

Sales Finance Companies and Their Credit Practices

BY WILBUR C. PLUMMER AND RALPH A. YOUNG

Financial Research Program

Studies in Consumer Instalment Financing 2

NATIONAL BUREAU OF ECONOMIC RESEARCH

Sales Finance Companies and Their Credit Practices

This book presents a factual study of sales finance companies as an agency of consumer instalment credit. It deals with such topics as:

the significance of sales finance companies in the entire retail instalment system;

the customer—his economic circumstances, comparison with the cash buyer;

the company — its organization, sources of funds, credit losses, income, expenses, profits;

credit procedure, relations between customer and dealer, between customer and finance company, between dealer and finance company;

credit standards and terms — down payment, contract length, finance charges, insurance;

repossession and correlation with contract terms and customer's income;

abuses and their regulation;

competitive relations among sales finance companies, and with other agencies of consumer instalment credit.

The intention of this survey has been to present facts rather than opinion, and to draw a complete and accurate picture of this important institution of consumer financing.

FINANCIAL RESEARCH PROGRAM OF THE
NATIONAL BUREAU OF ECONOMIC RESEARCH

Studies in Consumer Instalment Financing:
Number Two

NATIONAL BUREAU OF ECONOMIC RESEARCH

OFFICERS

DAVID FRIDAY, Chairman
WILLIAM L. CRUM, President
N. I. STONE, Vice-President
SHEPARD MORGAN, Treasurer
W. J. CARSON, Executive Director
MARTHA ANDERSON, Editor

DIRECTORS AT LARGE

CHESTER I. BARNARD, *President,*
New Jersey Bell Telephone Company
HENRY S. DENNISON,
Dennison Manufacturing Company
DAVID FRIDAY, *Consulting Economist*
GEORGE M. HARRISON, *President,*
Brotherhood of Railway and Steamship Clerks
OSWALD W. KNAUTH, *President,*
Associated Dry Goods Corporation
HARRY W. LAIDLER, *Executive Director,*
League for Industrial Democracy
GEORGE O. MAY, *Price, Waterhouse and Company*
SHEPARD MORGAN, *Vice-President, Chase National Bank*
GEORGE E. ROBERTS, *Economic Adviser, National City Bank*
BEARDSLEY RUMML, *Treasurer, R. H. Macy and Company*
GEORGE SOULE, *Director, The Labor Bureau, Inc.*
N. I. STONE, *Consulting Economist*

Relation of the Directors to the Work of the National Bureau of Economic Research

1. The object of the National Bureau of Economic Research is to ascertain and to present to the public important economic facts and their interpretation in a scientific and impartial manner. The Board of Directors is charged with the responsibility of ensuring that the work of the Bureau is carried on in strict conformity with this object.

2. To this end the Board of Directors shall appoint one or more Directors of Research.

3. The Director or Directors of Research shall submit to the members of the Board, or to its Executive Committee, for their formal adoption, all specific proposals concerning researches to be instituted.

4. No study shall be published until the Director or Directors of Research shall have submitted to the Board a summary report drawing attention to the character of the data and their utilization in the study, the nature and treatment of the problems involved, the main conclusions and such other information as in their opinion will serve to determine the suitability of the study for publication in accordance with the principles of the Bureau.

5. A copy of any manuscript proposed for publication shall also be submitted to each member of the Board. If publication is approved each member is entitled to have published also a memorandum of any dissent or reservation he may express, together with a brief statement of his reasons. The publication of a volume does not, however, imply that each member of the Board of Directors has read the manuscript and passed upon its validity in every detail.

6. The results of an inquiry shall not be published except with the approval of at least a majority of the entire Board and a two-thirds majority of all those members of the Board who shall have voted on the proposal within the time fixed for the receipt of votes on the publication proposed. The limit shall be forty-five days from the date of the submission of the synopsis and manuscript of the proposed publication unless the Board extends the limit; upon the request of any member the limit may be extended for not more than thirty days.

7. A copy of this resolution shall, unless otherwise determined by the Board, be printed in each copy of every Bureau publication.

