallows the merger in December, and Wilshire agrees to divest itself of the Trust Company. (See November 1980, Wilshire Oil).

The Fidelity group seeks to establish Fidelity Bank & Trust Co. in Salem, New Hampshire. Early in 1983, Fidelity receives state approval to open a bank in New Hampshire.

In an attempt to circumvent Arkansas usury law, Pulaski Bank & Trust Co., Little Rock, forms a federal credit union for its depositors.

Security Pacific National Bank forms a subsidiary, Security Pacific Brokers Inc., to provide back office support for other banks which offer discount brokerage services.

Tacoma Savings and Loan, Tacoma, Washington, and American Federal Savings and Loan, both mutual savings and loans, merge into a savings bank.

Associates First Capital Corp., the finance company subsidiary of Gulf & Western, plans to acquire Heritage Federal Savings & Loan Association in Oakland.

Rainier Bancorp. and Hambrecht & Quist, a San Francisco-based investment banking and venture capital firm, form Rainier Venture Partners, for venture capital investments.

BankAmerica Corp. asks the Federal Reserve Board to allow its subsidiary, BA Futures, to trade for third parties.

December 1982 Two Sears stores on the West Coast offer shoppers the new deregulated money market account at six in-store branches of Allstate Savings & Loan.

Glendale Federal Savings & Loan Association becomes the nation's first savings and loan to offer SBA loans.

The Federal Reserve Board allows Imperial Bancorp, Inglewood, California, to continue offering depository institutions processing and electronic delivery of financial data through its subsidiary, Imperial Automation.

The Federal Reserve Board conditionally grants Citicorp permission to act as a futures commission merchant through its subsidiary Citicorp Futures Corp.

J.C. Penney agrees to allow First Nationwide Savings and Loan to set up financial service centers in five Penney stores in northern California . The centers will combine the sale of First Nationwide deposit accounts and loans with Penney's insurance activities. Also, First Nationwide markets its money market deposit account and other products to Penney credit cardholders through the mail.

The Securities Group, a New York securities dealer, agrees to acquire Southern California Savings & Loan, Beverly Hills.

The North Carolina Savings and Loan League establishes a discount brokerage subsidiary, in conjunction with Fidelity Brokerage Services, for its 161 member thrifts.

Dreyfus Corp., a money fund manager, acquires the Lincoln State Bank following the sale of the bank's commercial loan portfolio. (See October 1980, Gulf & Western.)

Interstate Activities

March 1980	Citicorp invests $10 million in Central National Chicago Corp. in the form of nonvoting preferred stock with warrants to purchase $12 million of common stock should interstate banking be allowed. (Later this option is relinquished.)
April 1980	South Carolina Federal Credit Union merges with the Navy Federal Credit Union, Virginia, the nation's largest.
May 1980	Provident National Investment Corp., a subsidiary of Provident National Corp., parent of Provident National Bank of Philadelphia, buys 5 percent of the shares of three out-of-state banks.
October 1980	Financial Interstate Services Corp., Knoxville, Tennessee, provides Bank-at-Home, an in-house computer banking service. Since Bank-at-Home's introduction, several other firms have experimented with home banking.
February 1981	Delaware passes an out-of-state banking bill which opens the state to major money center banks.
March 1981	Independent State Bank of Minnesota, the nation's first wholesale bank for small institutions, expands nationally.
	The FHLBB releases a new merger policy which allows interstate mergers for ailing thrifts.
April 1981	American Express tests a nationwide program which allows holders of its gold card to obtain cash from ATMs owned by certain banks around the country.
June 1981	Citibank establishes Citibank (South Dakota) NA in Sioux Falls to handle its credit card operations. (In March 1980, South Dakota passed a bill to allow this move.)
August 1981	Marine Midland Banks, Inc., Buffalo, New York, infuses $25 million into Industrial Valley Bank and Trust Company, Philadelphia, by buying newly issued common stock and nonvoting preferred stock with warrants to buy an additional 20 percent of Industrial Valley's common stock should interstate banking be permitted.
	Baldwin-United Corp. purchases an option to buy three Arizona S&Ls if and when interstate deposit-taking becomes legal. Baldwin-United owns an S&L in Denver.
	In anticipation of interstate banking, Western Bancorp. announces that it will be called First Interstate Bancorp. as will each of its twenty-one subsidiaries. (See March 1982, First Interstate Bancorp.)

Sept. 1981 United Financial Corp., San Francisco, a subsidiary of National Steel and parent of Citizens Savings and Loan, acquires an S&L in New York and one in Miami Beach. The combined S&Ls later become First Nationwide Savings.

