

# economic review

APRIL 1967

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# 1966 SURVEY OF HIGH SCHOOL SENIORS IN CUYAHOGA COUNTY

Seniors in the public and private high schools of Cuyahoga County were surveyed on their post high school plans for the second successive year in the spring of 1966.<sup>1</sup> Both the 1965 and 1966 surveys were undertaken in cooperation with the Cleveland Commission on Higher Education. Essentially the same questions were asked in 1966 as in 1965 of those planning to go on to college. The 1966 survey, however, was more comprehensive as it also inquired into the plans of those students who intended to work, to enter the armed forces, or to continue their education along nonacademic paths. The findings of the 1966 survey are discussed as follows: a summary of the responses of the college-bound students and, where appropriate, a comparison with the 1965 survey; and a discussion of the plans of those students who did not intend, at least for the present, to

continue their academic education.<sup>2</sup>

## OVERVIEW OF ALL SENIORS

A statistical profile of high school seniors in Cuyahoga County is presented in Table I-a. A total of 17,880 usable replies were received from 8,429 boys and 9,451 girls. The respondents were almost equally divided between 17 and 18 year-olds (8,199 to 8,310). As in the 1965 survey, the girls tended to be slightly younger than the boys. More than half of all seniors in the County attended suburban public high schools, with the remaining seniors almost equally divided between City high schools and private schools.<sup>3</sup> There were more boys than girls only in the suburban schools, but the margin was less than 1 percent.

Nearly 43 percent of the seniors reported family incomes between \$5,000 and \$10,000.

<sup>1</sup> For discussion of the results of the first survey conducted in May 1965, see *Economic Review*, Federal Reserve Bank of Cleveland, Cleveland, Ohio, November 1965, and January and February 1966.

NOTE: This Bank acknowledges the cooperation and assistance of the school superintendents, principals, teachers, and students in Cuyahoga County.

Hopefully, the information provided in this article will be of help to the individuals and groups who are concerned with education in general and higher education in particular, in both the Cleveland area and the nation at large.

<sup>2</sup> A number of those planning to enter the armed forces reported the intention to take advantage of various educational programs (vocational or academic) made available by the services or to use military service funds to finance their education after discharge. Since such plans were volunteered information, the incompleteness of the data and the time lapse that must occur before the realization of any such plans preclude their inclusion in the statistical summary.

<sup>3</sup> The term "private schools" as used in this article includes both the parochial and private preparatory schools that participated in the survey.

## ECONOMIC REVIEW

**TABLE I-a**  
**Profile of High School Seniors in Cuyahoga County**  
**Age, Family Income, College Attendance of Parents, and Post High School Plans**  
**By Sex of Students\* and Schools Attended**  
**Spring 1966**

	Sex of Students and Schools Attended								
	City		Suburban		Private (including Parochial)		Total		
	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls	Total
Total	1,968	2,213	4,843	4,769	1,618	2,469	8,429	9,451	17,880
Age									
16 and Under	8	14	12	25	27	62	47	101	148
17	690	995	2,070	2,370	772	1,302	3,532	4,667	8,199
18	965	1,025	2,323	2,214	732	1,051	4,020	4,290	8,310
19 and Over	256	151	349	112	60	42	665	305	970
No Response	49	28	89	48	27	12	165	88	253
Family Income									
Under \$5,000	200	251	166	171	99	145	465	567	1,032
\$5,000-\$10,000	997	1,031	1,951	1,768	837	1,080	3,785	3,879	7,664
Over \$10,000	218	153	1,731	1,238	412	424	2,361	1,815	4,176
Unknown or No Response	553	778	995	1,592	270	820	1,818	3,190	5,008
College Attendance of Parents									
Father Only	172	172	870	883	275	447	1,317	1,502	2,819
Mother Only	117	148	314	268	91	157	522	573	1,095
Both	81	90	885	882	202	365	1,168	1,337	2,505
Neither or No Response	1,598	1,803	2,774	2,736	1,050	1,500	5,422	6,039	11,461
Post High School Plans									
College	845	812	3,365	2,781	1,264	1,354	5,474	4,947	10,421
Nonacademic	501	530	689	841	146	437	1,336	1,808	3,144
Work	417	848	416	1,126	98	671	931	2,645	3,576
Military Service	205	23	373	21	110	7	688	51	739

\*A total of 146 students did not respond to the question of sex; of these 46 were in the city of Cleveland, 80 in the suburban high schools, and 20 in the private schools.

Source: Federal Reserve Bank of Cleveland

Less than 6 percent reported family incomes under \$5,000 (10.8 percent in the City, 3.5 percent in the suburban schools, and 6 percent in the private schools); 23.4 percent reported family incomes in excess of \$10,000, and 28.0 percent either did not know family income, or did not reply to the question.

Although slightly more seniors in 1966 than in 1965 (35.9 percent as compared with 32.5 percent) reported that one or both parents

had attended college, for the County as a whole, only one senior in three is from a home with a college-educated parent. Relevant data on college attendance of parents for the two years are as follows:

	City		Suburban		Private (including Parochial)		Total	
	1965	1966	1965	1966	1965	1966	1965	1966
	Both Parents	3.8%	4.1%	17.3%	18.2%	8.1%	13.6%	12.5%
Father Only	8.5	8.2	16.9	18.2	14.9	17.2	14.6	15.6
Mother Only	4.6	6.1	5.7	6.0	5.5	5.9	5.4	6.0
Neither Parent	83.1	81.6	60.2	57.7	71.5	63.3	67.5	64.5

The percent of all seniors who planned to continue their education is almost identical for the classes of 1965 (74.6 percent) and 1966 (75.9 percent). In the earlier survey, the students were not asked to indicate specifically whether their post high school educational plans were academic in nature (as contrasted, for example, to vocational). For this reason, an exact counterpart to the 1966 figures showing 10,421 who planned to go to college and 3,144 who planned some form of non-academic post high school training is not available. The nearest comparable 1965 figures are the 13,405 who planned to continue

their education and the 9,148 who reported having been accepted by one or more colleges. The 13,405 includes those who had been accepted, those who planned to go to college but had not yet been accepted in May 1965, and those whose post high school plans called for some form of nonacademic education. The total number of seniors in 1965 with plans for some form of post high school education is almost the same as the total for 1966 (13,565).

The 1966 profile data in Table I-b reveal a number of interesting patterns. A much higher percent of students in suburban and private

**TABLE I-b**  
**Profile of High School Seniors in Cuyahoga County Expressed in Percent Terms**

	City			Suburban			Private (including Parochial)			Total		
	Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total
<b>Age</b>												
16 and Under	0.4%	0.6%	0.5%	0.2%	0.5%	0.4%	1.7%	2.5%	2.2%	0.6%	1.1%	0.6%
17	35.1	45.0	40.3	42.7	49.7	46.2	47.7	52.7	50.7	41.9	49.4	45.9
18	49.0	46.3	47.6	48.0	46.4	47.2	45.2	42.6	43.6	47.7	45.4	46.5
19 and Over	13.0	6.8	9.7	7.2	2.3	4.8	3.7	1.7	2.5	7.9	3.2	5.4
No Response	2.5	1.3	1.8	1.8	1.0	1.4	1.7	0.5	1.0	2.0	0.9	1.4
<b>Family Income</b>												
Under \$5,000	10.2	11.3	10.8	3.4	3.6	3.5	6.1	5.9	6.0	5.5	6.0	5.8
\$5,000-\$10,000	50.7	45.6	48.5	40.3	37.1	38.7	51.7	43.7	46.9	44.9	41.0	42.9
Over \$10,000	11.1	6.9	8.9	35.7	26.0	30.9	25.5	17.2	20.5	28.0	19.2	23.4
Unknown or No Response	28.1	35.2	31.8	20.5	33.4	26.9	16.7	33.2	26.7	21.6	33.8	28.0
<b>College Attendance of Parents</b>												
Father Only	8.7	7.8	8.2	18.0	18.5	18.2	17.0	18.1	17.7	15.6	15.9	15.8
Mother Only	5.9	6.7	6.3	6.5	5.6	6.1	5.6	6.4	6.1	6.2	6.1	6.1
Both	4.1	4.1	4.1	18.3	18.5	18.4	12.5	14.8	13.9	13.9	14.1	14.0
Neither or No Response	81.2	81.5	81.3	57.3	57.4	57.3	64.9	60.8	62.4	64.3	63.9	64.1
<b>Post High School Plans</b>												
College	42.9	36.7	39.6	69.5	58.3	63.9	78.1	54.8	64.1	64.9	52.3	58.3
Nonacademic	25.5	24.0	24.7	14.2	17.6	16.0	9.0	17.7	14.3	15.8	19.1	17.6
Work	21.2	38.3	30.3	8.6	23.6	16.0	6.1	27.2	18.8	11.0	28.0	20.0
Military Service	10.4	1.0	5.5	7.7	0.4	4.1	6.8	0.3	2.9	8.2	0.5	4.1

Totals may not equal 100 percent due to rounding.

Source: Federal Reserve Bank of Cleveland

schools planned to go to college than did students in the City schools (64 percent as compared with 40 percent). The differences between the percent of boys and the percent of girls who planned to attend college are not as large in the City schools as in the suburban and private schools (City schools, 43 percent of the boys and 37 percent of the girls; suburban schools, 70 percent of the boys and 58 percent of the girls; private schools, 78 percent of the boys and 55 percent of the girls). On the other hand, a higher percent of girls than boys in both the suburban and private schools planned some form of nonacademic post high school training (see Table I-b).

As shown in Table I-a, twice as many girls as boys from the City schools planned to go directly to work after high school; in the suburban schools, the ratio is nearly three to one, and in the private school category, seven to one. The percent of boys planning to enter the armed forces is substantially higher in the City than in either of the other two groups (10.4 percent as compared with 7.7 percent for the suburban and 6.8 percent for the private schools).

### THE COLLEGE-BOUND STUDENTS

In the 1966 survey, 10,421 students indicated plans to attend college. Although there were 1,000 more girls than boys among the high school seniors in Cuyahoga County, over 500 more boys than girls reported they were college bound (see Table II).

A factor in the college plans of students is rank in class. Almost half (47 percent) of those going to college reported being in the upper third of their class, while 31 percent reported being in the middle third. (Data are from

Table II.) In the middle group, the number of boys going to college is three-fourths as large as in the upper third; the number of girls in the middle group with similar intentions is only half as great as in the upper third.

