



Banquet, sponsored by Fawick Flexi Grip Co., Akron, O., climaxed training program for assistant pros who attended Dunedin school in January.

Some Things the Pro Should Know About Bank Credit

Your Ability to Repay a Loan Is Based on Character Along with Capacity and Capital

By W. V. REGISTER*

President, 1st National Bank of Dunedin (Fla.)

THE professional golfer has a right to be selfish with respect to the income earned from his teaching ability and his ability to merchandise golf supplies. It therefore behooves you to plan ahead for the task of properly stocking the inventory of goods in your shop. To do this, you will have to develop a knack for selecting the proper ratio between quickly salable items and the slow-moving, long-profit items. You also will want to plan in advance how you are going to pay invoices as they come due.

The use of trade creditors is an excellent source of financing if the pro is careful in his buying and is certain of his abil-

ity to pay invoices on their due dates.

Trade discounts are particularly important when a large volume of merchandise is handled. 2 per cent — 10 days, net 30, and 2 percent 10th following date of purchase seem to be common in the golf trade on those items which usually carry discounts. 2 per cent in 10 days is actually worth 36 per cent interest return to you. Two per cent on the 10th day following date of purchase is equivalent to 24 per cent interest return. When you are handling volume this is the real gravy and is one reason for using bank credit if it is available for this purpose.

Use of Bank Credit

Let's talk for a moment about the use of bank credit. Your banker is no different from the doctor, the lawyer or the preacher. He has nothing to sell but his services. He is accustomed to counselling and ad-

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* Mr. Register spoke at the Assistants' Training School held in Dunedin in January. Older pros can derive as much benefit from his remarks as the assistant.

Notables who sat at the head table at Bill Junker's Fawick Flexi Grip Co. banquet for assistant pros were (l to r): John Watson, Joe Devaney, Ed Duino, Bill Hardy, Leo O'Grady, Emil Beck, Tom Crane, Willie Ogg, George Aulbach, W. V. Register, Herb Graffis, Bob Russell and Frank Spragell.



Pro Bank Credit (Continued from page 50)

vising people in their financial affairs. Have you ever heard the expression — "If you want to make a friend of a man, let him do you a favor"? You fellows are in a fine position to develop friendships among bankers. You should take advantage of this position. The fear of the glasse-eyed banker is now fiction. Instead, you find him to be a warm-hearted individual, completely sympathetic to your problems.

Most bankers have a set policy with respect to unsecured loans and minimum character loans. Generally we think that a firm or businessman should be able to borrow, for working capital purposes, 20 per cent of his net worth. In other words, a \$10,000 net worth warrants a \$2,000 open 30, 60 or 90-day loan.

So you don't have the \$10,000 — but you do have something if you have developed the habit of thrift at all. If you have foregone that desire to buy a convertible on an assistant's salary, you will have some investment in inventory, life insurance cash values, or savings bonds — or something of a tangible nature that

builds up the net worth section of your financial statement.

At any rate, you do have character, and this is worthy of some advance. Many banks lend \$500 to \$1,000, based on character alone.

As a loan officer, let us look over your loan application. Bankers like to apply to a loan application what they refer to as "The Three C's of Credit." These three C's are: Capacity, Character and Capital.

Capacity refers to the borrower's general reputation for ability in business affairs and, also, his ability to liquidate indebtedness out of earnings.

In analyzing a credit application we like to think that a man has something like five times coverage. In other words, if he is earning \$200 a month, the average man can apply \$40 of this on regular contract payments. When you analyze an application on the basis of capacity to pay, you can well understand why we don't like to see a man earning less than \$500 a month — assuming that he has a family to support — obligating himself for more than \$100 of that amount in monthly payments. To excessively obligate one's self for charge accounts and contract payments indicates poor money management and a weak credit risk.

So you will want to show your banker what your earning power is as a pro golfer by pre-

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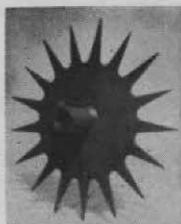
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The second "C" of our credit analysis is Character. With regard to character, the banker must depend upon such intangible information as the borrower's reputation in the community for financial integrity, commendable habits and other good qualities. It is surprising how a weakness in any of these intangibles will invariably show up in a slow-pay record and hard to collect loans.

A borrower should never be ashamed to face a creditor on or before the due date of an obligation, either with or without the payment. Too many people feel ashamed to reveal their inability to repay, and there is nothing more irritating to a loan officer or a credit man than to have to send out a dun letter. It should not be the responsibility of the credit man to find out what your trouble is. If you have put forth your best effort and have properly budgeted your income, the credit man will probably be glad to give you an extension of the payment. You are the one to present your own problems rather than let the creditor find them out.

It is much better to anticipate ahead of time that you will not be able to meet a payment. Your explanation of why is indicative of your moral courage and feeling of responsibility.

The third "C" is Capital.

In analyzing a loan application, the banker is interested to find out, first, what are the prospects of repayment of the loan or the contract payments when due and, second, if the loan is not paid at maturity, what are the chances



One of 116 young men who received certificates for having completed the PGA's assistant training school program, held in Dunedin, Fla. in January, was Ron Schneck, Berkley Hills GC, Johnstown, Pa. (right), who is congratulated by Emil Beck, the school's chairman.

of its ultimate payment?

The capital, or net worth, section of your financial statement will indicate to your banker your ability to accumulate goods of a tangible nature and, aside from your capacity to handle a loan, the tangible security to which he may look for future payment.