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**APPENDIX A**

**Scope and Procedure of Questionnaire Survey**



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## Sources and Coverage of Data

THE main body of quantitative data for this study was obtained by a series of five questionnaires and two schedules on loan applications sent to banks throughout the country. Additional basic data were received from various government agencies and through direct correspondence with commercial banks, sales finance companies and personal finance companies. Use was made also of various government reports and other published data. Facsimiles of all questionnaires used are presented in this Appendix as Exhibits I to V inclusive.

The first questionnaire (Exhibit I), a brief inquiry designed to determine the number of banks engaged in instalment consumer credit financing, was sent in November 1938 to all banks in the United States with the cooperation of the Federal Deposit Insurance Corporation. Nearly 6,000 banks returned completed questionnaires and of these approximately 1,750 reported that they were operating a personal loan department. Comparison of these returns with lists of banks reported to be operating personal loan departments supplied by various state banking departments, the Russell Sage Foundation and the Consumer Credit Institute of America, Inc., resulted in a final list of 2,200 banks supposed to have functioning personal loan departments. This list of 2,200 banks was used as the basis for further inquiries.

Two questionnaires covered the cash instalment credit activities of commercial banks operating personal loan departments, and several inquiries were made subsequently to obtain the maximum number of returns. One of these two questionnaires (Exhibit II) was sent to 274 carefully selected

banks whose personal loan departments were believed to have been in operation for several years. This questionnaire requested detailed operating information. The other questionnaire (Exhibit III) was sent to the remaining 1,926 banks. Replies indicating the existence of personal loan departments were received from 215 of the 274 banks and from 853 of the 1,926 banks. In addition, data on 154 banks also operating departments were obtained indirectly from various state banking departments, the Russell Sage Foundation and the Consumer Credit Institute of America, Inc. The information received, therefore, covered the personal loan departments of 1,222 banks.

Of the 2,200 banks receiving questionnaires, 657 did not respond to either questionnaire and 321 reported that they were not operating personal loan departments. If the 657 non-reporting banks were divided in the same proportion between those with and those without a personal loan department as were the 1,543 banks on which information was received, approximately 520 additional commercial bank personal loan departments would be accounted for. The number of commercial banks operating personal loan departments during the period of this survey, September 1938 to August 1939, may thus be estimated at 1,750. We have accepted a more conservative figure of 1,500, however, for the total number of banks with personal loan departments. If this estimate of 1,500 banks is fairly accurate, the maximum questionnaire coverage obtained in the present study embraced over four-fifths of the individual banks engaged in departmentalized personal leading activities.

The total number of banking offices (banks plus branches) at which personal instalment loans were being made during 1938 was estimated at close to 3,000. This estimate was derived from reports submitted by 108 of the 1,222 banks. These 108 banks were operating 1,425 branches and it appeared reasonable to assume that personal instalment loans

were being made in 1,000 of these offices. From reports covering 1,222 banks it can be estimated that the total number of banking offices engaged in personal lending is 2,200. When account is taken, however, of the estimate of 1,500 personal loan departments and when it is recognized further that this figure probably excludes a considerable number of departments, it would seem that the total number of banking offices engaged in making personal instalment loans approaches 3,000.

A special questionnaire (Exhibit IV), covering the operations of banks engaged in financing retail instalment sales, was sent to 1,175 banks. Of these 265 responded with some information, 198 replied that they were not engaged in such financing or could not furnish the information requested and 712 did not reply. Some of the banks which indicated participation in this type of consumer financing did not operate personal loan departments, and others did. In most cases sales financing activities were conducted through such departments. The data submitted by 265 banks were neither uniform nor complete; in many instances the banks had been engaged in this type of lending for such a short time that they could not supply data for more than one year.

A final questionnaire (Exhibit V) was designed to cover the activities of commercial banks in financing other consumer credit agencies, namely, sales finance companies, personal finance companies, industrial banking companies and credit unions. This questionnaire was sent to 550 large banks believed to be engaged in this type of financing. Of these banks 205 responded with information concerning their operations, 74 reported that they did not extend loans to such companies and 271 failed to reply. Additional important data were received through the National Credit Office, Inc., New York City, and directly from 48 large sales finance companies.