As shown in Tables II and III, the younger students in general tend to rank higher in their graduating classes and go on to college in greater numbers. Of the 8,199 students who were 17 years old, 5,258 (64 percent) planned to attend college; of these, 2,679 were reported to rank in the upper third of their class (51 percent). There were a similar number of 18 year-olds (8,310), but only 4,686 indicated that they were college bound (56.4 percent); of these, 2,100 reported they were in the upper third of their class (44.8 percent).

As might be expected, the higher the family income the higher the percent of college-bound students. While slightly under half of those who reported family incomes of under \$5,000 planned on college, the percent rises to 56 percent for those in the \$5,000-\$10,000 bracket, and to 77 percent for those from families with incomes over \$10,000.

In Table V the data show that only in the lowest income bracket (under \$5,000) did as many girls as boys expect to attend college. College attendance between the sexes seemed to vary inversely with family income, that is, as income rises, boys are more likely to go to college. One note of caution should be exercised; a substantially larger number of girls than boys either reported income unknown or did not respond to the question.

The fact that a student's parents attended college is no assurance he will attend. Of the 6,419 seniors who reported that one or both of their parents had gone to college,

**TABLE II**

**High School Seniors in Cuyahoga County With Plans to Attend College  
Age, Family Income, College Attendance of Parents, Rank in Class  
By Sex of Students and Schools Attended  
Spring 1966**

	Sex of Students and Schools Attended									Total		
	City			Suburban			Private (including Parochial)					
	Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total
Total	845	812	1,657	3,365	2,781	6,146	1,264	1,354	2,618	5,474	4,947	10,421
Age												
16 and Under	7	8	15	9	17	26	25	42	67	41	67	108
17	370	423	793	1,609	1,465	3,074	636	755	1,391	2,615	2,643	5,258
18	296	344	740	1,587	1,259	2,846	557	543	1,100	2,540	2,146	4,686
19 and Over	53	27	80	111	16	127	26	11	37	190	54	244
No Response	19	10	29	49	24	73	20	3	23	88	37	125
Family Income												
Under \$5,000	85	111	196	95	77	172	64	66	130	244	254	498
\$5,000-\$10,000	476	438	914	1,235	934	2,169	641	541	1,182	2,352	1,913	4,265
Over \$10,000	108	74	182	1,410	954	2,364	363	311	647	1,881	1,339	3,220
Unknown or No Response	176	189	365	625	816	1,441	196	436	632	997	1,441	2,438
College Attendance of Parents												
Father Only	110	90	200	693	599	1,292	246	296	542	1,049	985	2,034
Mother Only	65	81	146	258	191	449	67	100	167	390	372	762
Both	64	70	134	800	781	1,581	184	295	479	1,048	1,146	2,194
Neither or No Response	606	571	1,177	1,614	1,210	2,824	767	663	1,430	2,987	2,444	5,431
Rank in Class												
Upper Third	367	409	776	1,389	1,637	3,026	530	603	1,133	2,286	2,649	4,935
Middle Third	240	187	427	1,176	726	1,902	451	416	867	1,867	1,329	3,196
Lower Third	70	30	100	322	89	411	145	104	249	537	223	760
No Response	168	186	354	478	329	807	138	231	369	784	746	1,530

Source: Federal Reserve Bank of Cleveland

**TABLE III**

**High School Seniors in Cuyahoga County With  
Plans to Attend College  
Rank in Class  
By Age and Sex of Students  
Spring 1966**

Rank in Class	Age and Sex of Students					Total
	16 and Under	17	18	19 and Over	No Response To Age	
Upper Third						
Boys	30	1,195	1,003	31	27	2,286
Girls	45	1,484	1,097	10	13	2,649
Middle Third						
Boys	5	894	861	78	29	1,867
Girls	15	686	597	20	11	1,329
Lower Third						
Boys	2	196	291	33	15	537
Girls	1	115	104	3	-0-	223
Unknown or No Response						
Boys	4	330	385	48	17	784
Girls	6	358	348	21	13	746
Total						
Boys	41	2,615	2,540	190	88	5,474
Girls	67	2,643	2,146	54	37	4,947

only 4,990 planned to attend college. Nonetheless, nearly half the college-bound students (47.9 percent) are from homes in which at least one parent had been to college (35.9 percent of all seniors in the County had at least one parent who had been to college). This reflects, in part, the correlation of income and education. It also reflects the fact that a college-experienced person in the home does help, whether it is in motivating the student, or in making a more informed choice of a college, preparing applications, etc.

The data in Table VI reveal an interesting point — namely, college-educated parents seem to place more value on the education of women, particularly when both parents have been to college. Thus, when both parents had been to college, the number of girls



TABLE IV

High School Seniors in Cuyahoga County With Plans to Attend College  
Rank in Class and Prospective College  
By Age and Sex of Students  
Spring 1966

	Age and Sex of Students												
	16 and Under		17		18		19 and Over		No Response To Age		Total		
	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls	Total
<b>Upper Third</b>													
County Public	5	10	249	243	221	204	9	8	4	3	488	468	956
County Private	12	13	157	175	109	95	6	0-	1	0-	285	283	568
Other Public	3	10	403	613	373	461	8	1	9	7	796	1,092	1,888
Other Private	10	12	377	433	295	318	8	1	12	5	702	769	1,471
No Response to College	0-	0-	9	18	5	19	0-	0-	1	0-	15	37	52
Total	30	45	1,195	1,482	1,003	1,097	31	10	27	15	2,286	2,649	4,935
<b>Middle Third</b>													
County Public	3	4	348	219	307	181	39	12	15	2	712	418	1,130
County Private	1	0-	50	24	50	36	3	0-	0-	1	104	61	165
Other Public	0-	5	315	281	328	220	24	5	8	5	675	516	1,191
Other Private	1	6	169	149	166	145	10	3	7	3	353	306	659
No Response to College	0-	0-	11	13	10	14	2	0-	0-	1	23	28	51
Total	5	15	893	686	861	596	78	20	30	12	1,867	1,329	3,196
<b>Lower Third</b>													
County Public	1	1	92	35	125	32	19	3	10	0-	247	71	318
County Private	1	0-	1	8	4	2	0-	0-	0-	0-	6	10	16
Other Public	0-	0-	67	35	105	46	11	0-	3	0-	186	81	267
Other Private	0-	0-	32	29	52	22	3	0-	2	0-	89	51	140
No Response to College	0-	0-	4	8	5	2	0-	0-	0-	0-	9	10	19
Total	2	1	196	115	291	104	33	3	15	0-	537	223	760
<b>Unknown or No Response</b>													
County Public	0-	2	156	114	193	139	29	13	7	4	385	272	657
County Private	1	0-	22	23	19	18	2	1	0-	0-	44	42	86
Other Public	2	2	106	129	111	91	11	1	6	6	236	229	495
Other Private	1	2	42	76	51	83	6	4	2	0-	102	165	267
No Response to College	0-	0-	5	18	11	18	0-	2	1	0-	17	38	55
Total	4	6	331	360	385	349	48	21	16	10	784	746	1,530

Source: Federal Reserve Bank of Cleveland

who planned to attend college exceeded the number of boys, 1,146 to 1,048. In contrast, when neither parent attended college the corresponding figures were girls 2,444, and boys 2,986.

#### WHERE ARE THEY GOING TO COLLEGE?

Nearly 30 percent of the seniors in Cuyahoga County with college plans expected to enter either Cleveland State University (1,788) or Cuyahoga Community College (1,273). (See Tables VII-a and VII-b.) If those

who planned to attend private colleges within Cuyahoga County are included, the number of those enrolled in a college in their home community rises to 37.4 percent of the total. Comparable figures for the class of 1965 were 805 who planned to attend Cleveland State University and 1,300 Cuyahoga Community College. The percent of all those who planned to attend college within the County in 1965 was 33.8. These figures clearly point to the significance of the need for adequate and varied college facilities in a large



metropolitan area. Surprisingly, a higher percent of boys than girls planned to go to college within the County (boys, 33 percent in Cleveland public and 41 percent total within the County; girls, 25 percent in Cleveland public and 34 percent total within the County). The decision to attend a local college did not appear to be heavily influenced by intentions to work full time, as a great majority of both sexes reported they were going to school full time (91.6 percent of the boys and 89.1 percent of the girls).

The intention to attend college as a full-time student did not differ as much as might be anticipated between the lower income category (under \$5,000) and the upper category (over \$10,000) — 84 percent and 95 percent, respectively. (Not shown in tables.) An attraction of the local schools appears to be the economies to be realized by living at home. The number who planned to live at home at all income levels closely matched the number who planned to go to college within the County.

Income	Attend College Within County	Live at Home
Under \$5,000	268	262
\$5,000-\$10,000	2,067	1,961
Over \$10,000	725	661
Unknown or No Response	835	817

That the number with plans to attend college within the County exceeds the number with plans to live at home reflects the fact that the private colleges welcome freshmen in the dormitories whenever space is available, as the colleges believe "living on campus" can be a valuable part of the total educational experience.

