THE ROLE OF THE COMMERCIAL BANK

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The chartered banking system is ready to answer the question "Can Private Enterprise Meet the Post-War Needs of This Country" so far as credit is concerned. Far in advance of the time when actual credit is needed for reconversion and post-war expansion the banks of this country are setting up new and additional facilities that will mobilize the banking resources of the nation and make them available to industry, agriculture and business, particularly small business.

The growth and prosperity of small business have long been of vital concern to the banks as by far the greater part of the business of all banks, day in and day out, is with small enterprises. Banking itself is small business. Approximately 86 percent of the insured commercial banks of the country have deposits of less than five million dollars and the deposits of 43 percent are less than one million dollars. Being such a major part of the small business economy, bankers know that small business is the backbone of this country and that it must be perpetuated.

Banking's Pre-War Lending Record

The history of banking shows that banks have frequently been criticized for having made credit too easy, thereby encouraging speculation in real estate, securities and unsound enterprises. It was only during the latter part of the 30's that banks were criticized because of the belief that they did not make loans freely, particularly to small business.

We as bankers felt that on a nationwide basis the banks were making loans and were doing a good job. We realized, however, that this opinion must be supported by factual evidence and accordingly national surveys of bank lending activities were undertaken. The most recent survey, that made in 1940—the last full business year before the war—revealed that the reporting banks handled more than 24.5 million credit transactions for a total of 39 billion dollars. This represents about 80,000 credit transactions each banking day. Significant, too, was the fact that this survey proved that the average new loan was $1,787 and the average renewal was $1,400. This is small business.

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WARTIME ACTIVITIES

The war brought changes in this picture. It of course brought many curbs on bank credit for general civilian purposes such as the production and distribution of consumer goods. Banking itself, through the American Bankers Association, advocated curtailing loans for other than defense purposes as early as May, 1941, and four months later the Government adopted a policy restricting bank credit for non-military activities, under what is known as Regulation W of the Federal Reserve Board.

During 1942 and 1943 the Association conducted an aggressive campaign urging banks to make loans for war production and for essential civilian supply. Many of these loans were made by banks on their own responsibility and without guaranty. Others were made under Regulation V, VT and other forms of Government guaranty or participation.

The guaranty or insurance of war loans is quite a different matter from the guaranty and insurance of loans in times of peace. It was generally believed that wars are undertaken by Government on behalf of all its citizens and the unpredictable risks of war therefore must necessarily be borne by all the people through their Government. This became a part of our national policy.

However, it is indicative of banking's determination to stand on its own feet and make its own loans whenever possible, even in time of war, that reports for as late as June 30, 1944, a peak war production year, show that approximately 80 percent of the number of loans made by banks for war production purposes were made without Government guaranty.

POST-WAR PROGRAM

Banking like most businesses faces a problem of reconversion. War changes nearly all the rules and practices of peacetime operations. When wartime controls and guaranties are removed and the Government ceases to be the ultimate buyer of a major share of all the country produces, bankers, farmers, laborers and businessmen must do everything possible to see that free enterprise is given the opportunity to function for the good of the country and the welfare of the people. Banking recognizes the necessity of this reconversion and is making definite and practical plans for accomplishing it.

Banking started to prepare for the demands that would be made upon it in the reconversion and post-war periods late in 1943, and it did this while still providing vital wartime services to the nation. At that time various committees of the American Bankers Association made special studies in the field of small business. Out of these studies came a recognition of the need for a long range, coordinated, and effective plan to assist banks swing from a wartime performance to a maximum peacetime operation. The result was the organization in July, 1944, of the Post-War Small Business Credit Commission during the administration of A. L. M. Wiggins, President, Bank of Hartsville, Hartsville, South Carolina, and at that time the President of the American Bankers Association. This Commission is composed of 42 members representing every trade area and all kinds and sizes of banks.

The Commission will assist the commercial banks of the country in reconverting from wartime operations and resuming the fundamental banking business of making loans for constructive peacetime purposes.

CREDIT POLICY

One of the first steps of the Commission was to promulgate a credit policy, the fundamentals of which have been practiced by banks for years, and to give it impetus and new significance. It declared that it would see that every competent man, firm and corporation needing bank credit for some constructive purposes that would serve the enterprise economy of our country would get it—and in adequate amounts and for sufficient lengths of time to do the job.

This policy is backed by a determined pledge that if the individual banks cannot grant the credit, the bankers will stay with the applicant and see that he gets the money from some other bank or group of banks.