(Resolution of October 25, 1926, revised February 6, 1933)

Financial Research Program: Committee

In the conduct of this and other studies under its program of research in finance the National Bureau of Economic Research has benefited from the advice and guidance of its Committee on Research in Finance. The functions of this committee are to review and supervise the specific research plans of the staff of the Financial Research Program. The membership includes:

WINFIELD W. RIEFLER, Chairman—*Institute for Advanced Study*

RALPH A. YOUNG, Secretary—*University of Pennsylvania; Director, Financial Research Program*

WILLIAM J. CARSON—*University of Pennsylvania; Executive Director, National Bureau of Economic Research*

THOMAS JEFFERSON COOLIDGE—*Chairman, Old Colony Trust Company*

DAVID FRIDAY—*Chairman, National Bureau of Economic Research; Consulting Economist*

E. A. GOLDENWEISER—*Director, Division of Research and Statistics, Board of Governors of the Federal Reserve System*

F. CYRIL JAMES—*Principal and Vice-Chancellor, McGill University*

WESLEY C. MITCHELL—*Columbia University; Director of Research, National Bureau of Economic Research*

SHEPARD MORGAN—*Vice-President, Chase National Bank; Treasurer, National Bureau of Economic Research*

DONALD S. THOMPSON—*Chief, Division of Research and Statistics, Federal Deposit Insurance Corporation*

ROBERT B. WARREN—*Institute for Advanced Study*

JOHN H. WILLIAMS—*Littauer School, Harvard University; Vice-President, Federal Reserve Bank of New York*

LEO WOLMAN—*Columbia University; Research Staff, National Bureau of Economic Research*

DONALD WOODWARD—*Mutual Life Insurance Company*

Sales Finance Companies and Their Credit Practices

BY WILBUR C. PLUMMER AND RALPH A. YOUNG

Financial Research Program

Studies in Consumer Instalment Financing

2

NATIONAL BUREAU OF ECONOMIC RESEARCH

**COPYRIGHT, 1940, BY NATIONAL BUREAU OF ECONOMIC RESEARCH, INC.
1819 BROADWAY, NEW YORK, N. Y. ALL RIGHTS RESERVED**

**PRINTED IN THE UNITED STATES OF AMERICA BY
THE HADDON CRAFTSMEN, CAMDEN, N. J.**

Preface

THE National Bureau of Economic Research, under grants from the Association of Reserve City Bankers and the Rockefeller Foundation, inaugurated in 1938 a broad program of research in finance, of which the initial project has been a comprehensive investigation of the instalment financing of consumers. The present study of sales finance companies is the second in a series of institutional studies under this investigation, describing the important financial agencies that deal in consumer instalment credit. Other institutional studies in the series cover personal finance companies, commercial banks, industrial banking companies and government agencies operating in the field—the Federal Housing Administration and the Electric Home and Farm Authority.

The term “instalment financing” as used in this investigation designates all consumer credit that entails the payment of interest and repayment of principal in prescheduled amounts, usually in equal instalments, under a formal legal instrument providing for definite and prompt legal action in the event of debtor default on any payment. The consumer instalment financing project therefore includes both sales finance credit and cash credit extended on instalment terms, but it excludes retail charge account credit. Instalment credit extended on the security of real estate, while of great financial importance, has also been excluded from the field of study, because of its long maturities and its other special features. Thus the types of consumer instalment credit under investigation are characterized by a relatively short or inter-

mediate term of contract as well as by an instalment basis of repayment scheduled under a formal legal instrument.

Sales financing pertains to all credit extended for the instalment purchase of merchandise. This kind of financing is conducted, at least to some extent, by commercial banks and industrial banking companies, and not infrequently dealers themselves advance the credit for their customers' instalment purchases. The present study, however, is primarily concerned not with sales financing in general but with sales finance companies in particular, although the analysis of their function as credit agencies, their credit standards and experience, their terms and characteristic practices, reveals the main features of this type of credit extension, whatever the agency engaged in it.

In preparing this study we have sought the cooperation of numerous individuals and organizations, and their information, experience and suggestions have been essential to making our results accurate and complete. Some of our materials have been drawn from personal interviews and correspondence with individuals familiar with or associated with the sales finance field, others come directly from the records of firms in the business, and still others have been furnished us by public agencies.