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# Exhibits

## EXHIBIT I

### Questionnaire to Banks on Instalment Credit Financing

#### I. Personal Loans:

1. Are you now operating a personal loan department? Yes \_\_\_ No \_\_\_
2. If not, have you done so in the past? Yes \_\_\_ No \_\_\_
3. If you are not operating a personal loan department, do you make chattel, comaker or character loans payable on an instalment basis? Yes \_\_\_ No \_\_\_

If you are making such loans, what was the approximate amount outstanding (in round figures) on September 15, 1938?

\$ \_\_\_\_\_

#### II. Instalment Sales Finance Paper:

4. Did you, at any time in 1937, hold in your portfolio any notes or obligations of sales finance companies, small loan (personal finance) companies, or other institutions engaged primarily in financing consumers on an instalment basis? Yes \_\_\_ No \_\_\_

If you are making such loans, what was the approximate amount outstanding (in round figures) on September 15, 1938?

\$ \_\_\_\_\_

## EXHIBIT II

FORM I

CODE NO. \_\_\_\_\_

### Questionnaire on Personal Loan Department

Note: In answering questions 1-37, please restrict replies, except in question 27, to experience on single-name and comaker loans, loans secured by savings pass-books, life insurance, etc. *Exclude* experience on FHA (Title I) loans, loans secured by conditional sales contracts, bailment leases, chattel mortgages, etc., and discounted dealer paper.

#### I. General Information

1. When did you organize your personal loan department? \_\_\_\_\_

Year

2. Check one or more reasons for going into this type of business:
  - a) Success in handling FHA Title I loans \_\_\_\_\_
  - b) Outlet for idle funds \_\_\_\_\_
  - c) Provide more complete banking service \_\_\_\_\_
  - d) Prevent loss of old accounts \_\_\_\_\_
  - e) Other reasons (List specific reasons) \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
3. How many employees do you have working in personal loan department?
 

Full time \_\_\_\_\_ Part time \_\_\_\_\_
4. What percentage of the total applications submitted to your personal loan department in 1938 were rejected by your bank \_\_\_\_\_%
5. Has personal loan department brought in other types of business?  
 Yes \_\_\_\_\_ No \_\_\_\_\_ Specify types \_\_\_\_\_
6. In organizing a personal loan department did you:
  - a) Bring in a specially trained man from outside the bank to manage this department? Yes \_\_\_\_\_ No \_\_\_\_\_
  - b) If yes, what was the former employment of this man? \_\_\_\_\_
  - c) If no, what special training, if any, did you give employee assigned to manage this department? \_\_\_\_\_
7. If you operate branches, please state:
  - a) Total number of branches \_\_\_\_\_
  - b) Number of branches making personal loans \_\_\_\_\_
  - c) If credit investigation work is concentrated in one office  
 Yes \_\_\_\_\_ No \_\_\_\_\_
8. Does your bank, in computing the cost of operating the personal loan department, charge it:
  - a) With some percentage of general overhead expenses, (i.e., expenses not directly allocable to personal loan department)? Yes \_\_\_\_\_  
 No \_\_\_\_\_
  - b) With interest on the funds employed in personal loans? Yes \_\_\_\_\_  
 No \_\_\_\_\_ If yes, at what rate? \_\_\_\_\_%
9. What is the minimum annual volume of business needed to make your personal loan department profitable, taking into consideration the size of your bank, present interest rates, and the existing personnel in your personal loan department? \$ \_\_\_\_\_

## II. Credit Information

10. Do you require the applicant to fill out a loan application blank giving full details regarding income and employment? Yes \_\_\_\_\_ No \_\_\_\_\_  
*Please attach copy of your application blank and any other forms which the applicant is required to fill out.*
11. Check one or more of the sources from which you receive credit information:
  - a) Own bank's commercial credit department \_\_\_\_\_
  - b) Mercantile credit agencies \_\_\_\_\_