In setting forth this policy, however, the Commission made it clear that it did not advocate the making of reckless loans, recognizing that such loans are of no benefit to the borrower, the bank or the community. Experience has proved that too much credit or credit to persons who lacked ability and integrity had a disastrous effect on the entire economy of the community and was particularly destructive to small business.

And history proves that capital and credit are not the essential requirements of small business. The main ingredient of success for the small enterprise is competent management.

BANKING'S FIVE-POINT PROGRAM

This credit policy is being carried into effect in an ever-enlarging area through the operation of a five-point program adopted by the Commission. This is being carried down to the grass roots by organized banking operating through state, county and local bankers' associations. It is already substantially established and there is abundant evidence to prove that it is working successfully and to the benefit of small business.

Briefly, the five-point plan of action calls for:

(1) A comprehensive program of education and information for bankers and the public.

(2) Applying the term loan principle to the needs of small business.

(3) Establishment of small business loan facilities in banks having a volume sufficiently large to justify such segregation.

(4) Expansion of existing correspondent relationships facilitating the extension of credit by smaller banks with assistance from their correspondents.

(5) Formation of voluntary bank credit groups when and where local banks feel the need of implementing and augmenting existing sources of credit.

EDUCATION AND INFORMATION

In talking about anything connected with the post-war period the average man on the street contemplates with eager curiosity new miracles born of American genius—undreamed of uses for plastics, streamlined transportation, television and other products of alluring promise. The temptation is to assume that everything in the post-war period must be new and different and that the old must be scrapped. That is not true generally of banking and bank credit. The fundamental principles that built this country and the basic factors that helped banking create and develop American business and industry for generations will be retained.

We will, however, be quick to adapt former methods to new needs and adopt new techniques. When there is a need on the part of the people for a new service we recognize that banking must be prompt in meeting that need.

It is not reasonable to expect that the 12,000 country banks—the small institutions—will use or will it be necessary for their officers to become expert in all the intricate financing techniques employed by specialists in the larger metropolitan institutions.

The Commission is, however, making available in a variety of ways accurate information and practical guides regarding credit methods that will have general acceptance and use. A large part of the program will be devoted to informing banks regarding new developments in the credit field.

Typical of this and symbolic of the progressive spirit of modern banking is a manual on Airplane Financing recently issued by the American Bankers Association. Likewise, a manual on Home Appliance Financing recently distributed is designed to gear the operation of banking to the early reconversion needs of its customers. While many bankers are already expert in these fields, it is recognized that others will be called upon for the first time in the days ahead for services which they heretofore believed were outside their immediate field of operation.

Merchandising plays an important part in banking's program for small business. Every bank is being urged to merchandise vigorously its credit and services. Too, its officers and members of its staff are calling on their customers in an ever-increasing number, carrying banking service to the very doorstep of small business. Advertising material and sales guides are constantly being provided to assist the banks in enlarging the number and variety of their services to the people of their communities.

TERM LOANS

The application of term loan procedure to the needs of medium-sized and small businesses is one of the most important planks in banking's post-war credit program. Because it is comparatively new and little has been written on the practical or technical side of its operation, considerable space is devoted here to a comprehensive discussion of this important lending technique.

A term loan is generally defined as a loan repayable in regular installments and having a final maturity exceeding one year, evidenced by a note or notes issued under the terms of a formal agreement between the bank and the borrower. These loans usually run from one to five years although some are made for as long as ten.

Term loans by banks in the middle of 1941 are estimated to have exceeded $2 billion, an amount equal to almost one-third of the total industrial and commercial loans. These term loans were first made to large concerns but the late 30's saw a decided change in their use. As additional banks entered the field, more and more term loans came to be made to smaller concerns.

Educational programs have already been started by the American Bankers Association and the Association of Reserve City Bankers designed to acquaint banks and borrowers and the counsel of each with factual information regarding the character and use of term loans and the essential factors that should be considered in the loan agreements.

For many reasons the term loan is a particularly appropriate method of financing small business under the unusual conditions which will exist during the transition period when extraordinary adjustments will be required. Many businesses during the post-war period will require financing for the purpose of modernizing existing facilities, acquiring facilities owned by others, acquiring new machinery and equipment in order to produce new products or reduce production costs, and for many other purposes that could not be adequately financed by short-term credit.

Each term loan is carefully negotiated and designed to fit the needs and requirements of that particular borrower. These loans are based primarily upon the ability of the borrower to repay the loan out of earnings and are generally designed to have the loan paid by final maturity. They may be secured or unsecured.