As might be expected, family income is an important factor that influences the choice

**TABLE V**  
High School Seniors in Cuyahoga County  
With Plans to Attend College  
Family Income  
By Age and Sex of Students  
Spring 1966

Family Income	Age and Sex of Students					Total
	16 and Under	17	18	19 and Over	No Response To Age	
Under \$5,000						
Boys	1	112	115	13	3	244
Girls	4	131	112	6	1	254
\$5,000-\$10,000						
Boys	19	1,140	1,079	75	39	2,352
Girls	38	1,056	788	20	11	1,913
\$10,000 and Over						
Boys	17	893	895	46	30	1,881
Girls	15	706	603	6	9	1,339
Unknown or No Response						
Boys	4	470	451	56	16	997
Girls	10	750	643	22	16	1,441
Total						
Boys	41	2,615	2,540	190	88	5,474
Girls	67	2,643	2,146	54	37	4,947

Source: Federal Reserve Bank of Cleveland

**TABLE VI**  
High School Seniors in Cuyahoga County With  
Plans to Attend College  
College Attendance of Parents  
By Age and Sex of Students  
Spring 1966

College Attendance of Parents	Age and Sex of Students					Total
	16 and Under	17	18	19 and Over	No Response To Age	
Father Only						
Boys	10	533	463	27	16	1,049
Girls	14	563	399	3	6	985
Mother Only						
Boys	2	184	183	15	6	390
Girls	3	187	179	2	1	372
Both Parents						
Boys	10	532	463	21	22	1,048
Girls	17	611	502	11	5	1,146
Neither or No Response						
Boys	19	1,366	1,431	126	44	2,986
Girls	33	1,282	1,066	38	25	2,444
Total						
Boys	41	2,615	2,540	190	88	5,474
Girls	67	2,643	2,146	54	37	4,947

Source: Federal Reserve Bank of Cleveland

**TABLE VII-a**  
**High School Seniors in Cuyahoga County With Plans to Attend College**  
**Prospective College**  
**By Family Income**  
**Spring 1966**

Family Income	Total	Prospective College				No Response
		Cuyahoga County		Other		
		Public	Private	Public	Private	
<b>Under \$5,000</b>						
Boys . . . . .	244	103	26	64	47	4
Girls . . . . .	254	118	21	59	48	8
<b>\$5,000 to \$10,000</b>						
Boys . . . . .	2,352	1,040	202	699	391	20
Girls . . . . .	1,913	641	185	694	354	39
<b>Over \$10,000</b>						
Boys . . . . .	1,881	355	143	784	609	26
Girls . . . . .	1,339	140	87	587	505	20
<b>Unknown or No Response</b>						
Boys . . . . .	997	334	68	382	199	14
Girls . . . . .	1,441	330	103	578	384	46
<b>Total</b>						
Boys . . . . .	5,474	1,832	439	1,893	1,246	64
Girls . . . . .	4,947	1,229	396	1,918	1,291	113
Total . . . . .	10,421	3,061	835	3,811*	2,537†	177

\*Of those with plans to go to public colleges outside Cuyahoga County, 3,228 planned to attend a public college elsewhere in Ohio and 583 an out-of-state public institution.

†Of those with plans to go to private colleges outside Cuyahoga County, 1,016 planned to attend a college elsewhere in Ohio, and 1,521 an out-of-state private college.

NOTE: Total Ohio 8,140  
 Total Public Ohio 6,289  
 Total Out of State 2,104

Source: Federal Reserve Bank of Cleveland

between a college located within the County or outside the County. More than half (53.8 percent) of those with reported incomes under \$5,000 planned to go to college within the County. The figure drops slightly (to 48.5 percent) for those in the middle income range, and then significantly (to 22.5 percent) for those who reported family incomes of over \$10,000.

The percent of those going to the private colleges within the County is the most stable figure in all income brackets. For those going to public colleges outside the County the percent increases steadily (about 8 percentage points for each income bracket), while the percent attending private colleges outside the County does not rise until the over \$10,000 income bracket is reached. All this is quite consistent with known relative costs of attendance at schools in the various categories. The fact that a higher percent of those with family incomes under \$5,000 than those in the middle bracket reported intentions to attend more costly colleges (private colleges within and without the County) reflects the

	Income			
	Under \$5,000	\$5,000-\$10,000	Over \$10,000	Unknown or No Response
County Public	44.4%	39.4%	15.4%	27.2%
County Private	9.4	9.1	7.1	7.0
County Total	53.8%	48.5%	22.5%	34.2%
Other Public	24.7%	32.7%	41.5%	39.4%
Other Private	19.1	17.5	34.6	23.7
No Response	2.4	1.3	1.4	2.7
	100.0%	100.0%	100.0%	100.0%

**TABLE VII-b**  
**High School Seniors in Cuyahoga County**  
**With Plans to Attend Local Public Colleges**  
**By Family Income**  
**Spring 1966**

<u>Family Income</u>	<u>Cleveland State University</u>	<u>Cuyahoga Community College</u>
Under \$5,000		
Boys	53	50
Girls	59	59
\$5,000-\$10,000		
Boys	650	390
Girls	371	270
Over \$10,000		
Boys	211	144
Girls	74	66
No Response		
Boys	194	140
Girls	176	154
Total		
Boys	1,108	724
Girls	680	549

Source: Federal Reserve Bank of Cleveland

influence of financial assistance.

Approximately two-thirds of those who were to attend college expected to enroll in a public institution; of this number, 6,289 (more than 90 percent) were going to a college in Ohio. More boys than girls planned to attend a public institution (68 percent of the boys and 63 percent of the girls). Although the precise reason for this difference cannot be determined, it may reflect the alleged difficulty of girls being admitted to resident public universities because of lack of living accommodations or a preference on the part of girls to attend smaller (private) institutions.

The total number of students who planned to attend Ohio colleges and universities (public and private) amounts to 8,140 or 78 percent of the total. Of those who intended to go to college in Ohio, 77 percent were planning to enter a public college or university. However, more than 72 percent (1,521) of the students who intended to go to college out of state were entering private colleges and universi-

ties, a reversal of the pattern for the Ohio colleges and universities.

## HOW IS THE COLLEGE EDUCATION TO BE FINANCED?

The response to the question, "How do you expect to finance your further education?" reveals that the financial burden remains largely with parents and the students themselves. Three-fourths of the respondents (7,836) look to their parents for all or part of their college expenses, and nearly a fourth of those (2,479) rely exclusively on parents. A majority of the respondents expected to make some contribution of their own either from accumulated savings or earnings while in college. About one in ten expected to finance his education individually (951 students indicated sole reliance on earnings and 274 on accumulated savings). A majority of the students (6,392) gave multiple responses, which indicate a combination of the various financing sources.

A second significant point revealed by the financing data is that the number of students (or their parents) with intentions to borrow exceeds the number who received scholarships by about five to four. The data in Table VIII summarize the size and sources of scholarships and loans. More boys than girls received scholarships, and more of the larger scholarships (over \$1,000) went to the boys (283 compared with 142). Sources were similar for both sexes. On the other hand, more girls (or their parents) borrowed, but the amounts borrowed by boys and girls were approximately equal. Government and banks

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and other financial institutions were more frequent sources of loans for girls, while schools made more loans to boys. A total of 1,249 individuals received scholarships from a total of 1,508 sources. Similarly, 1,571 students borrowed in the amounts indicated from a total of 1,798 sources.

What might be called "package financing" of a college education is becoming more and more common according to reports of the college administrators who provide financial assistance. When a student applies for admission and indicates a need for financial assistance, the application is processed in the usual way. If the student is accepted, the request for financial aid is reviewed in the light of potential academic performance along with ability for self-help, family contribution, and resources at the disposition of the school (either its own or government funds made available through the school). Frequently, the offer is a combination of part-time employment, an outright grant or scholarship, and a loan.<sup>4</sup> From the results of the survey, it was found that 814 students were awarded scholarships only, while 1,136 students borrowed to help finance their education and received no scholarship help, and 435 both borrowed and received scholarship aid. Some scholarships, especially those awarded on the basis of national competi-

<sup>4</sup> A grant, at least at the undergraduate level, indicates financial need coupled with ability to perform at an acceptable academic level. A scholarship implies a higher standard of academic performance and may or may not involve actual need. Because of the multiplicity of standards that govern the various financial awards, the question in the survey was phrased in the simple and popularly accepted way as "scholarship."

tions, may not be particularly large, but they are often considered as indicators of academic excellence. In turn, colleges seek such students, and offer whatever additional scholarship aid is needed by the student.

There is a strong inverse relationship between family income and scholarships and borrowing. While 24 percent of those who planned to go to college from homes with family incomes below \$5,000 received scholarships and 30 percent borrowed, the corresponding figures drop to 16 percent and 20 percent, respectively, for those from homes in the \$5,000-\$10,000 group and to 8 percent for scholarships and borrowing at the over \$10,000 level. (The figures for those with family income unknown or not reported are 8 percent and 12 percent, respectively.)

The size of the scholarship awards also appears to bear a close relationship to family income (despite the vagaries of a few of the older, special scholarships). Eight percent of those from families with incomes below \$5,000 reported scholarships worth \$1,000 or more. In the middle income bracket, the figure is slightly over 5 percent, and for incomes over \$10,000, 3 percent. For those who did not report family income or marked it unknown, the corresponding figure is 2 percent.

Not only did students from the lower income families receive a higher percent of the larger scholarships, but they also found it necessary and were more inclined to go into debt. Six percent of those from the under \$5,000 income category borrowed \$1,000 or over, which compares with 3 percent in the middle income group and only 1 percent in the upper income bracket.

**TABLE VIII**  
**High School Seniors in Cuyahoga County With Plans to Attend College**  
**Size and Source of Scholarships and Loans**  
**By Family Income and Sex of Students**  
**Spring 1966**

	Family Income and Sex of Students										
	Under \$5,000		\$5,000-\$10,000		\$10,000 and Over		No Response or Unknown		Total		
	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls	Total
<b>Scholarships</b>											
Under \$500	11	24	74	135	45	47	15	54	145	260	405
\$500-\$999	16	23	97	100	40	22	17	33	170	178	348
\$1,000-\$1,999	16	10	101	63	36	21	29	15	182	109	291
\$2,000 and Over	6	9	50	20	37	4	8	—	101	33	134
No Response	1	3	16	14	14	4	9	10	40	31	71
<b>Total Receiving</b>	<b>50</b>	<b>69</b>	<b>338</b>	<b>332</b>	<b>172</b>	<b>98</b>	<b>78</b>	<b>112</b>	<b>638</b>	<b>611</b>	<b>1,249</b>
<b>Scholarships by Source*</b>											
Alumni	1	4	15	14	9	7	2	—	27	25	52
School	36	48	250	241	111	73	58	81	455	443	898
Government	16	14	57	63	16	8	7	13	96	98	194
Business	2	1	18	19	16	2	8	6	44	28	72
Private Corporations	6	20	39	31	15	14	10	12	70	77	147
No Response	5	3	35	39	25	15	6	17	71	74	145
<b>Total Scholarships</b>	<b>66</b>	<b>90</b>	<b>414</b>	<b>407</b>	<b>192</b>	<b>119</b>	<b>91</b>	<b>129</b>	<b>763</b>	<b>745</b>	<b>1,508</b>
<b>Loans by Size</b>											
Under \$500	19	35	133	162	39	43	38	52	229	292	521
\$500-\$999	27	33	194	199	62	44	43	78	326	354	680
\$1,000 and Over	20	11	59	56	25	17	14	21	118	105	223
No Response	1	5	19	32	19	13	17	41	56	91	147
<b>Total Borrowing</b>	<b>67</b>	<b>84</b>	<b>405</b>	<b>449</b>	<b>145</b>	<b>117</b>	<b>112</b>	<b>192</b>	<b>729</b>	<b>842</b>	<b>1,571</b>
<b>Loans by Source*</b>											
School	17	21	110	89	47	24	31	38	205	172	377
Government	47	62	199	269	48	47	46	97	340	475	815
Banks and Other Fin. Inst.	9	11	97	119	51	47	32	60	189	237	426
No Response and Other	8	6	45	41	17	12	25	26	95	85	180
<b>Total Loans</b>	<b>81</b>	<b>100</b>	<b>451</b>	<b>518</b>	<b>163</b>	<b>130</b>	<b>134</b>	<b>221</b>	<b>829</b>	<b>969</b>	<b>1,798</b>

\*The total number of students who received scholarships and educational loans is not equal to the total number of sources because of multiple scholarships and loans.

