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Volume Author/Editor: Raymond J. Saulnier and Neil H. Jacoby

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APPENDICES

- A. Procedures Followed in Estimating Factoring Volume
- B. Procedures Followed in Selecting Commercial Bank Sample
- C. Supplementary Tables

A

Procedures Followed in Estimating Factoring Volume

THE ANNUAL VOLUME OF SALES factored for the period 1934-41, inclusive, is available for four of the major companies. Comparable data for James Talcott, Inc. are available in reports to the Securities and Exchange Commission for 1934-39, but it was necessary to estimate this company's 1940 and 1941 volume by applying to its outstandings at the end of these years the average of its ratios of year-end outstandings to annual volume from 1934 to 1939. Also, estimates had to be made of the annual volume for Textile Banking Company and Edmund Wright Ginsberg Corporation, the factoring subsidiaries of Commercial Credit Company, for certain years; the volume for Textile Banking Company was known for the period 1933-39 inclusive, but that of Edmund Wright Ginsberg, while known for 1932, had to be estimated for the period 1933-35 inclusive.

Estimates for Edmund Wright Ginsberg over the period 1933-35 were made on the assumption that annual changes in the volume of receivables purchased by this company were the same, in both direction and percentage amount, as those of Commercial Factors Corporation. Changes in the volume of receivables purchased by Commercial Factors Corporation over this period are known to be fairly representative of changes shown by other factoring companies.

Finally, it was necessary to estimate the volume of receivables purchased by both Textile Banking and Edmund Wright Ginsberg for the years 1940 and 1941. This was done by taking that portion of the total volume of "open accounts, notes and factoring receivables" acquired by Commercial Credit Company that was considered to represent the factoring component. As reported by Commercial Credit Company, total "open accounts, notes and factoring receivables" acquired combines the business transacted by its factoring subsidiaries, Textile Banking and Edmund Wright Ginsberg, with the company's non-notification receivables financing. The division of this total was known for 1939; the 1940 and 1941 estimates were made on the assumption that in those years the company's factoring bore the same relation to total open accounts receivable financing as in 1939.

These estimates probably err on the side of overstatement of volume,

particularly in 1940 and 1941. First, it is thought that the method used in computing the volume of receivables purchased by Commercial Credit Company subsidiaries overstates their actual volume but it is not known by how much. Second, some factoring companies purchase accounts on a non-notification basis and some of this may have been included as factoring. The extent of this error cannot be determined, because there is no information as to the relative importance of this type of financing beyond general statements that it is not done in significantly large amounts. Third, it is thought that with the emergence of war contract financing some part of the receivables held at the end of 1941 represented accounts having longer terms than customary in textile factoring. However, the estimates are understatements in the sense that they represent only the activity of factors in buying invoices or accounts receivable and do not display their importance as lenders through the making of advances to clients on merchandise or on other bases.

B

Procedures Followed in Selecting Commercial Bank Sample

IN AN EFFORT TO DETERMINE the extent of commercial bank activity in accounts receivable financing, questionnaires were sent to a random sample of approximately 800 institutions identified from the Federal Deposit Insurance Corporation list of 13,492 "insured commercial banks." In selecting the sample, all banks on the list were divided into five groups according to the population of the city in which the bank was located. Every 36th bank was selected from those located in centers of population of under 10,000; every 9th bank was selected from those in centers of population of from 10,000 to 50,000 and every 3rd bank was selected from among those in centers of population of 50,000 or over. In order to permit closer examination of results for the larger banks, questionnaires returned by banks in the last group were later subdivided into three groups: banks in centers of population of 50,000 to 100,000; 100,000 to 500,000; and 500,000 and over. This method of selection produced a sample of approximately 800 banks and these institutions returned 328 completed questionnaires. The following questions were asked on the questionnaire:

1. Do you at the present time *regularly* engage in extending credit to business concerns by purchasing or taking assignments of their open accounts receivable? ("Yes" or "No")

(*Important Note: If you acquire receivables only as secondary collateral for loans made on other primary security, or only to secure loans previously made on an unsecured basis, answer "No."*)

2. If you do regularly engage in open accounts receivable financing, state—

- (a) The *total number of business concerns* that you are now financing in this way:
- (b) The *number of these concerns engaged primarily in retail trade*:

3. If you do regularly engage in open accounts receivable financing, state—

- (a) The *approximate total amount of your outstanding advances against open accounts receivable*: \$.....
as of (a recent date)
- (b) The *approximate amount of such advances to businesses engaged primarily in retail trade*: \$.....as of
..... (same recent date)

Supplementary Tables

Table C-1—NUMBER OF BANKS REPORTING ON PARTICIPATION IN ACCOUNTS RECEIVABLE FINANCING, BY DEPOSIT SIZE OF BANK, SIZE OF POPULATION CENTER AND REGION IN WHICH BANK IS LOCATED ^a

	<i>Number of Banks Replying</i>		<i>Ratio of Partici- pating to all Responding Banks</i>
	Yes	No	
<i>Deposit Size of Bank ^b</i>			
\$1,000 or less	5	74	1 to 16
1,000-5,000	25	92	1 to 5
5,000-10,000	13	26	1 to 3
10,000-50,000	26	33	1 to 2
Over 50,000	19	13	1 to 2
ALL REPORTING BANKS	88	238	1 to 4
<i>Size of Center of Population ^c</i>			
Less than 10,000	9	78	1 to 10
10,000-50,000	13	56	1 to 5
50,000-100,000	11	30	1 to 4
100,000-500,000	28	49	1 to 3
500,000 and over	28	25	1 to 2
ALL REPORTING BANKS	89	238	1 to 4
<i>Region</i>			
New England	7	17	1 to 3
Middle Atlantic	29	44	1 to 3
East North Central	22	41	1 to 3
West North Central	6	50	1 to 9
South Atlantic	7	37	1 to 6
East South Central	7	13	1 to 3
West South Central	5	16	1 to 4
Mountain	2	10	1 to 6
Pacific	4	10	1 to 4
ALL REPORTING BANKS	89	238	1 to 4

^a Based on a questionnaire survey.

^b Total deposits in thousands of dollars. Each size class is exclusive of the lower limit and inclusive of the upper.

^c Each size class is inclusive of the lower limit and exclusive of the upper.

Table C-2—ACCOUNTS RECEIVABLE LOAN BALANCES IN AMOUNT, AND IN PERCENT OF TOTAL LOANS AND DISCOUNTS, BY SIZE OF POPULATION CENTER AND REGION IN WHICH BANK IS LOCATED ^a

			Accounts Receivable Loan Balances	
	Number of Banks	Total Loans & Discounts	Amount	In Percent of Total Loans & Discounts
Size of Center of Population ^b				
Under 10,000	9	\$3,684,000	\$105,251	2.9%
10,000-50,000	13	20,326,000	440,740	2.2
50,000-100,000	11	29,419,000	859,648	2.9
100,000-500,000	28	331,450,000	4,435,085	1.3
500,000 and over ^c	28	1,464,897,000	10,901,172	.7
Region				
New England	7	373,566,000	4,101,161	1.1
Middle Atlantic	29	960,906,000	6,779,102	.7
East North Central	22	198,406,000	2,309,657	1.2
West North Central	6	77,273,000	622,977	.8
South Atlantic	7	12,560,000	293,389	2.3
East South Central	7	91,065,000	830,784	.9
West South Central	5	51,449,000	637,822	1.2
Mountain	2	1,414,000	8,000	.6
Pacific	4	82,569,000	1,159,004	1.4
ALL REPORTING BANKS	89	\$1,849,208,000	\$16,704,396	.9%

^a Based on a questionnaire survey.

^b Each size class is inclusive of the lower limit and exclusive of the upper.

^c Includes the following cities: Baltimore, Boston, Chicago, Cleveland, Detroit, Los Angeles, Milwaukee, New York, Philadelphia, Pittsburgh, St. Louis, San Francisco, and Washington, D. C.