We take pleasure in acknowledging our indebtedness to the National Credit Office, Inc., for access to material in its files; the First National Bank of Chicago, for allowing us to consult the tabulations which it has prepared on the operations of twenty-four sales finance companies from 1935 to the present; the Bureau of Business Research of the University of Illinois, for making its original compilations of the earnings and expenses of sales finance companies during 1928-37 available for our use; the Bureau of Home Economics of the United States Department of Agriculture, for preparing special tabulations of automobile purchasers,

1935-36; the Marketing Research Division of the Bureau of Foreign and Domestic Commerce, United States Department of Commerce, for giving us access to special materials assembled in connection with its annual *Retail Credit Survey*; the National Retail Credit Association, the National Retail Furniture Association and the National Retail Dry Goods Association, for sending out questionnaires to their memberships on our behalf; the Federal Trade Commission for making its study of the motor vehicle industry immediately available to us upon its release as a public document.

Sales finance companies which have helpfully responded to requests for information are the Associates Investment Company, the Commercial Credit Company, the Commercial Investment Trust Corporation, the General Electric Contracts Corporation, the General Finance Corporation, the General Motors Acceptance Corporation. We are particularly grateful to the officers of the latter company for giving us access to special tabulations of instalment financing data. We wish to acknowledge a particular debt also to the Electric Home and Farm Authority, which generously permitted us to examine its records and furnished us with special tabulations. Milan V. Ayres, Secretary and Analyst of the National Association of Sales Finance Companies, has made materials available for our use and on many questions has given us the benefit of his extensive technical knowledge of the subject. Fred V. Chew, Executive Vice President of the American Finance Conference, has provided us with studies prepared by that organization for its membership, and his assistants have answered numerous inquiries about the sales finance business.

We have benefited greatly from the counsel of many bank credit officers who have had long experience in extending bank loans to sales finance companies, and to the numerous bankers who have assisted us in many ways, particularly Ar-

thur W. Newton of the First National Bank of Chicago, we owe a special acknowledgment.

For criticisms of the manuscript and suggestions for its revision we are particularly indebted to Winfield W. Riefler of the Institute for Advanced Study, to Moses Abramovitz, Simon Kuznets and Leo Wolman of the National Bureau research staff, and also to the directors of the National Bureau. Other readers whose critical suggestions have been helpful include: Milan V. Ayres, Secretary, National Association of Sales Finance Companies; Fred V. Chew, Executive Vice President, American Finance Conference; Margaret Grobber, Consumer Credit Institute of America, Inc.; John E. Hamm, Russell Sage Foundation; M. Haddon Howell, Chase National Bank of New York City; Rolf Nugent, Russell Sage Foundation; R. W. Pitman, Morris Plan Bank of Philadelphia; R. W. Pitman, National Credit Office, Inc.; Thomas W. Rogers, Director of Research, American Finance Conference; Paul H. Young, Reserve Discount Company of St. Louis.

The preparation of this manuscript has required the assistance of many members of our staff, and the book owes much to their combined efforts.

The compilations at the National Credit Office, Inc., were made by Dickson Reck, who also wrote the initial studies dealing with procedure, competitive relations and legal regulations.

The quantitative estimates of retail instalment credit and cash loan credit were developed by Duncan Holthausen.

David Durand was in charge of the automobile repossession study, and also derived the tables on income distribution of automobile instalment buyers.

Joseph Coppock prepared the original draft of the chapter on appliance repossessions, on the basis of records of the Electric Home and Farm Authority.

The tables covering income and expenses of sales finance companies for the past ten years were prepared by Peter Franck and Dorothy Weitzel.

Elizabeth Todd assisted in the revision of the study for publication, wrote the summary of contents and was in full charge of the editing. The manuscript has benefited greatly from her careful editorial work.

WILBUR C. PLUMMER

*Financial Research Staff and
University of Pennsylvania*

RALPH A. YOUNG

*Director, Financial Research
Program, and University of
Pennsylvania*

June 1, 1940

Table of Contents

PREFACE	ix
LIST OF TABLES	xix
SUMMARY SURVEY	1
1. SALES FINANCE COMPANIES AS CREDIT AGENCIES	(33-53)
Rise of Sales Finance Companies	33
Activities of Sales Finance Companies	36
Quantitative Importance of Retail Instalment Credit	40
Sales Finance and Other Consumer Instalment Credit	46
Government Agencies in the Sales Finance Field	50
2. ORGANIZATION AND FINANCIAL STRUCTURE	(54-72)
Types of Sales Finance Companies	55
Sources of Funds	60
3. THE MARKET FOR SALES FINANCE CREDIT	(73-103)
Increase in the Demand for Sales Finance Services	73
Family Incomes and Occupations of Instalment Debtors	76
Economic Circumstances of Sales Finance Company Customers	84
<i>Incomes of Automobile Customers</i>	85
<i>Financial Obligations Incurred by Automobile Customers</i>	88
<i>Incomes of Appliance Customers</i>	92
Comparison of Cash and Instalment Buyers	95
Comparison of Prices Paid by Cash and by Instalment Buyers	99