- c) Retail credit exchange agencies \_\_\_\_\_
- d) Bank personal loan credit interchange agencies \_\_\_\_\_
- e) Other personal loan credit interchange agencies \_\_\_\_\_
- f) Customer's own bank \_\_\_\_\_
- g) Customer's employer \_\_\_\_\_
- h) Customer's creditors \_\_\_\_\_
- i) Other sources (List specific sources) \_\_\_\_\_

- 12. If you operate branches do you concentrate credit investigation work in one office? a) Entirely \_\_\_\_\_ b) Partially \_\_\_\_\_
- 13. Do you charge a credit investigation fee? Yes \_\_\_\_\_ No \_\_\_\_\_
  - a) If yes, is it a flat fee? Yes \_\_\_\_\_ Amount \$ \_\_\_\_\_ No \_\_\_\_\_
  - b) If the fee varies between types and sizes of loans, please explain: \_\_\_\_\_
- 14. Do you collect an investigation charge if loan application is rejected? Yes \_\_\_\_\_ No \_\_\_\_\_
- 15. Do you require borrowers to carry group life insurance on unsecured and comaker loans? Yes \_\_\_\_\_ No \_\_\_\_\_
- 16. If you require insurance, how is the premium collected? \_\_\_\_\_
- 17. Aside from the borrower's income, what other factors do you consider important in determining the credit standing of the borrower? (List five or six factors in order of importance) \_\_\_\_\_
- 18. If borrower has a personal loan outstanding from another bank, do you require a consolidation in order to handle the full amount of personal loan indebtedness? Yes \_\_\_\_\_ No \_\_\_\_\_
- 19. List other types of instalment indebtedness which you require to be consolidated. \_\_\_\_\_

### III. *Loan Requirements*

- 20. What is your maximum loan maturity? \_\_\_\_\_ months. Minimum? \_\_\_\_\_ months.
- 21. What is your maximum individual loan limit? \$ \_\_\_\_\_ Minimum? \$ \_\_\_\_\_
- 22. Do you grant a rebate of interest if the loan is paid before maturity? Yes \_\_\_\_\_ No \_\_\_\_\_ If yes, how is the amount of the rebate determined? \_\_\_\_\_
- 23. What percentage of your loans paid off in 1938 were terminated by:
  - a) Prepayment (i.e., paid in full before last payment was due)? \_\_\_\_\_%
  - b) A new loan made to pay off the unpaid balance (i.e., refinanced)? \_\_\_\_\_%

- c) A new loan to pay off unpaid balance and provide additional funds?  
\_\_\_\_\_ %
- 24. What interest rate do you now charge on:
  - a) Single-name loans \_\_\_\_\_
  - b) Comaker loans \_\_\_\_\_
  - c) Collateral loans \_\_\_\_\_
  - d) Other rate quotations (specify) \_\_\_\_\_
- 25. Is interest collected in advance (i.e., deducted from the face of the note)? Yes \_\_\_\_\_ No \_\_\_\_\_
- 26. Do you charge off uncollectible loans as losses? Yes \_\_\_\_\_ No \_\_\_\_\_
  - a) If yes, do you treat charge-offs as a current operating expense or do you deduct the loss from a reserve built up to cover such losses? Check (1) or (2) below.
    - (1) Charge to current expense \_\_\_\_\_ (2) Deduct from loss reserve \_\_\_\_\_
  - b) If you build up a reserve against potential losses, how is the amount of the reserve determined? \_\_\_\_\_
- 27. What percent of your collateral loans made in 1938 were secured by:
  - a) Stocks and bonds . . . . . \_\_\_\_\_ %
  - b) Savings passbooks . . . . . \_\_\_\_\_ %
  - c) Life insurance policies . . . . . \_\_\_\_\_ %
  - d) Others (list) (e.g., chattel mortgages, wage assignments, automobiles, etc.) . . . . . \_\_\_\_\_ %
  - \_\_\_\_\_ . . . . . \_\_\_\_\_ %
  - \_\_\_\_\_ . . . . . \_\_\_\_\_ %
- 28. Have you made arrangements with any business firms providing for loans to the employees of such firms without comakers? Yes \_\_\_\_\_ No \_\_\_\_\_ If so, approximately what percentage of your total loans made in 1938 were obtained in this way? \_\_\_\_\_ %

