

This PDF is a selection from an out-of-print volume from the National Bureau of Economic Research

Volume Title: A Program of Financial Research Vol 2: Inventory of Current Research on Financial Problems

Volume Author/Editor: Exploratory Committee on Financial Research

Volume Publisher: UMI

Volume ISBN: 0-870-14459-6

Volume URL: <http://www.nber.org/books/expl37-2>

Publication Date: 1937

Chapter Title: Part IV. Standards of Credit and Security Analysis

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Chapter URL: <http://www.nber.org/chapters/c0809>

Chapter pages in book: (p. 167 - 170)

PART IV

Standards of Credit and Security Analysis

TYPES OF PROJECT

Projects brought together in this area are those types that undertake to: (a) deal critically with prevailing procedures and standards for appraising the soundness or quality of credit or securities; (b) derive more objective methods and standards of credit and security analysis from the study of the experience records of various financial institutions and from a more careful sifting and synthesis of information contained in financial reports and published sources. Most of such projects are concerned with the adequacy of procedures and standards of credit and security analysis apart from the special needs of particular creditor and investing agencies; a few, however, expressly consider the question from the standpoint of special needs.

PART IV

Standards of Credit and Security Analysis

A. *Commercial and Mercantile Credit*

- (a) Conventional standards for credit extension
- (b) Adequacy and sources of information used
- (c) Terms of credit extension

{	Interest rates and discount charges
{	Priority and security of credit
{	Method of repayment
- (d) Relation to production, capital turnover, earnings, etc.

B. *Consumer and Personal Finance Credit*

- (a) Credit conditions imposed by lender
- (b) Types and channels of information used
- (c) Terms of credit extension

{	Interest rates
{	Expense load
{	Penalties for default
{	Method of repayment
- (d) Dependence on occupation, income, and personal reliability

C. *Investment Securities*

- (a) Adequacy and accessibility of information

{	Financial reports
{	Investment services
{	Investment counselors
- (b) Techniques of credit analysis and ratings
- (c) Terms of credit extension

{	Interest rates
{	Underwriting costs
{	Priority status of securities
{	Maturity date
{	Sinking fund and other retirement provisions

- (d) Marketability as affected by
- Listing
 - Date of issue and maturity
 - Eligibility for legal investment
 - Tax exemptions
 - Relation of price behavior to interest changes and market fluctuations
- } By quality
} By maturity

D. *Urban Mortgage Credit*

- (a) Methods of appraisal and valuation
- Residential properties
 - Apartment houses and large-scale housing projects
 - Commercial properties
 - Industrial properties
- (b) Terms of credit extension
- Interest rates
 - Fees, commissions, service charges
 - Mortgage priority
 - Repayment method
 - Foreclosure costs
- (c) Relation of mortgage debt to property condition and property and owner income

E. *Agricultural Credit*

- (a) Types of credit
- Mortgage
 - Intermediate
 - Production
 - Consumer
- (b) Kinds and sources of information used
- (c) Terms of credit extension
- Interest rates
 - Security and priority of credit
 - Method of repayment
 - Foreclosure costs
- (d) Relation of credit experience to crop cycles, crop diversification and farm income

F. *Public Obligations—Federal, State, Local*

- (a) Types of public obligations
 - U. S. Government obligations
 - U. S. Government guaranteed obligations
 - State government obligations
 - Municipal and other local obligations

- (b) Special features
 - Tax exemption
 - Statutory provisions regulating issue
 - Preferred status for institutional and legal investment

- (c) Relation of Federal obligations to:
 - Fiscal policies
 - Monetary and credit policies
 - Social security program

- (d) Relation of state and local obligations to:
 - Accumulated debt and budgetary conditions
 - Tax systems and tax-paying capacity
 - Local economic conditions