4. CREDIT PROCEDURE AND CREDIT LOSSES	(104-31)
Legal Instruments in Automobile Financing	104
Relations Between Dealer and Purchaser in Automobile Financing	105
Relations Between Finance Company and Purchaser in Automobile Financing	108
Relations Between Dealer and Finance Company in Automobile Financing	113
Procedure in Diversified Financing	117
Credit Loss Experience	121
Handling of Credit Losses	128
5. CREDIT STANDARDS AND TERMS	(132-55)
Credit Standards	132
Contract Terms	138
<i>Contract Terms in Automobile Financing</i>	140
<i>Contract Terms in Private Diversified Financing</i>	145
<i>Contract Terms in Electric Home and Farm Authority Financing</i>	150
<i>Comparative Contract Terms in Diversified Financing</i>	153
6. REPOSSESSION EXPERIENCE: AUTOMOBILES	(156-73)
Measures of Repossession Experience	157
Characteristics of the Data	159
Repossession Experience According to Number of Instalments Paid	160
Contract Terms as Factors in Repossession	161
Cash Selling Price as a Factor in Repossession	164
Contract Terms and Price as Composite Factors in Repossession	165
Immediate Reasons for Repossession	168
7. REPOSSESSION EXPERIENCE: ELECTRIC APPLIANCES	(174-95)
Characteristics of the Data	174
Repossession Experience According to Number of Instalments Paid	177
Purchaser's Income as a Factor in Repossession	180

TABLE OF CONTENTS

xvii

Contract Terms as Factors in Repossession	184
Amount of Note and Monthly Payment as Factors in Repossession	189
Type of Appliance as a Factor in Repossession	191
Immediate Reasons for Repossession	193
8. FINANCE CHARGES	(196-226)
Quotation of Charges in Automobile Financing	197
Actual Charges in Automobile Financing	204
The Trend in Automobile Finance Charges	218
Quotation of Charges in Diversified Financing	223
9. ABUSES IN RETAIL INSTALMENT FINANCING, AND THEIR REGULATION	(227-43)
Ambiguity of Rate Quotation	230
Exorbitant Finance Charges	234
Abuses in Contract Adjustment	237
Other Abuses	239
Record of Purchaser Complaints in Wisconsin	242
10. INCOME, EXPENSES, PROFITS	(244-56)
Gross Income	245
Expenses	249
Net Profits	252
11. COMPETITIVE RELATIONS	(257-88)
The Consumer's Interest as a Competitive Factor in Automobile Financing	257
The Manufacturer's Interest as a Competitive Factor in Automobile Financing	261
The Dealer's Interest as a Competitive Factor in Auto- mobile Financing	275
Competitive Relations in Diversified Financing	283
Competitive Relations With Other Consumer Credit Agencies	285
INDEX	289

List of Tables

1. Percentage Distribution of Outstanding Receivables of 48 Sales Finance Companies, Year-End 1937, by Type of Business Represented	39
2. Distribution of Volume and Average Outstandings of Retail Instalment Credit, 1937, by Type of Retailer	41
3. Agencies Engaged in Retail Instalment Financing in Indiana, and Percentage Distribution of Their Year-End Outstandings and Accounts, 1936 and 1937	44
4. Distribution of Volume and Average Outstandings of Cash Loan Instalment Credit, 1937, by Type of Lender	47
5. Distribution of Assets of 48 Sales Finance Companies, December 31, 1937, by Type of Company	58
6. Assets of Selected Sales Finance Companies, 1924-39, in Percent of 1929	59
7. Principal Sources of Funds of Selected Sales Finance Companies, 1924-39, in Percent of Total Assets	62-63
8. Principal Sources of Funds of Selected Sales Finance Companies, 1937, in Percent of Total Assets	68
9. Cash and Receivables of 24 Leading Sales Finance Companies, 1935-39, in Percent of Debt	71
10. Percent of Non-Relief Families Having a Net Change in Instalment Debt, and Percentage Distribution of These Families, of All Non-Relief Families, and of the Net Increase in Instalment Debt, 1935-36, by Annual Family Income	78
11. Percentage Distribution of Non-Relief Families Having a Net Change in Instalment Debt for Six Types of Commodities and of the Net Increase in Such Debt, 1935-36, by Annual Family Income	82
12. Occupational Grouping of Non-Relief Families Having a Net Change in Instalment Debt, 1935-36, by Annual Family Income	83
13. Percentage Distribution of a Large Sales Finance Company's Automobile Instalment Customers, 1934, of Urban Non-Relief Families Having a Net Change in Automobile Instalment Debt, 1935-36, and of All Urban Non-Relief Families, 1935-36, by Annual Income	86