Since each loan might be said to be tailor-made, each loan agreement must likewise be tailor-made. No standard form of agreement can be drafted, but there are certain clauses that should be considered before drafting any term loan agreement. A brief review of some of these clauses will serve to clarify the nature of these loans and the points to be considered in negotiating them.

Because the bank's funds are risked, the term loan agreement should contain reasonable safeguards and should provide reasonable remedies to the bank if the terms of the agreement are violated. These safeguards take the form of both affirmative and negative agreements.

The most common protective provisions are those relating to maintenance of a minimum working capital, non-pledge of borrower's assets, limitation on borrower's total debt and collateral.

The agreement should contain a provision requiring the borrower to maintain a minimum working capital. This provides assurance that the lender will have an opportunity to take protective steps before too much of the borrower's liquid assets is consumed by continuing operating losses. The minimum working capital clause usually takes the form of an agreement on the part of the borrower to maintain a minimum dollar amount of net current assets, which is defined in the clause as the excess of current assets over current liabilities, both determined according to generally accepted accounting principles and practices. The dollar amount of net assets is usually less than the amount of net current assets at the time the agreement is made. The amount agreed upon should be sufficient in the lender's opinion to provide adequate protection and the borrower must feel that it can be maintained without undue hardship. Under normal conditions a minimum ratio rather than a minimum dollar amount might be required.

This affirmative agreement is sometimes accompanied by a negative provision that if the net working capital falls below an amount set higher than the minimum required, the borrower may not pay dividends, purchase or retire capital stock, increase salaries or take other specified actions without first obtaining the lender's written consent. Here it should be noted that frequently these negative provisions are incorporated in the agreement without being related to the working capital requirement.

Corresponding to the working capital provision is an agreement on the part of the borrower to furnish the lender within a specified number of days after the close of the fiscal year a balance sheet and income and surplus statements certified by independent public accountants acceptable to the lender; similar statements certified by the Treasurer at designated periods; and promptly such other data as may be requested.

In certain cases, it may be advisable to take collateral. Such collateral may be a mortgage on real estate, plant or other tangible personal property, pledge of stocks and bonds, assignment of accounts receivables, warehouse receipts or any other collateral usually accepted for bank loans. However, in the pre-war period a substantial number of the term loans were made without collateral. When collateral is not taken, it is customary for the agreement to contain what is usually referred to as a "negative pledge clause." This is an agreement on the part of the borrower that it will not voluntarily mortgage, pledge or subject to any lien or encumbrance any of its assets, then owned or thereafter acquired, so long as the agreement remains in effect, except in the ordinary course of business. Even if some collateral is taken, in some cases it may be advisable to incorporate a general "negative pledge clause" in the agreement.

Some agreements prohibit the borrower from borrowing money without the consent of the lender. However, frequently the nature of the business of the borrower is such that short-term credit is required to meet seasonal peaks or extraordinary requirements. In such cases, the agreement is so drawn as to permit the borrower to incur such indebtedness, but limits the total dollar amount of such indebtedness and the maturity of such loans.

There are several other protective provisions which limit the borrower's other indebtedness. Contingent liabilities seem to be generally frowned upon and properly so. Consequently, long-term lenders generally prohibit the borrower from guaranteeing, endorsing or otherwise becoming surety for or upon the obligations of others without the lender's consent. In order to limit the borrower's total current liabilities, agreements frequently require the maintenance of a minimum ratio of current assets to current liabilities. Although federal income taxes are not generally considered borrowings, the Government has a preference over general creditors, and in some cases it is desirable to require the borrower to purchase tax notes or set aside cash in a special account in an amount equal to current tax accruals plus any admitted unpaid taxes for previous years.

A prohibition against entering into any merger or consolidation, or selling or leasing all or substantially all the borrower's assets without the lender's consent is contained in most, if not all, term loan agreements. The reason for this is obvious —the entire financial structure of the borrower may be changed thereby either to the improvement or detriment of his credit standing.

It would seem that the successful expansion of plants in connection with the war effort will have its effect on the philosophy of business in the post-war period. Consequently, it may be advisable in many cases to curb a tendency to overexpand. This may be accomplished by placing a dollar limitation on capital expenditures. This limitation may be a fixed amount annually, a percentage of depreciation, depletion and amortization, or an overall amount applicable to the entire period. The latter seems least desirable since the financial structure of the borrower might be thrown out of balance by too great an expenditure in one year.