Merrill Lynch & Company which has over 400 offices nationwide markets All-Savers certificates for a California thrift and later markets the certificates for fourteen more thrifts. Other firms (including Fidelity Management Group, Paine Webber, and E.F. Hutton) follow Merrill Lynch's lead.

November 1981 Casco-Northern Corp., Portland, Maine, parent of Casco Bank and Trust Company, sells First National Boston Corp. 56,250 shares of its convertible preferred stock and warrants to buy additional common shares.

Chemical New York Corp. and Florida National Banks of Florida, Inc. agree to merge if interstate banking becomes legal.

Philadelphia Savings Fund Society moves its headquarters from one end of Montgomery County to the other in order to widen its commercial lending area to include lower Manhattan.

The FHLBB approves the consolidation of Glendale Federal Savings & Loan, California, and First Federal Savings & Loan Association of Fort Lauderdale, Florida.

After four years of marketing its Cash Management Account locally, Merrill Lynch starts advertising nationally.

December 1981 J.P. Morgan & Company establishes Morgan Bank (Delaware), to engage in wholesale commercial banking. (See February 1981, Delaware's out-of-state banking bill.)

After receiving all the necessary approvals, Girard Bank, Philadelphia, acquires Farmers Bank of the State of Delaware.

Banks of Iowa, Inc., a large bank holding company, and First Bank Systems Inc., Minneapolis agree to consolidate should interstate banking be allowed.

Boca Raton Federal Savings and Loan, Florida, and Mohawk Savings and Loan Association of Newark, New Jersey, merge into City Federal Savings and Loan Association, New Jersey.

Home Savings and Loan Association, Los Angeles, acquires one Florida thrift and two in Missouri. In connection with the acquisitions, Home Savings and Loan becomes Home Savings of America.

January 1982 North Carolina National Bank Corp. acquires First National Bank of Lake City, Florida, by using "a legal extrapolation of a grandfather clause."

AmSouth Bancorp. of Alabama, South Carolina National Bank Corp. and Trust Company of Georgia plan to merge into a single holding company if and when interstate banking is permitted. Until then, each is buying $2 million of nonvoting preferred stock in the other two.

Home Savings of America, Los Angeles, acquires five Texas savings associations and one in Chicago.

Midlantic Bank, New Jersey, and Florida Coast Banks plan to establish Florida Coast Midlantic Co., N.A., a non-deposit trust company. The trust company is in the planning stages.

February 1982 Chase Manhattan Corp. opens Chase Manhattan (U.S.A.) NA in Delaware to initially handle consumer lending activities.

Golden West Financial Corp., a savings and loan holding company in Oakland, California, merges with First Savings and Loan Shares Inc., a Denver-based holding company owning troubled S&Ls in Colorado and Kansas.

Security Trust Company of Sarasota, Florida, a subsidiary of Northern Trust Corp., Chicago, becomes a full service commercial bank and is now Northern Trust Bank of Florida/Sarasota.

The FDIC invites commercial bank holding companies to bid on the ailing Farmers & Merchants Savings Bank, Minneapolis, and a bill is passed in Minnesota to allow the thrift to be acquired by an out-of-state bank; however, Marquette National Bank, a Minneapolis commercial bank, acquires F&M Savings Bank.

Chemical New York Corp. establishes a subsidiary in Delaware--Chemical Bank, Delaware.

The FHLBB approves the merger of California Federal Savings and Loan, Los Angeles, with one Florida S&L and three in Georgia.

Citicorp receives approval to establish Person-to-Person, a thrift and loan association, in Glendale, California.

March 1982 Provident National Corp., parent of Philadelphia's Provident National Bank, establishes Provident of Delaware Bank for wholesale banking operations.

Marine Midland Banks, New York, invests $10 million in Centran Corp., Cleveland, in the form of newly issued nonvoting preferred stock and warrants to buy over 2 million shares of Centran's common stock should interstate banking be permitted. (See August 1981, Marine Midland Banks.)

First Interstate Bancorp., Los Angeles, plans to franchise its corporate name and services to other banks nationwide although the banks will retain their own management and ownership. In

September 1982, First National Bank in Golden, Colorado, becomes First Interstate's first franchisee and becomes First Interstate of Golden.

Maryland National Bank moves its credit card operations to Delaware.

Hartford Federal Savings and Loan Association, Connecticut, merges into Schenectady Savings Bank, New York, to form Northeast Savings.