Index

- ACCOUNTS RECEIVABLE FINANCING—Growth of Interest in, 16; And Availability of Credit, 16; Definition of, 17; Importance in Commercial Banks, 55; As "Interim" Financing, 67; Profitability, 142-43.
- ASSET STRUCTURE—Factors, 42; Commercial Finance Companies, 50.
- BANK BORROWING—By Factors, 44; By Commercial Finance Companies, 52.
- BANK EXAMINATION AND ACCOUNTS RECEIVABLE FINANCING—29-31.
- CASH COLLATERAL ACCOUNT—83.
- CHANDLER ACT—28-29.
- CHAPMAN, JOHN M.—17n, 25n, 53n, 55n.
- CLIENT CHARGES—Factors, 128-30; Commercial Finance Companies, 131-33; Commercial Banks, 134-37.
- CLIENTS—Characteristics of in Factoring, 58-60; Characteristics of in Non-Notification Financing, 61.
- COLLECTION EXPERIENCE—139-40.
- COMMERCIAL BANKS—Growth of Interest in Accounts Receivable Financing, 25-31, 52; Frequency of Participation in Accounts Receivable Financing, 53-57; Classification of Clients, 76; Receivables Financing Organization in, 96. *See* Client Charges, Contract Provisions, Credit Analysis, Promotional Methods, Volume Estimator.
- COMMERCIAL FINANCE COMPANIES—Non-Financial Services of, 89; Organization of, 94-96. *See* Asset Structure, Bank Borrowing, Client Charges, Contract Provisions, Net Worth, Promotional Methods, Volume Estimator.
- COMMISSION HOUSES—19.
- CONSOLIDATION MOVEMENT—40-41.
- CONTRACT PERIOD—Factoring, 79-80; Non-Notification Financing, 81.
- CONTRACT PROVISIONS—Factoring, 100-04; Commercial Finance Companies, 104-06; Commercial Banks, 107-09.
- COSTS OF OPERATION—79, 138-42.
- CREDIT ANALYSIS—Elements of in Factoring, 109-11; Commercial Bank Methods of, 120-24.
- CREDIT BALANCES—45, 71, 85, 125.
- CREDIT STANDARDS—Current Ratio and, 111.
- FACTORING—Definition of, 17; Economic Function of, 18-20; Demand for Services of, 18-20; Styling and Merchandising Services in, 24-25; Concentration in New York City, 39-40; Outside Textiles, 60-61.
- FACTORING COMPANIES—Organization of, 92-94.
- FACTORS—Non-Financial Services of, 89. *See* Asset Structure, Bank Borrowing, Client Charges, Contract Provisions, Net Worth, Promotional Methods, Volume Estimator.
- FOULKE, ROY A.—34n.
- FRAUD—114-15.
- JACOBY, NEIL H.—39n.
- LEGAL BASIS OF RECEIVABLES FINANCING—25-31.
- LOAN BALANCES—Size, 61; Relation to Net Worth, 68; Size in Factoring, 70; Size in Non-Notification Financing, 72; Control Over, 117-20.
- LOSS RESERVES—Factoring, 45, 124-27, 142; Non-Notification Financing, 52.
- MERCHANDISE ADVANCES—44, 45, 72.
- MILLS, GEORGE—33n.
- NET WORTH—Factors, 42-43; Commercial Finance Companies, 53.
- NON-NOTIFICATION FINANCING—Definition of, 17; Business Demand for, 21-25; And Availability of Credit, 22-23; Legal Conditions Affecting, 25-31; Growth of, 47.

- NON-NOTIFICATION PROCEDURE—Reasons for, 21-22.
- PERCENTAGE ADVANCE—Amount of, 86; Elements Determining, 88.
- PLUMMER, WILBUR C.—17n, 44n.
- PROFITABILITY—In Accounts Receivable Financing, 142-43.
- PROMOTIONAL METHODS—Factoring, 97; Commercial Finance Companies, 97-98; Commercial Banks, 98-100.
- RECEIVABLES—Size of, 77-79; Turnover of, 72, 80, 81; Judging Quality of, 115-17.
- RECEIVABLES LOANS—Size of, 78; Maturity of, 82.
- RECEIVABLES TURNOVER AND CREDIT RISK—83.
- RECOURSE ARRANGEMENTS—21, 84.
- SAULNIER, RAYMOND J.—39n.
- "SCHEDULE OF ACCOUNTS"—117.
- SELIGMAN, E. R. A.—47n.
- TRADE ACCEPTANCE—15.
- TRADE DEBTORS—Balances of, 65.
- VERIFICATION—116-17.
- VOLUME ESTIMATES—Factoring, 33-34; Commercial Finance Companies, 35; Commercial Banks, 36-37.
- WORK-OUT LOANS—18, 54.
- YOUNG, RALPH A.—17n, 44n.

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