IV. *Collection Experience*

- 29. Are the borrower's instalment payments:
  - a) Applied as a direct reduction of the principal of the loan? Yes \_\_\_\_\_ No \_\_\_\_\_
  - b) Accumulated in a special savings account? Yes \_\_\_\_\_ No \_\_\_\_\_ If yes, what interest, if any, is paid on such savings accounts? \_\_\_\_\_ %
- 30. What percentage of your loans outstanding at the end of 1938 were delinquent: 30 days \_\_\_\_\_ %, 31-59 days \_\_\_\_\_ %, 60 days and over \_\_\_\_\_ %? (Measure delinquency as the number of days from the date at which payment was due.)
- 31. Do you impose a late charge on delinquents? Yes \_\_\_\_\_ No \_\_\_\_\_ If yes, what is the charge and how is it determined? \_\_\_\_\_
- 32. a) During 1938, how many loans were "matured" or "accelerated" (i.e., payment in full demanded)? \_\_\_\_\_

- b) What was the amount of the unpaid balance on these "matured" loans? \$ \_\_\_\_\_
33. How long do you allow loans to remain delinquent before demanding payment in full? \_\_\_\_\_ days.
34. What percentage of "matured" or "accelerated" accounts are finally turned over to attorneys for collection? \_\_\_\_\_ %
35. What percentage of the number of unsecured and comaker loans turned over to attorneys are:
- a) Taken into court? \_\_\_\_\_ %
- b) Finally paid? \_\_\_\_\_ %
36. Approximately what percentage of the number of your comaker loans were finally paid by the comakers? \_\_\_\_\_ %
37. What percentage of the number of your loans secured by savings bank passbooks, and stocks and bonds, life insurance and like collateral were finally paid by sale of collateral? \_\_\_\_\_ %

TABLE I  
Total Volume of Personal Loans, 1934-1938

YEAR	TOTAL LOANS OUTSTANDING AT END OF YEAR		TOTAL LOANS MADE DURING YEAR		AMOUNT OF DIFFERENT TYPES OF LOANS MADE DURING YEAR							
	No.	Amount	No.	Amount	Single Name		Comaker		Secured by Savings Pass-books, etc. <sup>1</sup>		Secured by Conditional Sales Contracts, etc. <sup>2</sup>	
					No.	Amount	No.	Amount	No.	Amount	No.	Amount
1938		\$		\$		\$		\$		\$		\$
1937		\$		\$		\$		\$		\$		\$
1936		\$		\$		\$		\$		\$		\$
1935		\$		\$		\$		\$		\$		\$
1934		\$		\$		\$		\$		\$		\$

<sup>1</sup> Include stocks and bonds, life insurance and like collateral.

<sup>2</sup> Include bailment leases, chattel mortgages and like collateral.

TABLE 2

Percentage Distribution of Personal Loans Made During 1938 According to Maturity

MATURITY	PERCENT
Under 12 months . . . . .	_____
12 months . . . . .	_____
15 months . . . . .	_____
18 months . . . . .	_____
Over 18 months . . . . .	_____
	100.0

CODE NO. \_\_\_\_\_

TABLE 3

Charge-Offs and Recoveries on Single-Name and Co-maker Loans 1934-1938<sup>1</sup>

YEAR	LOANS CHARGED OFF				RECOVERIES ON LOANS PREVIOUSLY CHARGED OFF	
	<i>Single Name</i>		<i>Comaker</i>		<i>Single Name</i>	<i>Comaker</i>
	No.	Amount	No.	Amount	Amount	Amount
1938		\$		\$	\$	\$
1937		\$		\$	\$	\$
1936		\$		\$	\$	\$
1935		\$		\$	\$	\$
1934		\$		\$	\$	\$

<sup>1</sup> If, as a matter of accounting procedure, you do not charge off losses on loans, it is not necessary for you to fill in this table.