Girard Company, Philadelphia, acquires 4.8 percent of Guarantee Bancorp. Inc. of Atlantic City and purchases $1 million of convertible capital notes. Girard also buys an $8 million debenture of Burlington County Trust Company, New Jersey, which includes an option to buy one-third of the banks common stock should interstate banking be allowed.

April 1982 — The Bowery Savings Bank, New York, acquires Commonwealth Savings and Loan Association, Margate, Florida.

May 1982 — The Plus System, an ATM network, adds eight additional banks, filling its remaining geographic gaps and becoming the first national banking network.

June 1982 — Chase Manhattan Corp. infuses $125 million into Pittsburgh's troubled Equimark Corp., a state bank holding company and parent of Equibank. Chase Manhattan receives a 15-year exclusive option to purchase full control of Equibank.

Philadelphia National Corp., parent of Philadelphia National Bank, sets up Philadelphia Bank (Delaware) to handle its credit card operation.

Alaska's new banking law permits out-of-state banks to acquire Alaskan banks without the states of those banks enacting reciprocal legislation.

Merrill Lynch & Co. establishes a secondary market in deregulated CDs that have a minimum maturity of 3½ years for two banks and two S&Ls. Merrill Lynch markets the CDs in 47 states. In July, Dean Witter also establishes a secondary market in these CDs.

Equitable Bancorp., Maryland, moves its credit card operation to a new subsidiary, Equitable of Delaware.

July 1982 — The FHLBB approves the acquisition of First Financial of Virginia Corp., parent of Washington-Lee Federal Savings & Loan

Association, by Perpetual American Federal Savings & Loan Association, Washington, D.C.

New York legislation amends the state's banking law to allow out-of-state bank holding companies to acquire control of New York banks provided that the states of these banks reciprocate.

Merrill Lynch & Co. offers 4- and 5-year, fixed rate, FSLIC insured CDs with a minimum denomination of $1,000 for nine S&Ls in Ohio, California, Georgia, Florida, and Washington. Dean Witter and Bache also markets these CDs for banks and thrifts.

Merrill Lynch & Co. markets federally insured money market instruments in $100,000 units for banks and thrifts.

August 1982 Rainier Bancorp., Seattle, exercises its option to acquire controlling interest in Peoples Bank & Trust Company, Anchorage, Alaska. (See June 1982, Alaska's new banking law.)

The Federal Reserve Board and the shareholders of Gulfstream Banks Inc., Boca Raton, Florida, approve the acquisition of Gulfstream Banks by North Carolina National Bank Corp.

Erie Savings Bank, Buffalo, acquires the troubled American Federal Savings and Loan Association, Southfield, Michigan.

California Federal Savings and Loan awaits regulatory approval to acquire Family Savings and Loan, Reno.

North Carolina National Bank Corp. negotiates to acquire Pan American Banks Inc., Miami; the acquisition was still awaiting regulatory approval at year-end.

Bank of America sells zero-coupon, federally insured, negotiable CDs through Merrill Lynch & Co. nationwide.

September 1982 The Federal Reserve Board allows Citicorp to acquire Fidelity Savings & Loan of San Francisco.

The Board of Directors of Sea-First Corp., Seattle, votes to proceed with its acquisition of Alaska Mutual Bank of Anchorage; however, regulatory approval was still needed at year-end.

Capital Savings, a federal savings and loan in Olympia, Washington, acquires Havre Federal Savings & Loan Association of Havre, Montana.

In the first reciprocal interstate bank acquisition between New York and Maine, Key Banks Inc. of Albany agrees to acquire Depositors Corp. of Augusta, the acquisition is expected to be completed by the end of 1983.

The Parker Pen Company, which owns a bank in New Hampshire, acquires Redding Savings and Loan Association, Redding, California.

Riggs National Bank, Washington, D.C., agrees to sell the accounts receivable of its Central Charge Service to Citibank (New York State) N.A. Citicorp intends to convert Central Charge cardholders to Choice cardholders.

Liquid Green Trust, a $160 million money market fund joins the CompuServe Information Service network. An investor can use his personal computer to transfer money between the fund and his account in any of the 11,000 banks which are members of the automated clearing house.

Merrill Lynch begins marketing 91-day CDs for Great Western Federal Savings & Loan Association, Beverly Hills. Also, Great Western is working with Merrill Lynch to offer All-Savers certificates, jumbo CDs, and life insurance.