The borrower's business may be such that it is desirable for the lender to control the borrower's investment in securities, and some agreements prohibit the borrower from investing in securities other than United States Government securities without the lender's consent.

While management is a vital factor to be considered in granting any term loan, when the lender has reason to place particular emphasis on existing management, some of the following provisions may be desirable:

1. Requiring the borrower to secure new or maintain existing insurance on the lives of certain officers payable to the borrower, and in some cases a pledge of these insurance policies;

2. Making a material change in management in event of default at the option of the lender;

3. Requiring guaranties or endorsements by certain officers of the borrower;

4. Limitation on salaries and other remuneration of certain officers and/or key employees without written consent of the lender;

5. Prohibiting or limiting the amount of loans and advances to officers;

6. Requiring subordination of any indebtedness of the borrower to its officers, or a pledge thereof.

If a prospective borrower has other indebtedness outstanding, the terms thereof must be examined to determine whether there would be any conflict with the proposed loan. In such cases, it is frequently desirable to prohibit anticipation of any such indebtedness and limit payments thereon to the expressed schedule of payments or sinking fund requirements. Also, in such cases the term loan agreement generally should provide that default on such other obligation should constitute a default thereunder.

As has been previously pointed out, term loans are designed to be repayable out of earnings. Consequently, it is important to assure retention of sufficient earnings for this purpose. Therefore, it may be desirable to prohibit or limit the payment of cash dividends, or the purchase or acquisition of capital stock during the life of the loan. In some cases, cash dividends are limited to a percentage of earnings from or after a given date.

If the borrower's business is such that its earnings are subject to wide fluctuation, it may be proper to require the borrower to anticipate principal payments when earnings are in excess of normal. Such provisions are usually based on a formula using a fixed percentage of net earnings or a stipulated amount, whichever is greater.

The foregoing are the more important affirmative and negative protective covenants that should be considered in negotiating the average term loan. In order to make them effective, term loan agreements, as other loan agreements, generally provide that upon any breach or failure of the borrower to perform any of the terms or conditions of the agreement, the lender may declare the notes due and payable. The same optional right to accelerate is usually given to the lender if any statement, certificate or representation is given in or pursuant to the agreement proves to be untrue in any material respect. This right is usually made optional in order to facilitate curing technical defaults and continuing the loan. Furthermore, it will be noted that the negative covenants are usually made flexible by providing that the borrower shall not do a certain thing without the prior written consent of the lender.

There are five other acceleration provisions that are generally incorporated in loan agreements of all kinds. These may be optional or mandatory but it is generally believed that mandatory provisions are preferable. These events of default are:

1. Non-payment of principal or interest. Frequently the borrower is allowed a specified number of days of grace by providing that maturity is not accelerated until default continues for the specified period.

2. The borrower becomes insolvent or bankrupt or makes an assignment for the benefit of creditors, or consents to the appointment of a trustee or receiver.

3. A trustee or receiver is appointed for a substantial part of the borrower's property without its consent and is not discharged within a specified number of days.

4. If bankruptcy, reorganization, insolvency or liquidation proceedings are instituted by or against the borrower, and if instituted against it and consented to, is not dismissed within a specified number of days.

5. If a judgment against the borrower or attachment against its property for an amount in excess of specified amount is not discharged, unbonded or dismissed within a specified number of days.

Permitting the borrower to prepay notes in inverse order of maturity without penalty is a practice that is not general but seems to be growing in favor. This privilege is usually limited to instances where the funds are derived from earnings, sale of assets or revision of the loan from the term loan lender. If the funds are derived from other sources, a premium is usually demanded for exercising the privilege to anticipate maturities.

If the borrower has subsidiaries or is itself a subsidiary, problems are presented that frequently require special provisions in the loan agreement or result in rearranging the contemplated loan. In all such cases, it is essential that the lender fully understand the relationship of the companies and its effect upon the borrower. To do so requires a study of the consolidated financial statements and the agreement should require such statements to be furnished.

If the borrower is the parent company and its investment in subsidiaries represents a substantial part of its net worth or is an important source of earnings, it may be desirable to have the borrower's investment in subsidiaries pledged as collateral. Frequently, a parent finances its subsidiary either by temporary advances or by what is equivalent to a permanent investment. If the latter, it would likewise be desirable for the notes evidencing the loans to be pledged or the open account assigned. Furthermore, disposal of such investments are frequently prohibited, or if permitted, the borrower is required to apply a part or all the proceeds in reduction of the loan or else deposit them as collateral.