Source: Federal Reserve Bank of Cleveland

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Schools are the most frequent source of scholarship aid, accounting for 898 of the 1,508 awards. (See Table VIII.) It should be noted, however, that an immeasurable part of the funds reported by the students as coming from the schools is government money made available through the schools. The government is credited by the students as a source of scholarship aid only in the case of grants received directly, for example, scholarships awarded to children of veterans. In the case of loans, the most frequent source is the government, with banks and other financial institutions second, and schools, third.

The pattern of scholarship awards and loans in relation to age is of considerable interest (see Table IX). While the number of seniors 16 and under is small (148 out of 17,880), the proportion with college plans is high, or 73 percent (108 out of 148). In that age bracket, 34 percent of the students received scholarships and 30 percent borrowed to help finance their education. For 17 year-olds, 13 percent received scholarships and 15 percent borrowed and in the 18 year-old group, 11 percent were awarded scholarships and 14 percent borrowed. Of the 19 year-olds with college plans, only 5 percent received scholarships, but 18 percent valued further education enough to borrow to help achieve it. Six percent of those who did not respond to the question of age reported they had received scholarships and 14 percent borrowed.

### SENIORS WHO PLANNED TO CONTINUE THEIR EDUCATION IN NONACADEMIC PROGRAMS

As shown in Table I-α, nearly equal numbers of seniors decided to go directly to work

(3,576) and to prepare for specific careers by taking nonacademic post high school programs (3,144). Background information on the nonacademic group is presented in Table X. The plans of the nonacademic group may be summarized as follows:

Program	Boys	Girls
Business school . . . . .	131	519
IBM school . . . . .	97	246
Trade or technical school . . . . .	525	98
Practical nursing . . . . .	4	228
Cosmetology . . . . .	11	244
Apprenticeship program . . . . .	403	14
Other . . . . .	165	459
Total . . . . .	1,336	1,808

The age distribution and distribution by family income of students who chose nonacademic programs differ from those students who were college bound, as shown below:

Age	All Seniors	College Bound	Nonacademic Programs
16 and Under	*	1%	*
17	46%	50	42%
18	47	45	47
19 and Over	5	2	8
No Response	1	1	2

Family Income	All Seniors	College Bound	Nonacademic Programs
Under \$5,000	6%	5%	7%
\$5,000-\$10,000	43	41	45
Over \$10,000	23	30	13
Unknown or No Response	28	24	34

\*Less than one percent.  
Totals may not equal 100 percent due to rounding.

While 41 percent of the college bound reported being in the middle income bracket (\$5,000-\$10,000), 45 percent of the nonacademic group so reported. However, 30 percent of the college-bound students as contrasted to 13 percent of the nonacademic program students reported being in the over \$10,000 income group.

Two other important characteristics of the nonacademic group are the college attendance of parents and rank in class of the student. Percent distributions of college-



**TABLE IX**  
**High School Seniors in Cuyahoga County With Plans to Attend College**  
**Size of Scholarships and Loans**  
**By Age and Sex of Students**  
**Spring 1966**

	Age and Sex of Students												
	16 and Under		17		18		19 and Over		No Response To Age		Total		
	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls	Total
Total Students with College Plans	41	67	2,615	2,643	2,540	2,146	190	54	88	37	5,474	4,947	10,421
Scholarships													
Under \$500	3	12	74	155	64	92	3	1	1	-0-	145	260	405
\$500-\$999	4	5	85	109	78	61	2	2	1	1	170	178	348
\$1,000-\$1,999	4	3	97	59	76	46	2	1	3	-0-	182	109	291
\$2,000 and Over	3	1	45	14	50	18	2	-0-	1	-0-	101	33	134
No Response	1	1	15	16	24	14	-0-	-0-	-0-	-0-	40	31	71
Total	15	22	316	353	292	231	9	4	6	1	638	611	1,249
Loans													
Under \$500	2	8	107	162	103	116	12	3	5	3	229	292	521
\$500-\$999	6	9	161	183	146	151	11	5	2	6	326	354	680
\$1,000 and Over	1	5	63	53	47	45	7	1	-0-	1	118	105	223
No Response	1	-0-	30	52	19	38	6	-0-	-0-	1	56	91	147
Total	10	22	361	450	315	350	36	9	7	11	729	842	1,571

Source: Federal Reserve Bank of Cleveland

educated parents for all seniors in Cuyahoga County, the college bound, and the nonacademic group are as follows:

Attended College	All Students	College Bound	Nonacademic
Father Only	16%	19%	13%
Mother Only	6	7	6
Both Parents	14	21	6
Neither or No Response	64	53	75

While the chances are about 50-50 that the college-bound student had at least one parent who attended college, the odds are only one in four for the group with plans for some form of nonacademic post high school training. In fact, the odds for the latter are less than that for the group as a whole (one in three).

The comparisons with family income and parents' education raise a fundamental question as to the relative influence of the two on

post high school plans of students.<sup>5</sup>

Perhaps the most surprising figure is the 34 percent of those with plans to follow non-academic programs who reported family income unknown or did not respond to the question. It may be that the problems of financing a college education bring a greater awareness of family income in college-bound students, or that socio-economic restraints increased the no response or unknown reaction to this question. (See the discussion in the third of the series of articles based on the 1965 survey.)<sup>6</sup> The latter possibility may also reflect the relatively larger number of girls than

<sup>5</sup> Statistical analysis is in progress to determine the relative significance of these factors and other variables, and will be reported upon in a later article.

<sup>6</sup> *Economic Review*, February 1966, *op. cit.*



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TABLE X

High School Seniors in Cuyahoga County With Plans to Continue Their Education — Nonacademic  
Age, Family Income, College Attendance of Parents, and Rank in Class  
By Sex of Students and Schools Attended  
Spring 1966

	Sex of Students and Schools Attended									Total		
	City			Suburban			Private (including Parochial)					
	Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total
Total	501	530	1,031	689	841	1,530	146	437	583	1,336	1,808	3,144
Age												
16 and Under	1	4	5	1	2	3	2	8	10	4	14	18
17	141	223	364	248	403	651	61	245	306	450	871	1,321
18	264	251	515	333	394	727	68	179	247	665	824	1,489
19 and Over	81	45	126	93	32	125	8	3	11	182	80	262
No Response	14	7	21	14	10	24	7	2	9	35	19	54
Family Income												
Under \$5,000	59	73	132	29	34	63	11	28	39	99	135	234
\$5,000-\$10,000	232	215	447	354	345	699	79	202	281	665	762	1,427
Over \$10,000	52	30	82	144	137	281	20	40	60	216	207	423
Unknown or No Response	158	212	370	162	325	487	36	167	203	356	704	1,060
College Attendance of Parents												
Father Only	32	47	79	96	144	240	14	70	84	142	261	403
Mother Only	32	37	69	32	38	70	11	35	46	75	110	185
Both	11	11	22	42	58	100	10	50	60	63	119	182
Neither or No Response	426	435	861	519	601	1,120	111	282	393	1,056	1,318	2,374
Rank in Class												
Upper Third	75	114	189	53	193	246	16	110	126	144	417	561
Middle Third	168	153	321	243	258	501	59	139	198	470	550	1,020
Lower Third	79	58	137	123	75	198	32	63	95	234	196	430
No Response	179	205	384	270	315	585	39	125	164	488	645	1,133

Source: Federal Reserve Bank of Cleveland

boys who elected to pursue nonacademic post high school courses (19 percent as compared with 16 percent of all seniors).

In the nonacademic group, 1,133 students (36 percent) either did not know or did not answer the question of class rank; this compares with 1,530 (15 percent) of the college bound. The comparable percent distributions on class rank are as follows:

Class Rank	All Students	College Bound	Nonacademic
Upper Third	34%	47%	18%
Middle Third	31	31	32
Lower Third	11	7	14
Unknown or No Response	24	15	36

Since many nonacademic programs are not without cost or may be expensive, it is interesting that scholarship aid and borrowing are factors in nonacademic programs. Thus, 53 students (21 boys and 32 girls) reported receipt of scholarships, while 165

students (47 boys and 118 girls) reported borrowing to finance their post high school training. Responses to these questions are summarized below:

Scholarships	Boys	Girls
Under \$500 . . . . .	4	14
\$500-\$999 . . . . .	5	11
\$1,000-\$1,999 . . . . .	4	-0-
\$2,000 and Over . . . . .	3	-0-
No Response . . . . .	5	7
Total . . . . .	21	32
<b>Scholarship Sources</b>		
(multiple responses)		
Alumni . . . . .	2	1
School . . . . .	7	9
Government . . . . .	2	4
Business . . . . .	5	2
Private Corporations . . . . .	6	9
Other . . . . .	1	2
No Response . . . . .	2	7
Total . . . . .	25	34
<b>Loans</b>		
Under \$500 . . . . .	23	43
\$500-\$999 . . . . .	13	47
\$1,000 and Over . . . . .	5	13
No Response . . . . .	6	15
Total . . . . .	47	118
<b>Loan Sources</b>		
(multiple responses)		
School . . . . .	4	17
Government . . . . .	16	52
Bank . . . . .	17	46
Other . . . . .	7	9
No Response . . . . .	5	2
Total . . . . .	49	126

Age	All Seniors	Military Service
16 and Under . . . . .	*	-0-
17 . . . . .	46%	27%
18 . . . . .	47	50
19 and Over . . . . .	5	20
No Response . . . . .	1	2

\*Less than one percent.  
Totals may not equal 100 percent due to rounding.

