

FEDERAL RESERVE BOARD

877

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

October 7, 1924.  
St. 4263.

SUBJECT: Cost of Bank Examination  
and Credit work.

Dear Sir:

The wide variations in the cost of bank examination and credit work as shown by the quarterly functional expense reports, Form E, indicate that the policy with respect to such work is far from uniform among the several Federal reserve banks.

In order therefore that the Committee may have full information regarding the scope of the examination and credit work carried on by your bank and of the theory upon which your policy with reference to such work is based, it will be appreciated if you will kindly furnish it with the information called for in the attached questionnaires at your early convenience.

Very truly yours,

Geo. R. James, Chairman,  
Committee on Salaries,  
Expenditures and Efficiency.

Enclosure.

LETTER TO CHAIRMAN AT EACH FEDERAL RESERVE BANK

COPY TO GOVERNOR

State Bank Members		National Banks
In cooperation with state bank authorities	Independent	

1. How many examinations were made of member banks during the period -
  - January to June 1923
  - July to December 1923
  - January to June 1924
  - July to September 1924
2. How many credit investigations were made of member banks during the period -
  - January to June 1923
  - July to December 1923
  - January to June 1924
  - July to September 1924
3. Show separately number of examinations and of credit investigations made in each state in your district since July 1, 1923.
4. Has the cost of all examinations made since July 1, 1923, been charged to the banks examined? If not, give list of banks not charged and the reasons therefor.
5. Has the cost of all credit investigations made since July 1, 1923, been absorbed by the reserve bank? If not, give names of banks charged and reasons therefor.
6. Describe general determining factors that prompt you to institute credit investigations.
7. Are credit investigations conducted regularly of all member state banks, whether or not they are substantial borrowers?
  - (a) In all states in your district.
  - (b) In states where examinations made by state authorities are not acceptable to reserve bank directors.
8. Describe briefly the character and extent of the credit investigations made by your examiners.
9. a. How many examiners do you now have?
  1. Capable of making independent credit investigations?
  2. Who are not placed in charge of credit investigations?
- b. Give name and salary of each examiner and assistant examiner.
- c. What limit is placed on the amount allowed examiners for traveling expenses?

(St. 4263a)

10. a. Give name and salary of each employee (other than examiners) receiving \$2,500 or more per annum.  
b. Give number and average salary of employees receiving less than \$2,500 per annum
11. Do you receive copies of reports of examinations of State bank members from each State bank Superintendent in your district?
12. Describe the extent of the analysis made of reports of examination of -
  - (a) State member banks.
  - (b) National banks.
13. Describe briefly each separate set of records kept in the examination department and enclose copies of all forms used in the department.
14. Are there any employees assigned to the examination function who are devoting a substantial portion of their time to the work of some other function without allocation of the expense? If so give details.

(St. 4263a)

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MAINTAINING CREDIT INFORMATION EXPENSE UNIT  
LOANS, REDISCOUNTS AND ACCEPTANCES FUNCTION

1. State the number of credit files carried by you on corporations, firms, partnerships and individuals.
  - (a) Domiciled in your own district.
  - (b) Domiciled outside your district.
2. How many of the credit reports carried by you on concerns domiciled outside your districts were obtained -
  - (a) Direct from such concerns.
  - (b) Through the F. R. Bank of the district in which the concern is domiciled.
  - (c) Through reporting credit agencies.
3. How many credit files have been started since January 1, 1924?
4.
  - a. Is all credit information furnished by the borrowing member banks?
  - b. If not, what percentage is obtained from other sources?
  - c. List principal sources from which such information is obtained.
5.
  - a. Do you require borrowing banks to furnish credit statements covering all notes rediscounted?
  - b. If not, what exceptions are permitted?
6. Do you furnish blank forms to member banks on which credit statements of borrowers are to be submitted? If so, please enclose sample of each such form.
7.
  - a. How many subscriptions do you make to credit reporting agencies?
  - b. State name and cost of each service.
  - c. How do you value such service as compared with credit reports received through borrowing member banks?
8.
  - a. Do you obtain special reports from credit agencies?
  - b. If so, how many such reports have you received since January 1, 1924?
  - c. What agencies were they received from and what was the total cost of the reports received from each agency?

(St. 4263b)

9. Do you conduct any special investigation of any credit information received? If so, describe briefly and state number of employees so engaged.
10. Do you consider it necessary to obtain credit information other than that shown in the regular reports issued by credit agencies, covering corporations, partnerships, individuals, etc., whose paper is not under rediscount with your bank?
11.
  - a. How many employees do you have in your credit department?
  - b. Give name, title and annual salary of each employee receiving \$2,500 or more per annum.
  - c. Give number and average salary of employees receiving less than \$2,500 per annum.
12. Describe briefly each record kept in your credit department and furnish copies of all forms used.

(St. 4263b)