An examination of the balance sheet may disclose that a part or all of the contemplated loan might more appropriately be made to one or more subsidiaries. If such be the case, it is usually desirable to have the subsidiaries' notes guaranteed by the parent.

When a loan is made to a parent, the agreement should usually prohibit the issuance of additional stock of the subsidiaries except to the parent or other subsidiaries, in order to prevent dilution of the parent's investment.

A type of lending that is by its nature a term loan although frequently called an installment loan is found in the field of consumer credit. One of the most significant developments in the last ten years has been the trend toward bank financing of durable goods, both consumer goods and business equipment on installment terms. This type of lending is an important factor in supplying the necessary credit to small business. In many cases this means very small concerns.

Some idea of the future activity of banks in this field is revealed in the results of a survey just completed by the American Bankers Association. A summary of the returns show that 10,600 banks, or 95 percent of those reporting, declare they are now engaged or will engage in some form of installment lending in the post-war period. In 1941 approximately 7,000 banks reported activity in this field.

The emphasis placed on term lending in this article should not be construed to mean that banking is not making use of every other lending procedure that will best serve the needs of its customers. Accounts receivable financing, loans secured by income producing equipment, trust receipts financing and field warehousing financing are but some of the special types of credit procedures that banks are using to help the small businessman. These are in addition, of course, to the routine lending methods.

SMALL BUSINESS LOAN FACILITIES

Where the volume of business is sufficient, many banks are setting up Small Business Loan Departments to give special attention and experienced advice to proprietors of small enterprises. In other banks certain officers are being designated to perform this work. No special facilities or departments are necessary, of course, in the thousands of small banks that make up our banking system. Small business is their daily concern.

Banks all over the country are advertising their ability and willingness to make loans to small business and in doing so frequently mention these special departments. Significant of banking's determination to see that small business is adequately served is the type of advertisement which invites small business loans, lists the types of loans which banks offer to small business, and then concludes with some such statement as "and if this list doesn't include the loan you want, tell us and we will find a way to work it out for you."

CORRESPONDENT BANKING

The banking system with more than $141 billion on deposit provides a tremendous reservoir of potential credit. This will be released in most instances through the action of the individual banks in their local communities.

Since the laws governing the operation of banks provide generally that no bank may loan to one customer an amount in excess of 10 percent of its capital structure, there will be instances where the credit requested will be in excess of the legal lending limit of the local bank. Too, because of unfamiliarity with the type of credit required the bank may not be able to handle the loan. This will be particularly true in many towns where war has brought highly specialized industries into agricultural communities.

There also may be cases where the risk is greater than the community bank may care to assume. These situations, however, present no obstacles to the adequate flow of credit because of the effective operation of correspondent banking.

In the event the local bank cannot make the loan for any reason whatever, it calls upon the city bank with which it does business to cooperate in making the loan, either sharing it with the local bank or taking the entire risk. Too, the correspondent is frequently called upon to provide the expert advice and experienced counsel that will provide the local bank with information that will enable it either to make the loan itself or to take the necessary steps leading to correspondent participation.

The operation of the correspondent banking system in helping country banks meet the needs of their customers has already been one of the most successful phases of banking's reconversion and post-war program. Correspondent banks all over the country are inviting small banks to attend conferences and clinics at which the correspondent reiterates its desire to cooperate with country banks and outlines the practical methods by which such cooperation is carried into effect. At these meetings the types of credit the correspondent can make available are thoroughly explained.

In a survey recently completed by the Commission on Country Bank Operations of the American Bankers Association it was revealed that cooperation in making loans was one of the most important services rendered by correspondents and the vast majority of country banks declared that they found the correspondent service helpful and satisfactory.

Correspondent banking is an old established part of the American banking system. There is nothing new about cooperation in making loans. There is, however, a new spirit backed by competitive factors that is bringing about a revitalization of city and country bank relationships that carries with it tremendous and practical benefits for small business.

BANK CREDIT GROUPS

When the Post-War Small Business Credit Commission launched its program a year ago, it realized that most of the loans would be made by local banks and that if the local bank could not extend the necessary credit then the correspondent would cooperate in making the credit available. The Commission wanted to make sure, however, that if for any reason whatever neither the local bank nor its city correspondent would be able to take the full risk or make the loan because of its size, character or other circumstances there would be available to the borrower a third or supplementary source of credit within the banking system itself. Accordingly, the Commission recommended the organization of voluntary credit groups throughout the country.