Those entering military service who reported being in the top third of their class represented less than 1 percent of all seniors, but accounted for about 6 percent of those entering the service. Distribution of family income approximates that of all seniors, with 6 percent under \$5,000, 47 percent in the middle income range, and 19 percent over \$10,000 (the remaining 28 percent either did not know or did not answer). Only 19 percent of the group planning to enter military service reported that one or both parents had been to college, compared with 36 percent for the total respondent group. Relatively more students from City schools planned to enter military service than from the suburban or private schools. While it is difficult to make general statements from the small sample, it appears that age at graduation, rank in class, and a noncollege home background are more important than family income as factors which influence a student to fulfill his military obligation immediately upon graduation from high school. Income, however, has to be of some influence. Of the students entering military service, 47 percent reported family income in the \$5,000-\$10,000 bracket, as compared with 43 percent for the entire respondent group; in the over \$10,000 income bracket the corresponding figures were 19 percent and 23 percent, respectively.

### SENIORS WHO PLANNED TO ENTER MILITARY SERVICE

Students with plans to enter military service represented slightly more than 4 percent (739) of total respondents, and included 688 boys and 51 girls. Background information on these students is presented in Table XI. The age distribution of the military service group differs somewhat from the total respondent group due partly to age requirements associated with the services.

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**TABLE XI**  
**High School Seniors in Cuyahoga County With Plans to Enter Military Service**  
**Age, Family Income, College Attendance of Parents, and Rank in Class**  
**By Sex of Students and Schools Attended**  
**Spring 1966**

	Sex of Students and Schools Attended											
	City			Suburban			Private (including Parochial)			Total		
	Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total
Total	205	23	228	373	21	394	110	7	117	688	51	739
Age												
16 and Under	0-	0-	0-	0-	0-	0-	0-	0-	0-	0-	0-	0-
17	49	10	59	95	11	106	34	1	35	178	22	200
18	104	9	113	190	5	195	60	3	63	354	17	371
19 and Over	47	2	49	78	5	83	16	3	19	141	10	151
No Response	5	2	7	10	0-	10	0-	0-	0-	15	2	17
Family Income												
Under \$5,000	14	1	15	13	3	16	11	0-	11	38	4	42
\$5,000-\$10,000	96	11	107	170	8	178	59	4	63	325	23	348
Over \$10,000	25	2	27	87	3	90	21	0-	21	133	5	138
Unknown or No Response	70	9	79	103	7	110	19	3	22	192	19	211
College Attendance of Parents												
Father Only	15	2	17	44	1	45	6	3	9	65	6	71
Mother Only	4	3	7	11	1	12	10	0-	10	25	4	29
Both	4	0-	4	28	1	29	5	0-	5	37	1	38
Neither or No Response	182	18	200	290	18	308	89	4	93	561	40	601
Rank in Class												
Upper Third	16	6	22	14	5	19	7	0-	7	37	11	48
Middle Third	68	6	74	108	6	114	40	3	43	216	15	231
Lower Third	38	3	41	81	5	86	32	0-	32	151	8	159
No Response	83	8	91	170	5	175	31	4	35	284	17	301

Source: Federal Reserve Bank of Cleveland

## SENIORS WHO PLANNED TO WORK

As indicated earlier, about the same number of students planned to go directly from high school to a job (3,576) as planned non-academic post high school training (3,144). Background information on the group which planned to work is presented in Table XII. The age distribution of the group, like that entering the service, is dominated by students 18 and 19 years of age and over. Distri-

bution of family income is also similar to the group which entered the service. The concentration is slightly higher in the middle income bracket than for the entire senior class (45 percent compared with 43 percent), lower in the over \$10,000 income category (11 percent compared with 23 percent), and higher in the unknown and no response category (36 percent compared with 28 percent). The percent of those with family income under \$5,000 in the "going-to-work" group is virtually the

**TABLE XII**  
**High School Seniors in Cuyahoga County With Plans to Work**  
**Age, Family Income, College Attendance of Parents, and Rank in Class**  
**By Sex of Students and Schools Attended**  
**Spring 1966**

	Sex of Students and Schools Attended									Total		
	City			Suburban			Private (including Parochial)					
	Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total
Total	417	848	1,265	416	1,126	1,542	98	671	769	931	2,645	3,576
Age												
16 and Under	—	2	2	2	6	8	—	12	12	2	20	22
17	130	339	469	118	491	609	41	301	342	289	1,131	1,420
18	201	421	622	213	556	769	47	326	373	461	1,303	1,764
19 and Over	75	77	152	67	59	126	10	25	35	152	161	313
No Response	11	9	20	16	14	30	—	7	7	27	30	57
Family Income												
Under \$5,000	42	66	108	29	57	86	13	51	64	84	174	258
\$5,000-\$10,000	193	367	560	192	481	673	58	333	391	443	1,181	1,624
Over \$10,000	33	47	80	90	144	234	8	73	81	131	264	395
Unknown or No Response	149	368	517	105	444	549	19	214	233	273	1,026	1,299
College Attendance of Parents												
Father Only	15	33	48	37	139	176	9	78	87	61	250	311
Mother Only	16	27	43	13	38	51	3	22	25	32	87	119
Both	2	9	11	15	42	57	3	20	23	20	71	91
Neither or No Response	384	779	1,163	351	907	1,258	83	551	634	818	2,237	3,055
Rank in Class												
Upper Third	40	157	197	23	237	260	8	112	120	71	506	577
Middle Third	135	235	370	98	321	419	32	270	302	265	826	1,091
Lower Third	89	95	184	25	102	127	34	118	152	248	315	563
No Response	153	361	514	170	466	636	24	171	195	347	998	1,345

Source: Federal Reserve Bank of Cleveland

same as the percent of all those so reporting.

A striking fact is that in the group with work plans only 15 percent were from homes in which one or both parents had gone to college, compared with 36 percent for all seniors. In class rank, the work group matched the group which planned nonacademic training; each group accounts for 15-16 percent of all seniors in the upper third of their class, and 30-32 percent of those in the middle third. One-third or more of those in each of the non-college-bound groups — the nonacademic,

the service, and the work group — did not know class rank or did not answer the question, which is more than twice as many as in the college-bound group.

### CONCLUDING COMMENTS

The major distinction between the 1965 and 1966 surveys of high school seniors in Cuyahoga County is that the recent survey included information on the noncollege-bound as well as the college-bound students. In the college-bound group, there are no striking

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differences in the findings of the two surveys. Plans to attend college are closely related to age, rank in class, family income and college education of parents. Younger students, particularly those who rank well academically and are from middle and upper income homes, tend to go to college in greater numbers. Beyond a certain income level, college education of parents seems to influence the college plans of children, particularly in the case of girls. However, slightly less than 80 percent of those who are from homes where one or both parents had attended college planned to attend themselves, which indicates that other factors, such as aptitude, rank in class, and age, are also important.

More than 58 percent of the 17,880 students who responded in the 1966 survey were going on to college. Of that group, about 60 percent planned to go to a public college in Ohio (6,289) and nearly half of these (3,061) planned to enroll in one of the two public colleges in Cuyahoga County. An additional 583 students were going to out-of-state public colleges, with the remaining 2,537 students going to private colleges (about 40 percent in Ohio and 60 percent out of state).

The information on scholarships from the 1966 survey is more precise than in 1965 because the questions were restricted to grants actually accepted by the students, rather than grants offered. "Multiple scholarships" was dropped as a special category because college and university officials reported that more student financing is taking the form of a package that includes funds from several sources. As in 1965, more girls than boys borrowed in order to finance their education. The number of students who both

received scholarships and borrowed amounted to 435.

Another category eliminated in the 1966 survey was multiple acceptances. This was on the advice of both college admissions and high school guidance officers, who indicated that the day when multiple acceptances were "collected like scalps" has passed. Students are now urged to apply for college admission early, selectively, realistically, and usually to not more than three schools. Multiple applications are also discouraged by college practices such as substantial, nonreturnable fees that must accompany each application, and "early admissions" where the applicant is restricted to a single school. A third consideration leading to elimination of the multiple acceptance category is the large percent who attend public colleges within the State; such students are assured of admission although not always to the school of first choice.

The number of students who planned to take post high school training of a nonacademic character (3,144) was nearly equal to the number who planned to go directly to work (3,576). A much smaller number planned to enter military service (739). In general, these seniors tend to be slightly older, rank lower in class (and in greater numbers to be unaware of class rank), to come from homes with a smaller percent of college-educated parents (19 percent as compared with 36 percent for all students), and are more likely to be from homes in the middle income range (45.6 percent as compared with 42.9 percent for the total respondent group).

One final note concerns the college plans of the classes of 1965 and 1966 in those high schools in the city of Cleveland with predom-

inantly non-white enrollments. From these schools, a larger percent of the graduating seniors in 1966 planned to go to college than in 1965 (41.9 percent as compared with 33.5 percent). College attendance plans are as follows:

	1965	1966
Cuyahoga County . . . . .	60.7%	54.4%
Cleveland State University . . . . .	16.4	19.7
Cuyahoga Community College . . . . .	40.8	30.0
Private . . . . .	3.5	4.7
Ohio		
(excluding Cuyahoga County) . . . . .	23.8	27.9
Public . . . . .	19.0	21.6
Private . . . . .	4.8	6.3
Outside Ohio . . . . .	15.5	17.7
	100.0%	100.0%

of the total, as did the number with plans to attend private colleges within the County. The number of those who elected to attend Cuyahoga Community College, however, decreased both absolutely and relatively. As a result, there was a relative decrease in the number of non-white students who planned to attend college within the County (from 60.7 percent in 1965 to 54.4 percent in 1966), and who planned to attend public college within the County (from 57.2 percent in 1965 to 49.7 percent in 1966). There were corresponding increases, absolutely and relatively, in the number of non-white students who planned to go to school elsewhere in Ohio, or out of the state. The number who planned to attend out-of-state colleges increased by 50 percent.