TABLE 4

Sources of Income from Personal Loan Business for Year Ending December 31, 1938

Gross income, per \$100 of funds used, from personal loan department: \$ \_\_\_\_\_

Percentage of income derived from:

- a) Interest on loans . . . . . \_\_\_\_\_%
- b) Charges for credit investigation . . . . . \_\_\_\_\_%
- c) Late charges . . . . . \_\_\_\_\_%
- d) Others . . . . . \_\_\_\_\_%

FORM II  
CODE NO. \_\_\_\_\_

EXHIBIT III

Personal Loan Questionnaire

Note: In answering questions 1-11, please restrict replies to experience on single-name and comaker loans, loans secured by savings passbooks, life insurance, etc. Exclude experience on FHA (Title I) loans, loans secured by conditional sales contracts, bailment leases, chattel mortgages, etc., and discounted dealer paper.

1. When did you organize your Personal Loan Department? \_\_\_\_\_
2. If you operate branches, please state: (1) Total number \_\_\_\_\_ (2) Number making personal loans \_\_\_\_\_ (3) Is credit work concentrated in one office? Yes \_\_\_\_\_ No \_\_\_\_\_
3. What interest rate do you now charge on each of the following types of personal loans: (1) Single name \_\_\_\_\_% (2) Comaker \_\_\_\_\_% (3) Collateral \_\_\_\_\_% Other quotations \_\_\_\_\_%
4. Do you charge a credit investigation fee? Yes \_\_\_\_\_ No \_\_\_\_\_. If yes, is it a flat fee? Yes \_\_\_\_\_ Amount \$ \_\_\_\_\_ No \_\_\_\_\_. If the fee varies between types and sizes of loans, please explain \_\_\_\_\_
5. What is your maximum loan maturity? \_\_\_\_\_ months. Minimum? \_\_\_\_\_ months.
6. What is your maximum loan limit? \$ \_\_\_\_\_ Minimum? \$ \_\_\_\_\_
7. What percentage of your loans have a maturity of: (1) Under 12 months? \_\_\_\_\_% (2) 12 months? \_\_\_\_\_% (3) 15 months? \_\_\_\_\_% (4) 18 months? \_\_\_\_\_% (5) Over 18 months? \_\_\_\_\_%
8. During 1938, what percentage of your loans outstanding became delinquent: 30 days? \_\_\_\_\_% 31-59 days? \_\_\_\_\_% 60 days and over? \_\_\_\_\_% (Measure delinquency as the number of days from the date at which payment was due.)

9. How long do you allow loans to remain delinquent before payment in full is demanded? \_\_\_\_\_ days.
10. During 1938, what percentage of your loans were "matured" or "accelerated" (i.e., payment in full demanded)? \_\_\_\_\_% What percentage of such accounts were finally turned over to attorneys for collection? \_\_\_\_\_%
11. Remarks: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

TABLE 1  
Total Volume of Personal Loans, 1934-1938

YEAR	TOTAL PERSONAL LOANS OUTSTANDING AT END OF YEAR		TOTAL PERSONAL LOANS MADE DURING YEAR		AMOUNT OF DIFFERENT TYPES OF PERSONAL LOANS MADE DURING YEAR							
	No.	Amount	No.	Amount	Single Name		Comaker		Secured by Savings Pass-books, etc. <sup>1</sup>		Secured by Conditional Sales Contracts, etc. <sup>2</sup>	
					No.	Amount	No.	Amount	No.	Amount	No.	Amount
1938		\$		\$		\$		\$		\$		\$
1937		\$		\$		\$		\$		\$		\$
1936		\$		\$		\$		\$		\$		\$
1935		\$		\$		\$		\$		\$		\$
1934		\$		\$		\$		\$		\$		\$

<sup>1</sup> Include stocks and bonds, life insurance and like collateral.