Norstar Bancorp., New York, agrees to acquire Northeast Bankshares Association of Portland, Maine, thus becoming the second bank to use the reciprocal interstate banking legislation between the two states. (See September 1982, Key Banks.)

City Federal Savings & Loan, Elizabeth, New Jersey, proposes to acquire Home Federal Savings & Loan of Palm Beach.

Biscayne Federal Savings & Loan, Miami, agrees to sell eight branches to California Federal Savings & Loan. California will assume $410 million of savings deposits.

October 1982 The Federal Reserve Bank of New York allows Manufacturers Hanover Corp. to establish Manufacturers Hanover Bank (Delaware) in Wilmington to engage in wholesale banking.

The FHLBB authorizes Carteret Savings and Loan, Newark, New Jersey, to acquire First Federal Savings and Loan, Delray Beach, Florida, and Barton Savings and Loan, Newark.

Paine Webber places orders for Texas Federal Savings & Loan's zero-coupon CDs.

Congress passes the Garn-St Germain Depository Institutions Act of 1982. One of its provisions allows failing depository institutions to be acquired by out-of-state banks or thrifts.

Citicorp establishes a state-chartered bank in Delaware to provide cash management services for corporations and institutions carrying demand deposits with Citibank.

Sooner Federal Savings & Loan Association, Oklahoma, acquires Corsicana Federal Savings & Loan, Texas. The two thrifts will operate under the name of Texas Western Federal Savings and Loan.

The FHLBB allows Glendale Federal Savings & Loan, California, to open a de novo branch near Clearwater, Florida, and the FHLBB is considering Glendale's application to acquire seven branches from First Federal Savings and Loan of Largo.

Texas Federal Savings and Loan Association offers zero coupon CDs with a minimum denomination of $500 through 25 brokers.

Buffalo Savings Bank, New York, and Palmetto Federal Savings & Loan, Florida, agree to merge.

First Nationwide Savings launches a franchise program, First Savings Alliance, which includes a wide range of services and a common name.

Paine Webber markets negotiable four-year CDs of Bank of America and maintains a secondary market for these CDs.

Key Banks Inc., Albany, offers to acquire Depositors Corp., a Maine bank holding company.

Person-to-Person Finance Corp., a Citicorp subsidiary, and FinanceAmerica, a BankAmerica subsidiary, receive approval to accept deposits, except demand deposits, in Minnesota.

November 1982 Empire of America, a multistate thrift institution in Florida, buys two Long Island Savings and Loan Associations.

The Calvert Group, a money fund manager, sells six-month CDs for Standard Federal Savings & Loan Association of Maryland through a new subsidiary, Calvert Securities Corp.

December 1982 North Carolina National Bank Corp. acquires Exchange Bancorp. Inc., Florida.

First National Boston Corp. agrees to infuse $25 million into Colonial Bancorp., Waterbury, Connecticut. The agreement permits First National Boston to purchase up to 24.9 percent of Colonial's common stock should interstate banking be allowed.

The Federal Reserve Board allows Exchange Bancorp., Florida, to merge into North Carolina National Bank Corp., and the Fed approves the merger of Downtown National Bank of Miami into NCNB/Gulfstream Banks Inc.

First Nationwide Savings and Loan markets its money market deposit account and other products to J.C. Penney Credit cardholders through the mail.

Freedom Savings & Loan Association, Tampa, Florida, sells four branches to Carteret Savings and Loan, Newark, New Jersey.

The Vanguard Group, a mutual fund company, offers the new money market deposit account to its customers through an agreement with Bradford Trust Co. of Boston.

Anchor Savings Bank, New York, acquires, two Georgia thrifts.

Both houses of the Massachusetts State legislature pass and the governor signs an interstate banking bill which allows Massachusetts banks to expand into other New England states on a reciprocal basis.

Merrill Lynch offers a six month, insured CD Participation in conjunction with several S&Ls. Merrill Lynch buys jumbo six month CDs and packages them with a minimum balance requirement of $1,000.