The number of non-white students who planned to attend Cleveland State University increased both absolutely and as a percent





# MUNICIPAL SECURITIES: RECENT TRENDS IN BANK INVESTMENT

This Bank's latest semiannual Survey of Holdings of Municipal Securities, conducted as of December 31, 1966, revealed the third successive reduction in municipal holdings by the 26 participating banks within the Fourth Federal Reserve District. As a result, by the end of 1966 respondent banks' holdings of municipals were only slightly larger than three years earlier. In other words, reductions in municipal holdings during the three most recent half-year periods virtually erased additions in the three previous half-year periods.

Chart 1 illustrates that the amount and rate of decline in municipal holdings accelerated during the latest six-month period, as holdings of municipal securities dropped \$185.2 million or approximately 8.2 percent. Chart 1 also shows the weekly behavior of municipal holdings at Fourth District weekly reporting banks.<sup>1</sup> Two aspects are readily apparent. First, the abrupt liquidation of municipals was primarily confined to the first eleven weeks of the July-December 1966 period. Second, during November 1966, the downward trend was halted and municipal securities were again added to portfolios by weekly

reporting banks. The accumulation of municipals has continued into 1967, and total holdings have passed peak levels reached in 1965.

During the second half of 1966, total holdings of municipal securities dropped substantially at reporting banks in the Fourth District as a group; but, a majority of the responding banks reported that they actually increased their investment in municipals during the third quarter. This was also true for many of the nation's largest banks.<sup>2</sup> The total holdings of municipal securities by the nation's 100 largest banks showed a net decline for the July 1 to September 30 period, but the ten Fourth District banks included in the 100 largest banks accounted as a group for more than the total decline of the entire group (see Table I). (The ten banks are also included in the Fourth District survey of 26 banks.) On balance, the remainder of the nation's 100 largest banks increased their holdings of municipal securities, indicating that a small number of Fourth District banks dominated the national statistics during the third quarter. In the fourth quarter, the nation's 100 largest banks, on balance, liquidated holdings of municipals, while, in contrast, the ten Fourth

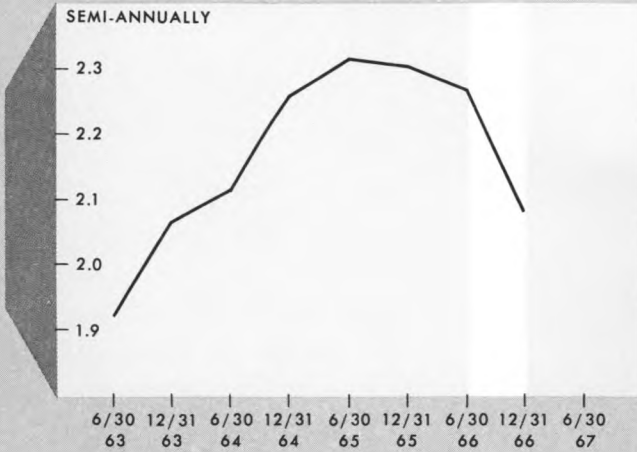
<sup>1</sup> Thirty-one banks within the Fourth Federal Reserve District participate in the weekly reporting series. The 26 banks in the Survey of Holdings of Municipal Securities are all included in the weekly reporting group. The data used in Chart 1 have been adjusted to approximate the behavior of the 26 banks alone.

<sup>2</sup> "Obligations of State and Political Subdivisions Held by 100 Largest Banks," *The Weekly Bond Buyer*, November 28, 1966, Section Two, p. 6 and February 14, 1967, Section Two, p. 6.

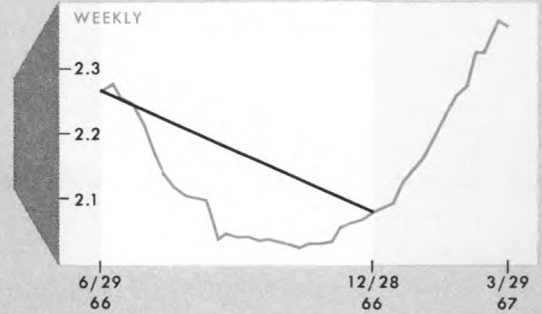


Chart 1.  
**HOLDINGS of MUNICIPAL SECURITIES**  
 Fourth District Reporting Banks

Billions of dollars  
 SEMI-ANNUALLY



Billions of dollars  
 WEEKLY



NOTE: Weekly figures on municipal holdings have been adjusted for number of banks and for differences in accounting procedures.

Source of data: Federal Reserve Bank of Cleveland

District banks as a group increased their holdings but not sufficiently to dominate the national statistics.

**MATURITY DISTRIBUTION**

The maturity distribution of municipal holdings in the Fourth District showed an interesting change from the previous survey (see Table II). Municipal securities maturing within one year were added in large amounts, increasing by \$48.8 million or almost 20 percent. As a percent of the total investment in municipal securities, this maturity grouping rose to 14 percent, returning to a distribution common before 1965. Whereas the previous shift away from the under one-year maturity

had been into the longest term maturity group (over ten years), the shift during the most recent period was primarily away from the intermediate-term area (1-5 years) into the shortest term. Thus, the percent of municipals maturing in over ten years was almost unchanged from the previous survey, although the dollar commitment in these issues was reduced by \$94.3 million or 10 percent.

**QUALITY RATINGS**

The percent distribution by quality ratings (according to *Moody's* bond ratings) of the municipal securities portfolio of the surveyed banks indicated a slight movement into the Baa grouping, the lowest quality grouping

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normally purchased by banks. Although the Baa rating does not necessarily imply a highly speculative or risky situation, it conceivably represents less-marketable issues than those of A quality or higher. It is possible that during a period of substantial liquidation — as experienced by some banks in the Fourth District in the second half of 1966 — these issues are retained somewhat involuntarily because they are more difficult to sell. Future surveys will clarify any policy changes that may have occurred in the area of portfolio quality.

The "below Baa" category includes bond issues that are not rated by *Moody's*.<sup>3</sup> District banks' holdings of "below Baa" issues declined slightly in the period covered by the latest survey.

<sup>3</sup> "Where no rating has been assigned or where a rating has been cancelled, that fact alone must not in any way be taken as a reflection on the quality of a bond.

"Where no rating has been assigned to a bond the reason is usually one of the following:

"1. The bond belongs to a group of securities which are not rated as a matter of policy, viz. real estate bonds, obligations of investment trusts and of financial companies, bonds of educational and philanthropic or other 'non-profit' organizations, bonds payable in currencies other than American dollars, and bonds of European debtors.

"2. Excluded from the rating system are many bonds which were sold privately or in which there is only a minimum of public interest; also bonds of many small debtors, because experience shows it is impossible to rate every issue and an arbitrary line has to be drawn. For example, beginning with the 1949 issues of Manuals, *Moody's* has pursued a policy of rating no class of debt of any corporation or governmental subdivision where such class of debt is outstanding in an amount less than \$600,000.

"3. Bonds are not rated in the absence of data deemed to be essential for a sound judgment on the investment quality of the issues." *Moody's Bond Record* (New York: Moody's Investors Services Inc., 1967), p. 2.

TABLE I  
Holdings of Municipal Securities by the Nation's 100 Largest Banks  
(in thousands of dollars)

	Change in Holdings Between		Percent of Holdings		
	6-30-66 and 9-30-66	9-30-66 and 12-31-66	6-30-66	9-30-66	12-31-66
100 Largest Banks in the U. S. . . . .			100.00%	100.00%	100.00%
10 Fourth District Banks* . . . . .	-\$129,697	-\$621,328	9.86	8.63	9.16
90 Non-Fourth District Banks . . . . .	+ 237,268	+ 40,790	90.14	91.37	90.84
	+ 107,571	- 662,118			

\*These 10 banks are included in the 100 largest banks in the U. S.

Source: *The Weekly Bond Buyer*

**TABLE II**  
**Holdings of Municipal Securities**  
**Fourth District Reporting Banks**  
**1960-66**

Date	Outstanding by Maturity (in thousands)					Percent Distribution by Maturity				Percent Distribution by Quality Rating (Moody Ratings)					Average Weighted Yield
	Under 1 yr.	1 to 5 yrs.	5 to 10 yrs.	Over 10 yrs.	Total*	Under 1 yr.	1 to 5 yrs.	5 to 10 yrs.	Over 10 yrs.	Aaa	Aa	A	Baa	Below Baa†	
12-31-60	\$106,047	\$282,164	\$228,782	\$175,148	\$ 792,141	13.4%	35.6%	28.9%	22.1%	23.0%	31.9%	31.7%	7.9%	5.5%	2.80%
12-31-61	191,150	308,344	231,874	236,328	967,696	19.7	31.9	24.0	24.4	21.8	32.8	32.8	7.6	5.0	2.83
12-31-62	307,251	538,439	356,696	414,065	1,616,451	19.0	33.3	22.1	25.6	21.4	26.8	36.2	8.1	7.5	2.73
6-30-63	297,958	655,387	464,878	504,806	1,923,029	15.5	34.1	24.2	26.2	21.4	25.1	38.9	7.1	7.5	2.64
12-31-63	377,092	646,390	503,275	539,515	2,066,272	18.2	31.3	24.4	26.1	19.3	28.7	34.8	8.0	9.2	2.68
6-30-64	290,825	671,007	532,563	621,845	2,116,240	13.7	31.7	25.2	29.2	20.0	25.2	36.2	8.5	10.1	2.73
12-31-64	326,570	655,865	564,451	713,015	2,259,901	14.5	29.0	25.0	31.5	16.2	27.7	37.0	10.2	8.9	2.83
6-30-65	244,292	677,640	572,279	819,896	2,314,107	10.6	29.3	24.7	35.4	15.8	30.6	34.4	8.8	10.4	2.90
12-31-65	242,195	623,916	577,039	860,576	2,303,726	10.5	27.1	25.0	37.4	16.7	30.2	32.1	10.2	10.8	3.01
6-30-66	246,564	545,020	550,853	926,879	2,269,316	10.9	24.0	24.3	40.8	17.6	30.6	30.0	10.1	11.7	3.13
12-31-66	295,391	450,727	505,342	832,624	2,084,084	14.2	21.6	24.2	40.0	17.1	29.8	30.1	12.6	10.4	3.23

\*Includes holdings of Public Housing Authority bonds.