This pioneer movement in the field of bank credit has been one of the most phenomenal developments in the history of the industry. Within the short space of ten months the difficult legal work has been completed, the board of directors has met and given approval, and the machinery set in operation for 38 different bank credit groups throughout the country having a total credit reservoir in excess of $575 million. Many other groups are in process of organization and it is expected that within a short time there will be a bank credit group within every trade area of the nation.

The banks of North Carolina, South Carolina and Virginia were among the leaders in the establishment of bank credit groups. A statewide organization has been completed in North Carolina for a total of $15 million, while the banks of South Carolina have formed a state credit group totalling $5 million, and those in Virginia $4½ million.

It should be kept in mind that these groups are primarily post-war credit organizations and as yet have had few demands made upon them because virtually all the credit required has been met by banks, either alone or in cooperation with their correspondent. The extent of the demands upon the credit groups will not be revealed until post-war production has started in full swing and restrictions on goods and materials lifted, priorities removed, rationing eased, and manpower made available. Banking, however, did not wait until the last minute to see if such groups were needed. The industry has organized the groups now so that they will be ready if needed in the post-war period.

Several groups, however, have already given definite hints of how useful the bank credit group may become to small business. Groups in widely scattered areas such as St. Louis, Seattle, Central Maryland, and Washington, D. C., have already made small business loans. Significant too of the possibilities of the bank credit group program is the action of the organization at St. Joseph, Missouri, which has allotted $500,000 of its $7,250,000 resources for the purpose of making loans for soil conservation.

The groups generally are of four types: (1) local, operating only within a city or county and its adjacent territory, (2) statewide, such as those in North Carolina and South Carolina, (3) regional, covering a trade area, and (4) national. The New York City group is the only one operating on a nationwide basis.

The purpose of the New York City Bank Credit Group as set forth in its agreement is to "implement, augment and undertake the financing (through loans or other credit accommodations) of small and medium-sized business concerns in the United States during the present reconversion period, which is expected to continue after the cessation of the present hostilities, by participating with local originating banks in financing risks so undertaken which may be in amounts, for periods or upon terms or under conditions which may make usual banking accommodations unavailable, whether such local originating banks are within or without the Second Federal Reserve District."

Loans made by the group are handled through a Credit Committee consisting of one member and alternate from each bank in the organization. It is required that these officers shall be given the necessary power and authority to commit their banks to accept participations in the loans up to the aggregate amount of the bank's commitment to the group.

The New York City Group and others that followed the same pattern have for practical purposes appointed a small operating committee to consider loan applications.

Other groups, however, are operating under different types of agreements, a major difference occurring in the organization of the credit committee. The Connecticut Bank Credit Association provides a good example of how a small credit committee operates in the interest of the entire group, comprising the majority of the banks of the state. A key provision in the Connecticut agreement illustrating the change in credit committee procedure reads:

"The affairs of the Association shall be managed by a Credit Committee, consisting of not less than five, nor more than seven, officers of the Banks, but no Bank shall be represented upon said committee by more than one officer."

A characteristic of all groups is that all loans submitted for consideration must originate with a member or some other bank. The groups themselves neither solicit loans directly nor do they consider them when presented in any other way than through a bank. The group is designed to operate through and with banks. It supplements rather than competes.

The group movement has enjoyed widespread endorsement. Preston Delano, Comptroller of the Currency, in his annual report to Congress dated last August said:

"The formation of credit groups to facilitate term loans to business and an active campaign by the American Bankers Association for the education of its members in their approach to problems of transition are healthy signs of determination to meet the issue."

Banking's credit plans already in operation are based on a determination that small business shall live and shall be given the opportunity to grow and prosper. The credit policy and program by means of which this determination is being put into action have been presented during the past year to more than 3,500 bankers representing all state bankers' associations. These state associations have set up committees to carry on the educational work on a local basis. Every group of the North Carolina Bankers Association has had special meetings for the purpose of putting the program into operation on a community level. Similar meetings have been held by the South Carolina and Virginia Bankers Associations and organized banking groups in other states of the South. Both the policy and the program have received enthusiastic endorsement and wholehearted support.

The banks of the nation through the American Bankers Association Post-War Small Business Credit Commission have made a solemn pledge to the American people that adequate credit will be made available to men of character and ability and that it will be provided by the American system of banking, a product of private enterprise and itself a creator of private enterprise. That pledge will be kept.