14. Percentage Distribution of a Large Sales Finance Company's Automobile Instalment Customers, and Average Cash Price Paid, 1919, 1925 and 1934, by Monthly Income	88
15. Financial Obligations Incurred by a Large Sales Finance Company's Automobile Instalment Customers, 1934, by Monthly Income	89
16. Burden of Financial Obligations Incurred by a Large Sales Finance Company's Automobile Customers, 1934, by Monthly Income	90
17. Percentage Distribution of Electric Home and Farm Authority Customers, 1938, of Urban Non-Relief Families Having a Net Change in Electric Appliance Instalment Debt, 1935-36, and of All Urban Non-Relief Families, 1935-36, by Annual Income	93
18. Selected Characteristics of a Sample of Families Buying for Cash and on Instalment Terms During 1935-36	97
19. Average Prices Paid for Cash and for Instalment Purchases of Automobiles, 1935-36, and Percentage Distribution of Purchasers, by Annual Family Income	101
20. Retail Automobile Balances Over 60 Days Delinquent Owed to 24 Leading Sales Finance Companies, 1935-39, in Percent of Total Retail Outstandings	110
21. Credit (Bad-Debt) Losses on Instalment Sales of Selected Retail Dealers, 1929-38, in Percent of Total Instalment Sales	123
22. Retail Credit Losses of Leading Sales Finance Companies, 1935-39, in Percent of Retail Receivables Liquidated	124
23. Net Retail Credit Losses of a Large Sales Finance Company on Repurchase-Agreement Automobile Financing, 1929-38, in Percent of Total Retail Paper Purchased During Year in Which Loss Paper Originated	126
24. Average Loss per Repossessed Car on Non-Recourse Automobile Financing of Reporting Sales Finance Companies, 1929-38, and Estimated Average Retail Repossession Losses on Such Financing in Percent of Total Retail Paper Purchased During Current Year	127
25. Index of Importance Attached to Various Credit Standards by 688 Retail Establishments	137
26. Substandard Paper as Percent of All Automobile Instalment Paper Held by Reporting Sales Finance Companies, 1933-38	143
27. Percentage Distribution of Automobile Instalment Paper of Reporting Sales Finance Companies, 1936-38, by Length of Contract	144
28. Typical Contract Terms in the Financing of Seven Different Commodities, 1925 and 1938	147

LIST OF TABLES

xxi

29. Percentage Distribution of New Retail Diversified Financing of a Large Sales Finance Company, 1934-38, by Down Payment and Length of Contract	148
30. Percentage Distribution of Contracts Financed by Electric Home and Farm Authority, Fiscal Years 1934-38, by Down Payment	151
31. Percentage Distribution of Contracts Financed by Electric Home and Farm Authority, Fiscal Years 1934-38, by Length of Contract	152
32. Percentage Distributions of Refrigerator Instalment Contracts Financed by Electric Home and Farm Authority and by a Large Private Sales Finance Company, 1937, by Down Payment and by Length of Contract	154
33. Average Down Payment and Length of Contract in Refrigerator Instalment Contracts Financed by Electric Home and Farm Authority, and by 2 Large Private Sales Finance Companies, 1934-38	155
34. Percentage Distribution and Cumulative Percentage of Repossessions, 1933-37, on New and Used Cars Financed During 1933-36, by Number of Instalments Paid	161
35. Repossession Experience, 1933-37, on New and Used Cars Financed During 1933-36, by Down Payment	162
36. Repossession Experience, 1933-37, on New and Used Cars Financed During 1933-36, by Length of Contract	163
37. Repossession Experience, 1933-37, on Used Cars Financed During 1933-36, by Cash Selling Price	164
38. Repossession Experience, January 1937—June 1938, on Used Cars Financed in 1937, by Cash Selling Price, Down Payment and Length of Contract	167
39. Percentage Distribution of Repossessions, 1933-37, on New and Used Cars Financed During 1933-36, and Distribution of Their Repossession Ratio, by Reason for Repossession	171
40. Cumulative Distribution of Repossessions, 1933-37, Occurring for Various Reasons on New and Used Cars Financed During 1933-36, by Number of Instalments Paid	172
41. Characteristics of Refrigerator Contracts Financed by a Public and by a Private Sales Finance Company, 1937	176
42. Percentage Distribution and Cumulative Percentage of Repossessions, January 1937—June 1938, on Appliances Financed During January-June 1937, by Number of Instalments Paid	178
43. Number of Instalments Paid Before Repossession, January 1937—June 1938, on Appliances Financed During January-June 1937, by Length of Contract	179