†All unrated securities are included in the "Below Baa" quality category. This grouping is arbitrary and is not intended as a reflection of the quality of unrated issues.

Source: Federal Reserve Bank of Cleveland

## YIELDS

The average weighted yield on the combined portfolios of municipal securities at the District reporting banks continued the upward trend established in the survey of December 1963, attaining a level of 3.23 percent at the end of 1966. The most recent advance of ten basis points in the weighted yield is indicative of generally rising interest rates during the last half of 1966. Those banks that added to their municipal holdings during this period received record high returns — sometimes approaching 4 percent on bonds of the highest quality. Another aspect of the higher average yield is that banks which found it necessary to liquidate municipal holdings disposed of their lowest coupon bonds whenever it was advantageous. Since the price of a bond moves in the opposite direction to the interest yield, as interest rates climb generally, market prices on the lower coupon issues will fall the most, providing banks with an opportunity to take capital losses for income tax purposes. Federal income tax provisions relating to commercial

banks can make this course of action highly desirable.

## CONCLUDING COMMENTS

Changing credit conditions in the second half of 1966 generally forced banks to make major adjustments in their investment portfolios. During the second half, municipal securities holdings of Fourth District reporting banks were reduced, average maturity shortened slightly, and average weighted yield increased. However, as more detailed data show, the semiannual figures conceal the pattern during the half-year period — first, a sharp reduction in municipals and then, a recovery into 1967 that has moved municipal holdings past previous peak levels. Future surveys will determine whether there has been a change in bank policy concerning the management of municipal portfolios. At this juncture, it appears more likely that developments during the second half of 1966 were only a reflection of a period characterized by bank adaptation to credit restraint in the first half of 1966 and then, to an easing of restraint late in the second half of the year.



# FOURTH DISTRICT DEVELOPMENTS IN BANK CREDIT CARD AND CHECK-CREDIT PLANS

The rapid spread of credit card and check-credit plans among banks in all parts of the country represents a major innovation in consumer credit — one with implications not only for banking, consumer spending, and saving, but also for the basic payments mechanism of the United States economy. It has been suggested, for example, that credit cards may be the first step toward a checkless society. The Federal Reserve Bank of Cleveland recently conducted a survey to determine the extent and nature of credit card and check-credit plans of member banks in the Fourth District. This article is a summary and brief analysis of the District survey.

## BACKGROUND

The District survey comes at a time when commercial banks in general are expressing great interest in credit cards and check credit. There have been a number of articles and inquiries in banking magazines, and the American Bankers Association is conducting a study of credit cards. The Board of Governors of the Federal Reserve System is also

conducting a comprehensive study of bank credit card and check-credit plans, as announced on March 1.

It is estimated that about 1,000 banks have credit cards or check-credit plans today, a tenfold increase in one year. Most of the growth, however, has been confined to credit cards, rather than check-credit plans, and to banks in Illinois, Indiana, Michigan, and Wisconsin. The spread of multiple and interchangeable cards in those states has been an important factor in increasing participation in the plans.

The history of bank credit cards and check-credit plans is not long, dating only to the early 1950's. (Credit cards issued by retail organizations and service companies existed many years prior to that time.) The first bank credit card was introduced by the Franklin National Bank in New York in 1951-52. In 1952-53 banks in Michigan, California, and Florida followed suit, but the number of additional banks was small. By the end of 1954, only about 50 banks had plans in operation. In fact, many of the banks that were early

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**TABLE I**  
**Number of Credit Card and Check-Credit Plans**  
**Fourth District Member Banks**  
**March 1967**

Type of Plan	1956 to 1957	1958 to 1959	1960 to 1961	1962 to 1963	1964 to 1965	1966 to 1967	Total
Check credit . . . . .	1	11	1	1	2	7	23
Special checking account only . . . . .	1	8	1	1	2	2	15
Overdraft on regular checking account . . . . .	0-	0-	0-	0-	0-	4	4
Combination of both accounts . . . . .	0-	2	0-	0-	0-	1	3
Franchised plans . . . . .	0-	0-	0-	0-	0-	3	3
Credit cards . . . . .	0-	1	0-	1	2	2	6
Franchised plans . . . . .	0-	0-	0-	0-	0-	2	2

NOTE: Items may not add to totals because not all banks answered all survey questions.

Source: Federal Reserve Bank of Cleveland

entrants into the field discontinued their programs within a few years, perhaps due to overly optimistic projections of volume and profitability that did not materialize.

Credit cards preceded check-credit plans by a few years, but the two programs seem to have been developed independently in the early 1950's. The first major growth period for both types of credit plans began in 1958, when Chase Manhattan Bank — the nation's second largest commercial bank — introduced its own credit card. In 1959 the Bank of America (the largest bank) began its credit card program in California. These moves stimulated an increase in the number of banks offering credit cards and check-credit plans. Both the Bank of America and Chase Manhattan had difficulties with their programs, and in January 1962 Chase sold its credit card business. Evidently, this experience discouraged many smaller banks, and the "troubles at Chase" are still cited by banks that do not offer credit card services. The Bank of America was able to overcome

the problems inherent in the use of cards and this seems to have attracted renewed bank interest.

### FOURTH DISTRICT EXPERIENCE

The responses to this Bank's survey indicate that in the Fourth District check-credit plans are more numerous and have a longer history than credit card plans. Thus, developments in the District have been somewhat in contrast to the pattern in the nation as a whole. The first check-credit plan in the District was started in 1956, by a bank in Lexington, and the second in 1958, by a bank in Pittsburgh. (See Table I.) In 1959 ten banks in the District introduced check-credit plans. It is significant that four of the ten are located in the Pittsburgh area, and four other banking offices are situated in or near Youngstown, Ohio, a city close to the Pennsylvania border.

The District's first credit card program began in 1959, organized by the bank with the first check-credit plan. The early wave of bank credit cards that occurred in the middle,



eastern, and southern parts of the United States in the 1950's seems to have passed by the Fourth District; legal constraints discussed later in the article may have been a factor.

The second period of growth in credit plans in the District began in 1965 when the two largest banks in Pittsburgh introduced their own credit cards, accompanied by wide publicity. (Both banks had offered check-credit plans for several years.) These moves may have led to increased interest on the part of other banks, for in the next 15 months, nine more banks entered the credit plan field. In 1966-67, an additional motivating factor was involved—a number of credit card and check plans had become national in coverage through systems of local franchises. These franchises included American Express cards, BankAmericard, Carte Blanche, and Bancard-chek, among others. As shown in Table I, five District banks received franchises in 1966-67, accounting for over half of the total plans put into operation in the District in that period. Moreover, this Bank's survey revealed that at least one additional bank has signed a franchise contract to take effect later this year, and several other banks have been approached by franchise organizations.

The development of franchises and card systems that are nationally interchangeable may lead to a sharp increase in bank participation in the near term. The survey disclosed that almost 50 banks in the Fourth District are considering offering credit cards or check-credit plans within a year or two, with some conducting market research on the services.

## TYPES OF CREDIT CARD PLANS<sup>1</sup>

Most consumers are accustomed to various credit cards, particularly those for large department stores and gasoline companies. Bank credit cards are similar, as they provide a means of charging retail purchases for later payment. A bank card has some special advantages for the consumer, retailer, and bank. The consumer has less need to use cash, since bank cards usually are acceptable in a large number and different types of stores, with most of the credit purchases centralized in one billing. The retailer no longer has to finance his accounts receivable, because he receives immediate credit for all credit card charge slips turned into the bank. The bank has the opportunity of increasing its customers.

In general, credit cards issued by banks in the Fourth District can be used to charge a wide variety of goods and services at stores that have adopted the banks' programs. The only frequent exception is the purchase of food for home consumption. The handbook of member merchants honoring the credit card of the largest Fourth District bank reveals that one could charge such diverse items as foot care, airline tickets, wallpaper, drafting lessons, and wigs. However, most credit card charges involve purchases of clothing and household products. Bank credit cards also can be used to obtain cash advances on the line of credit that each card represents; advances (or "instant small loans") can be obtained at any banking office

<sup>1</sup> For a description of the types of plans in operation in New England, see "Bank Credit Card and Related Plans" by Robert W. Pullen in *New England Business Review*, Federal Reserve Bank of Boston, December 1966.



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that honors the card held by the would-be borrower.

None of the six District banks with credit card programs limits issuance to depositors. Applications for cards are judged individually, just as if the consumer were applying for an instalment loan. In an attempt to limit credit risks, one bank issues cards only to individuals with annual incomes of \$10,000 or more. (This type of screening within the District contrasts to the "shotgun" issuance of some bank cards, as described recently in the financial press.) There is a ceiling on the total amount of indebtedness permitted on each card; the ceiling varies widely among the District banks, ranging from \$100 to \$5,000. In addition, three of the credit card plans have a ceiling or "floor limit" on the dollar value of each separate purchase. All six banks have similar but larger ceilings on individual cash advances, but in practice the average dollar amount of advances has been substantially below the ceilings.

Four of the District banks schedule their cards to expire automatically within a year of issuance. This gives the banks an opportunity to discontinue credit privileges that have been abused, as well as to eliminate inactive cards. Survey responses suggest that no more than half of the cards issued are active; the average proportion is about one third.

Cardholders usually are given a "grace" period for repayments before a service charge is applied to unpaid balances. The "grace" period frequently mentioned in the survey was 25 days. After the "grace" period expires, a charge of 1-1½ percent a month is applied to any unpaid balances. All banks

set a minimum repayment that is acceptable, varying from a flat \$10 to 5-10 percent of the outstanding balance. Of the three District banks that reported the information, average length of maturity of outstanding credits ranged from 6½ to 12 months.

Four of the six banks charge a retailer entrance fee for participation in the credit card plan, and some levy a service charge on sales slip volume. The majority of the banks do not offer volume discounts to their retailers. Almost every credit card plan makes use of special equipment to imprint the card information onto sales slips, and four District banks rent imprinting machines to retail outlets honoring their cards. In the early days of bank credit cards, merchant fees and payments were expected to be the major source of income to banks issuing cards. This is not necessarily the case now and interest charges on cardholders' credit balances are providing a larger share of the income.