<sup>2</sup> Include bailment leases, chattel mortgages and like collateral.

TABLE 2

Charge-Offs and Recoveries on Single-Name and Co-maker Loans, 1934-1938

LOANS CHARGED OFF DURING YEAR			AMOUNT RECOVERED DURING YEAR FROM LOANS PREVI- OUSLY CHARGED OFF
Year	No.	Amount	Amount
1938		\$	\$
1937		\$	\$
1936		\$	\$
1935		\$	\$
1934		\$	\$

*Please attach a copy of your personal loan application blank.*

FORM III  
CODE NO. \_\_\_\_\_

EXHIBIT IV

Questionnaire on Methods and Practices of Commercial Banks in Financing the Purchase of Consumer Goods on Instalment Basis

1. If you are financing the purchase of consumer goods on the instalment basis, please check in proper column in the following table to show types of goods financed and the source from which you obtain the paper:

ARTICLE	DO YOU ACQUIRE PAPER DIRECT FROM PURCHASER?		DO YOU ACQUIRE PAPER DIRECT FROM DEALER?		DO YOU ACQUIRE PAPER FROM MANUFACTURER?		DO YOU BUY SUCH PAPER FROM OTHER SOURCES?	
	Yes	No	Yes	No	Yes	No	Yes	If yes, please specify
Automobiles								
Household appliances (refrigerators, radios, ranges, washing machines, etc.)								
House-heating equipment								
Furniture								
Soft goods (clothes, etc.)								
Others (Please specify)								

2. To what extent are such loans or purchases of instalment paper handled by your personal loan department? \_\_\_\_\_

3. Please submit the indicated information on loans made or paper purchased by your bank during 1938:

ARTICLE	TOTAL LOANS AND PURCHASED PAPER OUTSTANDING 12-31-38	TOTAL LOANS AND PURCHASES OF PAPER MADE DURING 1938		PERCENTAGE OF TOTAL RETAIL LOANS OR PAPER PURCHASED DURING 1938 OBTAINED FROM <sup>1</sup>				TOTAL LOANS AND PURCHASES OF PAPER DURING 1937
		No.	Amount	Purchaser	Dealer	Mfr.	Others	
Automobiles	\$ _____		\$ _____	%	%	%	%	\$ _____
Household appliances	\$ _____		\$ _____	%	%	%	%	\$ _____
House-heating equipment	\$ _____		\$ _____	%	%	%	%	\$ _____
Furniture	\$ _____		\$ _____	%	%	%	%	\$ _____
Soft goods	\$ _____		\$ _____	%	%	%	%	\$ _____
Others	\$ _____		\$ _____	%	%	%	%	\$ _____
(Please specify)	\$ _____		\$ _____	%	%	%	%	\$ _____
	\$ _____		\$ _____	%	%	%	%	\$ _____
TOTAL	\$ _____		\$ _____	%	%	%	%	\$ _____

<sup>1</sup> This breakdown may be given in dollar amounts if more convenient to you.

4. What were your total loans and paper purchased outstanding, December 31, 1937? \$ \_\_\_\_\_; December 31, 1936? \$ \_\_\_\_\_
5. If you sent us a completed questionnaire on personal loan departments, to what extent are the loan statistics appearing on the present questionnaire duplicated in your reply to the personal loan department questionnaire?  
 \_\_\_\_\_  
 \_\_\_\_\_
6. What percentage of your 1938 retail automobile loans were made to finance the instalment purchase of used cars? \_\_\_\_\_%
7. Do you make loans to finance the wholesale stock of automobile dealers?
  - a) New Cars? Yes \_\_\_\_\_ No \_\_\_\_\_ If so, amount made during 1938 \$ \_\_\_\_\_
  - b) Used Cars? Yes \_\_\_\_\_ No \_\_\_\_\_ If so, amount made during 1938 \$ \_\_\_\_\_

8. Please indicate the extent to which you have recourse to the dealer or manufacturer or receive their guaranty, on the financing of the different articles:

ARTICLE	DEALER'S RE-COURSE OR GUARANTY			MANUFACTURER'S RE-COURSE OR GUARANTY			RECOURSE ON PAPER ACQUIRED FROM OTHERS		
	Full	Lim-ited	None	Full	Lim-ited	None	Full	Lim-ited	None
Automobiles	—%	—%	—%	—%	—%	—%	—%	—%	—%
Household appliances	—%	—%	—%	—%	—%	—%	—%	—%	—%
House-heating equipment	—%	—%	—%	—%	—%	—%	—%	—%	—%
Furniture	—%	—%	—%	—%	—%	—%	—%	—%	—%
Soft goods	—%	—%	—%	—%	—%	—%	—%	—%	—%
Others	—%	—%	—%	—%	—%	—%	—%	—%	—%
(Please specify)	—%	—%	—%	—%	—%	—%	—%	—%	—%

9. Indicate below the amount of charge-offs and recoveries made during 1938 on:

	CHARGE-OFFS	RECOVERIES
Automobile paper	\$ _____	\$ _____
All other paper	\$ _____	\$ _____

10. With regard to down payment and length of contract, what minimum down payment and maximum length of contract do you adhere to as standard or conservative?

ARTICLE	MINIMUM DOWN PAYMENT	MAXIMUM NUMBER OF MONTHS
Automobiles	_____	____%
Household appliances	_____	____%
House-heating equipment	_____	____%
Furniture	_____	____%
Soft goods	_____	____%
Others	_____	____%
(Please specify)	_____	____%

11. What provisions, if any, are made for setting up a reserve against possible losses resulting from bad loans? Please explain the basis and amount of such reserves. (If additional space is needed, please use reverse side of this page.) \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

FORM IV  
 CODE NO. \_\_\_\_\_

### EXHIBIT V

#### Questionnaire to Commercial Banks on Methods and Practices of Financing Sales Finance Companies, Personal Finance Companies, Industrial Banking Companies and Other Financing Organizations

1. If you are financing sales finance companies, personal finance companies, industrial banking companies or other instalment consumer credit financing organizations, please enter check-marks in the proper column in the following table:

#### Types of Loans Made, and Classes of Organizations Financed

ORGANIZATIONS	UNSECURED LOANS		LOANS SECURED BY COLLATERAL		PAPER PURCHASED IN MARKET FOR OWN ACCOUNT	
	Yes	No	Yes	No	Yes	No
Sales finance companies						
Personal finance companies (Small loan companies)						
Industrial banking companies						
Other financing organizations (Please state type)						

2. If you make loans secured by collateral to finance organizations engaged in extending consumer instalment credit, indicate below the types of collateral taken by the bank as security from:

- a) Sales finance companies \_\_\_\_\_
- b) Personal finance companies \_\_\_\_\_
- c) Industrial banking companies \_\_\_\_\_
- d) Other financing organizations \_\_\_\_\_  
(Please state type)

3. Statement of total outstanding bank loans and paper purchased in market, on dates indicated, to certain financing organizations lending on instalment basis.

	1938		1937	
	June 30	December 31	June 30	December 31
I. <i>To Sales Finance Companies</i> <sup>1</sup>				
a) Unsecured loans	_____	_____	_____	_____
b) Loans secured by collateral	_____	_____	_____	_____
c) Paper purchased in open market for own account	_____	_____	_____	_____
II. <i>To Personal Finance Companies</i> <sup>1</sup> (Small Loan Companies)				
a) Unsecured loans	_____	_____	_____	_____
b) Loans secured by collateral	_____	_____	_____	_____
c) Paper purchased in open market for own account	_____	_____	_____	_____
III. <i>To Industrial Banking Companies</i>				
a) Unsecured loans	_____	_____	_____	_____
b) Loans secured by collateral	_____	_____	_____	_____
c) Paper purchased in open market for own account	_____	_____	_____	_____
IV. <i>To Other Financing Organizations</i> (Specify types)				
a) Unsecured loans	_____	_____	_____	_____
b) Loans secured by collateral	_____	_____	_____	_____
c) Paper purchased in open market for own account	_____	_____	_____	_____
TOTAL	_____	_____	_____	_____

<sup>1</sup>If a borrowing company purchases automobile and other types of paper (excluding personal loans), and also operates a personal finance division,

4. Please indicate the range of maturities of loans made to the following and indicate where within the range the bulk of your loans fall.