44. Repossession Experience, January-September 1938, on Appliances Financed During January-March 1938, by Purchaser's Monthly Income	181
45. Repossession Experience, January-September 1938, on Appliances Financed During January-March 1938, by Monthly Payment as Percent of Monthly Income	183
46. Repossession Experience, January 1937—June 1938, and 1936-37, on Appliances Financed by a Public and by a Private Sales Finance Company, January-June 1937, and 1936, by Down Payment	184
47. Repossession Experience, January 1937—June 1938, and 1936-37, on Appliances Financed by a Public and by a Private Sales Finance Company, January-June 1937, and 1936, by Length of Contract	186
48. Repossession Experience, January 1937—June 1938, on Appliances Financed During January-June 1937, by Amount of Note	189
49. Repossession Experience, January 1937—June 1938, on Appliances Financed During January-June 1937, by Size of Monthly Payment	190
50. Repossession Experience, January 1937—June 1938, on Appliances Financed During January-June 1937, by Type of Appliance	192
51. Percentage Distribution of Repossessions, January 1937—June 1938, on Appliances Financed During January-June 1937, and Distribution of Their Repossession Ratio, by Reason for Repossession	194
52. Used Passenger Car Rate Chart of a Local Non-Recourse Sales Finance Company, 1938	199
53. Dollar Amount of Combined Insurance and Finance Charges Quoted on Used Cars Financed Under 12-Month Contracts by 5 Sales Finance Companies, 1938, and Index of Variation	200
54. Constituent Items in Combined Insurance and Finance Charges Shown in Samples of 12-Month and 18-Month New-Car and Used-Car Transactions Financed by Selected Groups of Sales Finance Companies, 1936-38, in Percent of Total Combined Charges	206-07
55. Finance Charge and Insurance Percentages Shown in Samples of New-Car Transactions Financed by Selected Groups of Sales Finance Companies, 1935-38	211-13
56. Finance Charge and Insurance Percentages Shown in Samples of Used-Car Transactions Financed by Selected Groups of Sales Finance Companies, 1936-38	214
57. Lowest and Highest Finance Charge Percentages Shown in Samples of New-Car and Used-Car Transactions Financed by Selected Groups of Sales Finance Companies, 1935-38, and Accompanying Insurance Percentages	216-17

LIST OF TABLES

xxiii

58. Indices of Finance Charges and of Combined Insurance and Finance Charges on a Hypothetical New-Car Transaction, Finance Charge in Percent of Combined Charge, and Index of the Gross Time Price, 1924-38	219
59. Dollar Amount and Annual Percentage Rate of Finance Charges Quoted in the Diversified Financing of 12 Sales Finance Companies and Electric Home and Farm Authority, 1936-38, by Amount of Original Unpaid Balance and Length of Contract	224-25
60. Income from Wholesale Financing of 10 Local Sales Finance Companies in Percent of Total Gross Income, and Wholesale Credit in Percent of Total Credit Extended, 1937	246
61. Insurance Commissions Received by 10 Local Sales Finance Companies, 1937, in Percent of Total Gross Income	247
62. Gross Income of Selected Sales Finance Companies, 1928-39, in Percent of Total Assets	248
63. Income, Expenses and Profits of 47 Sales Finance Companies, 1937, in Percent of Total Assets and of Gross Income	249
64. Expenses and Profits of Selected Sales Finance Companies, 1928-39, in Percent of Gross Income	251
65. Net Profit of Selected Sales Finance Companies, 1928-39, in Percent of Net Worth	253
66. Classification of Independent Sales Finance Companies by Net Profit in Percent of Total Capital Employed, and Average Net Profit in Percent of Total Capital Employed for Independent, Factory-Preferred and Factory-Controlled Sales Finance Companies, Selected Years, 1927-37	255
67. Percentage Distribution of Retail and Wholesale Automobile Installation Credit Extended by Sales Finance Companies, 1937, by Type of Company, and Average Percent Received by Each Company	264
68. Percentage Distribution of General Motors, Ford and Chrysler Dealers, by Degree to Which They Used Facilities of Factory-Related Finance Companies	265

