

national cards and persuaded airlines to accept their cards. But, for the most part, banks are carving out new areas of operation for their credit cards.

STRETCHING OUT PAYMENTS

Whereas applicants for national credit cards met specified income standards—American Express sets \$7,500 as the floor—banks have no minimum income requirements for their card holders. Also, whereas national credit cards are designed mainly for use in travel and entertainment, bank cards are intended principally for local shopping or for paying repair and other service bills. Another significant difference between the two types of cards is that national cards must usually be paid in full each month, except in the case of airline ticket purchases, while banks allow holders of their credit cards to extend payments over a period of time if they choose.

Within the past year, a half dozen banks, including Mellon National Bank & Trust Co. and Pittsburgh National Bank here and Valley National Bank of Arizona in Phoenix, have launched their own credit card plans. California's giant Bank of America and Buffalo-based Marine Midland Trust of Western New York have issued their own credit cards for several years. A score of other banks across the nation currently are studying the possibility of starting credit card programs.

From the banks' point of view, credit cards offer a way to put their ample funds (commercial bank deposits total about \$310 billion now, up from \$223 billion at the end of 1960) to work at a high rate of return. Evidence that banks see the credit-card field as increasingly attractive is found in recent moves by First National City Bank of New York to acquire Hilton Credit Corp.'s Carte Blanche national card plan and by Chase Manhattan Bank to buy Diners' Club as well as in the rise of local bank credit-card operations.

BOON FOR SMALL BUSINESSMAN

But the impact of the new bank credit cards is not limited to the profits of the banks, who collect for their services from both participating businesses and credit-card holders, nor to the new class of card users being created. A prime beneficiary is the small businessman who lacks the cash or accounting facilities to provide credit on his own but who, with the aid of bank credit cards, can offer his customers the same credit services as larger competitors.

Says E. H. Gugliotta, manager of a small Buffalo shoe store that participates in the credit card plan of Marine Midland Trust of Western New York: "This store went into the black this year and it's all because of the credit card. People used to look into the window and then keep walking to the big department stores. Now they see the credit card decal and come in." Mr. Gugliotta adds that bank credit cards have increased multiple sales 100%—"now they buy two or three pairs of shoes and let the old man worry about paying."

Some department stores, on the other hand, are not at all happy about bank credit cards. Many department stores permit customers to stretch out payments over several months, charging a monthly fee on the unpaid balance and thereby adding substantially to earnings. This same type of credit service is available to shoppers under bank credit-card plans, and as a result, says R. B. Adam, president of Adam, Meldrum & Anderson, Buffalo's second largest department store, "there's no question these cards are a threat to us. The bank is in competition with us, and we don't like it."

IRRESPONSIBLE HOLDERS

Some early attempts to set up local bank credit-card plans encountered rough going. Chase Manhattan started a bank credit program in 1958 and then dropped it in 1962 when, according to the bank, the plan "did not develop as projected." Other bankers, however, blame the failure on inadequate screening of card applicants, which left hundreds of cards in irresponsible hands. The credit manager of one New York store says Chase's list of holders of credit cards that were not to be honored reached 10 to 15 pages.

The Bank of America, which started issuing credit cards in 1958 and Marine Midland Trust of Western New York, which set up its plan in 1959, both had large losses at first because of high promotional costs and a high proportion of bad debts. Industry sources estimate the Bank of America lost about \$15 million to \$20 million in the first two years or so its credit-card plan was in operation: Bank of America calls this estimate high but refuses to disclose any figures itself.