Money Market and Cash Management-Type Accounts

May 1980	First National Bank of Springfield, Illinois, offers a high-rate investment product in which the bank, acting as an agent, invests its customers' deposits in money market funds.
October 1980	Citicorp's Choice Card which is operated by Citicorp's subsidiary, Citibank Financial, is introduced in Maryland, Washington, D.C., and Virginia. The card's Purchase Plan pays 8 percent interest on credit balances and is designed to compete with money market funds. The Fed, however, orders Citicorp to stop the Purchase Plan.
January 1981	The Federal Reserve Board allows First National Bank of Maryland to pay 5½ percent on its CardSavings which is essentially the same as Citicorp's Purchase Plan. The Maryland bank, however, holds reserves on the CardSavings deposits and pays 5½ percent as it does on passbook savings accounts. In its decision, the Fed says that the issuer of CardSavings is a bank; whereas, the issuer of the Choice Card is not.
February 1981	In a joint venture, Western Bancorp., a California-based multi-bank holding company, and Dreyfus Corp., a mutual funds manager, start a mutual fund to be used by the agency accounts in Western Bancorp.'s trust departments.
April 1981	Dean Witter uses Visa's debit card to offer a cash management account similar to Merrill Lynch's CMA.
	Citibank and Northwestern National Bank allow their customers to borrow money on their six-month money market certificates through a checking account.
May 1981	The Bank of California NA, San Francisco, introduces a new account to compete with money market funds. Because the account is housed in the bank's London branch, BanCal says it is not subject to interest rate ceilings and reserve requirements, but the Federal Reserve Board disagrees.
	Provident National Bank, Philadelphia, announces its Circle of Green program, a package of services which gives customers access to credit lines and sweeps their deposits into money market funds.
September 1981	MasterCard International and Fidelity Management Corp. develop a cash management program for MasterCard members to offer their customers.
	Eleven state bankers associations in the midwest organize a Delaware corporation to operate a money market fund for client banks.

	Citizens Bancorp., Sheboygan, Wisconsin, collaborates with Federated Securities Corp. to offer a cash management package to the bank's customers.
	Dreyfus Service Corp. sweeps excess cash from bank accounts into its money market funds, and other firms (including Bradford National Corp., Fidelity Management Group, and Federated Investors) follow Dreyfus' lead.
December 1981	Bradford National Corp. provides a package of services to financial institutions which allows them to offer asset management accounts to their customers. Fidelity Management Group, Quick & Reilly, and Federated Investors offer this service as well.
January 1982	Visa petitions the SEC to allow it to start a money market fund; however, Visa withdraws its petition in December.
March 1982	Rainier National Bank offers corporate customers same-day access to money market funds through its cash management program.
	Orbanco Financial Services Corp., a Portland, Oregon holding company, proposes a note with a minimum denomination of $5,000, which bears market interest rates, and which has transactions features. The Federal Reserve Board, however, disallows the note.
April 1982	Prudential Insurance Company enters the money market funds business in four states with registered Prudential agents handling the sales.
	Crocker National Bank uses two outside firms to create a cash management-type account for its customers.
May 1982	Bankers Trust of South Carolina creates a new consumer account--Money Management Account--that offers high yields with checking and other services.
June 1982	Marine Midland Bank, Buffalo, and Lehman Brothers Kuhn Loeb Inc. offer two new money market funds to the trust customers of the bank and its correspondents.
	Four states petition the DIDC to allow the financial institutions in these states to offer NOW accounts free of interest rate ceilings.
July 1982	Utah's commissioner of financial institutions approves a new depository institution to compete with money market funds.

September 1982 Citibank introduces the Insured Money Market Rate Account to compete with money market funds. The account combines deregulated 3½-year CDs and "bookkeeping" loans, requires a $5,000 minimum deposit, and is completely liquid. Later in the month, however, Citibank stops offering the account, perhaps at the informal request of the Federal Reserve Board.

Talman Home Federal Savings and Loan Association introduces its Instant Cash Account to compete with money market funds. The account requires a $5,000 minimum balance and pays the rate of a 6-month CD.

Wilmington Trust Co., along with Fidelity Brokerage Services, and Bank of Delaware, along with Bradford Broker Settlement, offer asset management accounts.

October 1982 Morgan Stanley & Company offers its first money market fund, the Pierpont Fund, in association with Morgan Guaranty Trust Company.

The Independent Bankers of Florida join Federated Securities to offer the IBF Financial Services Account which includes discount brokerage services and a sweep account to banks not affiliated with bank holding companies.

The First National Bank of Pennsylvania introduces its First Money Management Account, an asset management account.

The SEC gives Boston Savings Bank permission to operate a money market fund through subsidiaries.

Not to compete with money market funds but to share in their success, Mellon Bank plans to offer a processing service for major money funds.

Federated Securities offers banks the option of offering stock and bond mutual funds as part of their asset management accounts.

The DIDC authorizes an account which federal depository institutions can offer and which is "directly equivalent to and competitive with money market funds."

December 1982 The DIDC authorizes a Super-NOW account which federal depository institutions can offer on January 5, 1983.