ORGANIZATIONS	RANGE OF MATURITIES OF OUTSTANDING LOANS, AS OF DECEMBER 31, 1938
Sales finance companies	_____ to _____ months, bulk at _____ months
Personal finance companies (Small loan companies)	_____ to _____ months, bulk at _____ months
Industrial banking companies	_____ to _____ months, bulk at _____ months
Other financing organizations (Specify types)	_____ to _____ months, bulk at _____ months
_____	_____ to _____ months, bulk at _____ months
_____	_____ to _____ months, bulk at _____ months

5. To what extent do you insist on obtaining periodically (say every six months) a maturity schedule of outstanding retail receivables from sales finance companies? \_\_\_\_\_
6. If you are financing sales finance companies,
- a) What do you regard as a satisfactory "liquidation" period of a company's debt?<sup>1</sup> \_\_\_\_\_
  - b) What do you regard as the minimum percent of the cost price that the finance company should receive as a down payment on:
    - (1) A new car? \_\_\_\_\_%
    - (2) A used car? \_\_\_\_\_%
  - c) What is the maximum number of months for repayment that a sales finance company should allow its customers on purchases of:
    - (1) A new car? \_\_\_\_\_ months.
    - (2) A used car? \_\_\_\_\_ months.
7. What has been the amount of losses sustained by your bank during the past two years to:

	1937	1938
a) Sales finance companies.....	\$ _____	\$ _____
b) Personal finance companies (Small loan companies).....	\$ _____	\$ _____
c) Industrial banking companies.....	\$ _____	\$ _____

include any loans to such companies in the group that represents the greatest proportion of the total business done (e.g., a company doing 75 percent of its business in automobile financing and 25 percent in personal finance should be included in Group I above).

<sup>1</sup>In determining the liquidation period, cash and wholesale receivables should be deducted from total liabilities to arrive at net debt position. From maturity schedule of outstanding retail receivables should then be determined how many months' collections would be required to liquidate this net debt.

8. What was the range of interest rates which you were receiving on December 31, 1938, and where did the bulk of your loans fall in this range on:
- a) Direct loans to sales finance companies \_\_\_\_\_ to \_\_\_\_\_ bulk at \_\_\_\_\_%
  - b) Direct loans to personal finance companies..... \_\_\_\_\_ to \_\_\_\_\_ bulk at \_\_\_\_\_%
  - c) Open market paper which you held on that date..... \_\_\_\_\_ to \_\_\_\_\_ bulk at \_\_\_\_\_%
9. To what extent did the interest rate charged on direct loans to local sales finance companies differ from that charged on advances to national sales finance companies? \_\_\_\_\_
- 
10. What would you regard as a conservative ratio between borrowed funds and net worth<sup>1</sup> (capital funds) for:
- a) Sales finance companies \_\_\_\_\_
  - b) Personal finance companies (Small loan companies) \_\_\_\_\_
  - c) Industrial banking companies \_\_\_\_\_
11. What, if any, was the amount of debentures or other long-term obligations which you held in your investment portfolios as of December 31st, for:
- |  | 1937     | 1938     |
|--|----------|----------|
| a) Sales finance companies.....                              | \$ _____ | \$ _____ |
| b) Personal finance companies.....<br>(Small loan companies) | \$ _____ | \$ _____ |
| c) Industrial banking companies.....                         | \$ _____ | \$ _____ |

<sup>1</sup>Borrowed funds should include short-term borrowings, debentures and other forms of long-term borrowings; and net worth should include the total of capital stock and surplus (less any investments in outside companies and intangibles).