The distribution of income by source is related directly to the size of each bank's card program. Credit card plans in the Fourth District show a wide size range, from about a quarter of a million cardholders to less than one hundred. These numbers, in turn, reflect both the size of the banks involved, their market area, and the length of time that the programs have been in operation. The bank with less than one hundred cards only began issuing them early this year.

There is a distinct impression within the banking community that credit cards are not feasible for small banks in small communities; that is, that volume is essential for successful operation. The survey by the Federal Reserve Bank of Cleveland does not com-

pletely confirm this impression. A Fourth District bank with less than \$5 million in demand deposits and \$10 million in total assets has had its own credit card plan for almost five years. (The other banks issuing cards range in size, as measured by demand deposits, from about \$50 million to over \$1½ billion.) It is true that a credit card plan could prove to be very expensive for smaller banks, which may explain why several banks reported in the survey that they were still searching for a plan appropriate for their size.

With so few District banks operating credit card programs, it is interesting to note why some banks are *not* issuing cards. One reason mentioned frequently was that the respondent bank and its market area were too small. Quite often, this meant that staff and equipment limitations prevented an expansion in bank services. Another reason cited by a large bank was that it is in the process of changing its computer system and cannot undertake additional accounting burdens until after the transition period. Several banks felt that there was no demand or "need" for credit cards in their communities. The lack of demand could also mean that there was no competitive pressure to offer a credit card program.

Some concern was expressed by respondents about the costs and profitability of bank credit cards, partly in relation to legal limits on interest charges. Generally, the initial costs of adopting a credit card plan are large if advance promotion has to be spread over a wide geographical area and if special equipment must be purchased, either for the participating merchants or for the bank itself. As a result, the period prior to "breaking even" may be

long. These generalizations should not be accepted as established fact until further study of cost factors is undertaken, as the Federal Reserve System hopes to do. In other parts of the country, credit card programs have had problems in enrolling retailers and arranging fees, but these difficulties were mentioned by only a few Fourth District banks.

A small but articulate group of banks has not issued credit cards simply because they do not approve of them. They label this type of consumer credit as difficult to control, too risky, and not in the best interests of commercial banking or consumers' financial well-being. It should be remembered that many smaller banks are more in the nature of savings banks than multi-purpose financial institutions. These smaller banks are concerned about their function as advisers to their customers about sound financial practices. As one banker responded in the survey, "It is our opinion that people look to banks for leadership in financial manners." The use of credit cards will have to become much more widespread and the advantages thoroughly documented before all banks come to accept this relatively new development.

Finally, in the State of Ohio, there appear to be legal obstacles to credit card programs for state-chartered banks. Bank usury laws and a question as to whether the offering of credit cards constitutes ordinary lending activity have caused the Ohio Division of Banks to consider such services illegal. Ohio, as well as a few other states, requires all banks to set up hypothecated time deposits for each consumer instalment loan. Repayments on each loan must be treated as credits

to the corresponding time deposit. When the amount of the deposit equals the amount of the loan, the loan is repaid, and both the loan and the deposit are erased through accounting entries. Hypothecated deposits were established by an Ohio banking statute so that banks would not break the state's usury laws in making instalment loans. Under the Ohio procedure, interest charges always are based on the principal amount of the loan; otherwise, loan repayments would become equal to a growing proportion of the principal, and the effective rate of interest might well exceed the state's maximum of eight percent.

The Ohio legislation is not binding on national banks operating in the state. The Comptroller of the Currency has ruled that national banks may charge interest rates as high as any of their competitors, including small loan companies, and further, that hypothecation is not necessary. The Comptroller's office has taken the position that credit extended through bank card (and check credit) plans constitutes ordinary bank lending activity.<sup>2</sup>

As a result, the banks in Ohio that offer credit cards (and check-credit plans) are all national banks. This is not the case in the Fourth District areas of Pennsylvania and West Virginia. The legal constraints in Ohio may have played an important part in holding down the growth of all types of credit plans relative to other sections of the country.

<sup>2</sup> At least one state has challenged the Comptroller's position. See "Oregon Attorney General Says Interest on 2 Bank Credit Cards Is Usurious," *American Banker*, March 14, 1967, p. 1.

A ruling on these matters by the Attorney General of Ohio is pending, and the proposed new banking code for Ohio (now being considered by the state legislature) would legalize both credit cards and check-credit plans.

## TYPES OF CHECK-CREDIT PLANS

As mentioned earlier, check-credit plans were introduced in the Fourth District before bank credit cards and have been adopted by a much larger number of banks. Several explanations for the growth of check-credit plans are possible. Check-credit plans apparently are less costly to operate than credit card programs. The risk factor can be lowered because of the opportunity to be more selective in extending credit facilities. Less bookkeeping may be involved, resulting in less dependence on sophisticated data processing equipment. Perhaps, most importantly, check-credit plans often can be tailored to certain types of customers, both within the bank and its community.

As a result of this last characteristic, the 23 check-credit plans in operation in the District in March 1967 represented a number of variations of instalment credit connected to a bank checking account and (as opposed to credit cards) not affiliated with retail outlets. The most common variation in the District (see Table I) establishes a revolving line of credit for a customer after a suitable credit investigation. The line of credit is extended through a special checking account, set up separately from the customer's regular account and drawn on only by special checks. By writing one of the special checks, the customer activates his line of credit. Interest is charged on the unpaid balance of this loan, and according to some plans, the borrower/depositor also must pay either the bank's usual deposit service charge or a flat fee per check. Interest charges on District plans generally range from 1/2-2 percent per month on the unpaid

balance. Infrequently, an annual "membership" fee is required; more often, the cost of a life insurance policy is passed on to the account holder.

A second variation, which is more prevalent at banks outside the Fourth District, represents a line of credit in the form of an overdraft allowed on a regular checking account. No special account is established, although the customer may be issued special checks used only for overdrafts. (This means that the depositor must know the balance in his account in order to determine when to use the special checks in contrast to his regular checks.) Very often, the special checks are pre-denominated and are guaranteed by the issuing bank. This has led them to be called "travelers' checks" and this version of check credit, a "travelers' check plan." Only a few District banks offer plans using the "travelers' checks," and most plans represent a franchise of the national Bancardchek system. In the Bancardchek system, accounts can be overdrawn by writing either regular checks or the special "travelers' checks." In other overdraft plans, there are no special checks, and in some plans, special but nonguaranteed checks are issued to depositors. Obviously, there is a great deal of flexibility in designing check-credit plans. A bank may even limit the availability of these plans to certain customers or to specific branch offices, as is the case with one District bank.

The third variation reported by banks in the Fourth District is characterized by a revolving line of credit attached to a regular checking account. Essentially, in this plan a special loan account becomes associated with a

checking account, with the line of credit activated by writing special checks.

The size of check-credit programs, measured by the number of accounts, is much smaller than the size of credit card plans, according to the District survey. Check-credit accounts range from less than 20 at banks just starting this service to over 20,000. The average number of accounts for all 23 banks is about 1,800; and when the two largest plans are excluded, the average drops to approximately 500. Credit ceilings are higher on check-credit accounts, ranging in the Fourth District from \$500 (on the franchised plans) to about \$10,000. In several cases, the ceiling is determined by the account owner's credit-worthiness or by his monthly income.

Banks responding to the survey also were asked to explain why they have not introduced check-credit plans. Many of the comments were identical to those listed for credit cards, with some differences in emphasis. There seemed to be relatively less concern about start-up costs and the length of time prior to the break-even periods, and more concern about the risk of loss and the banks' comparative lack of control over the credit extended. Apparently, many bankers were not willing to give their borrowers the amount of credit discretion implicit in both credit card and check plans. The most frequently mentioned reason for not offering check credit was that there was no demand for this service by the bank's customers or within its market area.

The survey disclosed that legal constraints against bank credit card plans in Ohio also exist for check credit. As one large Ohio bank responded in the survey, the "hypothecation



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requirement for state-chartered banks . . . virtually rules out the offering of this service."

## EVALUATION OF PLANS

The Fourth District member banks with credit card or check-credit plans were asked to evaluate the results of their plans. While the responses were by nature subjective and qualitative, they still provide some interesting insights. Four of the six banks with credit card programs stated that they were quite satisfied with the operation; one bank felt it did not have enough experience as yet to pass judgment, and the sixth did not respond. Some of the comments indicated that the programs were profitable and had been successful in generating new deposit accounts for both merchants and individuals; these contacts in turn enabled the banks to introduce other bank services to the new customers.

The survey also revealed that two District banks had had credit card programs and discontinued them. One small bank had tried to install a card operation in 1959, but "could not acquire sufficient volume to warrant" the service. Another larger bank discontinued its plan "because of cost factors and an unusually high percentage of delinquencies." Obviously, the course of credit cards is not always smooth for the issuing bank.

The individual banks' evaluations of check-credit plans may be more significant because of the larger number of banks involved. Twenty of the 23 banks with a program provided an evaluation, and 17 reported that they were satisfied with their plans. A large part of the satisfaction reflected the fact that their check-credit accounts were limited to

good credit risks. The pre-selection of check-credit customers has resulted either in minimal losses or a profit for many of the banks. Automation of data processing also has contributed to the success of the plans. Opportunities to generate new business were also mentioned and several banks plan to promote their check-credit programs more strongly in the future.

In contrast, three of the banks with check-credit programs stated they were *not* satisfied with the results of their plans and another bank discontinued its program because of its unfavorable experience. At one bank, "the volume is so small, it does not warrant handling this type of loan." A second bank decided that many borrowers are incapable of managing an open line of credit.

In view of these fairly typical evaluations, both pro and con, it is perhaps surprising that all types of credit plans have become popular in commercial banking recently. One possible answer reoccurred in the Fourth District survey; namely — banks believe the existence of these plans gives them a competitive edge to sell financial services. Several respondents mentioned that no other banks in their areas offered credit plans, thus enabling them to attract customers who might not otherwise be available. In some cases, this achievement was considered to be important enough to offset a low rate of profitability. The influence of competition was also apparent in the location of the bank and the spread of credit cards and check credit in the area. If a large city bank introduced one of these services, other banks in the city and in the surrounding market area seemed to respond with plans of their own.

It would be interesting and useful to weigh quantitatively the factors that determine whether or not a bank will provide credit cards and check credit, as well as to determine the

balance between profitability and competition. That these are unanswered relationships emphasizes the need that exists for further study in the rapidly developing field.