Index

- ABUSES IN RETAIL INSTALMENT FINANCING**—227-43. *See also* **CRITICISMS OF INSTALMENT SELLING**.
- ACCOUNTING PROCEDURES OF SALES FINANCE COMPANIES**—Credit Losses 128-31.
- ACTIVITIES OF SALES FINANCE COMPANIES**—36-39, 52.
- ADD-ON CONTRACT**—240.
- ADJUSTMENT OF CONTRACT**—Comparison with Cash Lending 49-50; Automobile Financing 111-12; Diversified Financing 119-20; Abuses and Regulation 237-39.
- ADVERTISING**—Importance in Rise of Sales Financing 75.
- AGES OF CASH AND OF INSTALMENT BUYERS**—96, 97.
- AMERICAN FINANCE CONFERENCE**—Membership Rules 38; Recommendations on Loss Accounting 130-31; Standardization of Terms 142; Code of Trade Practices 229, 236; Controversy over Factory Relationships 270-71.
- AMOUNT OF NOTE**—In EHFA Financing 94; As a Factor in Repossession (appliances) 189, 191; Charges 197.
- ANTITRUST PROSECUTION OF SALES FINANCE COMPANIES**—271-75.
- APPLIANCE FINANCING**—*See* **DIVERSIFIED FINANCING**.
- APPLIANCES**—*See* **ELECTRIC APPLIANCES**.
- APPLICATION FOR CREDIT**—*See* **CREDIT APPLICATION**.
- ASSETS OF SALES FINANCE COMPANIES**—*See* **FUNDS OF SALES FINANCE COMPANIES**.
- ASSOCIATES INVESTMENT COMPANY**—Assets 58. *See also* **REGIONAL SALES FINANCE COMPANIES**.
- ASSOCIATIONS OF SALES FINANCE COMPANIES**—*See* **AMERICAN FINANCE CONFERENCE and NATIONAL ASSOCIATION OF SALES FINANCE COMPANIES**.
- AUTOMOBILE DEALERS**—Share of Retail Instalment Financing 41; Credit Losses 122-23; Credit Standards 136-37; Down Payments 145-46; Degree of Use of Factory-Related Finance Company 265. *See also* **AUTOMOBILE FINANCING**.
- AUTOMOBILE FINANCING**—Importance in Rise of Sales Financing 74-75; Quantitative Importance (in business of sales finance companies) 38-39, 42, 45-46, (in retail instalment financing) 41; Dealer Capital 288; Specialization 55; Factory Relationships 56; National Companies 58; Economic Circumstances of Customers 85-92, 95-102; Credit Procedure 104-17; Trade-in 140; Credit Standards 134; Repossession Experience 156-73; Credit Losses 125-31; Contract Terms 140-44; Banks' Interest in Contract Terms 72; Charges 197-223; Insurance Income 245-47, 253-54; Insurance Abuses 240-42; Regulation 228, 230; Record of Purchaser Complaints (Wisconsin) 243; Competitive Relations 257-83.
- AUTOMOBILES**—As Source of Instalment Debt 80-82; Comparison of Cash and Instalment Buyers 95-102. *See also* **AUTOMOBILE FINANCING**.
- AYRES, MILAN V.**—Liquidity Standards of Sales Finance Companies 71 *footnote*; Proposals for Uniform Legislation 229-30.
- BAD-DEBT LOSSES**—*See* **CREDIT LOSSES and REPOSSESSION**.
- BAILMENT LEASE**—*See* **LEGAL INSTRUMENTS IN RETAIL INSTALMENT FINANCING**.
- BALLOON NOTES**—237.
- BANCONTRACT DISCOUNT COMPANY**—50 *footnote*.

- BANK ACCOUNTS**—As Carried by Automobile Customers 90, 92; As Carried by Cash and by Instalment Buyers 97.
- BANKERS COMMERCIAL CORPORATION**—33-34, 58. *See also* REGIONAL SALES FINANCE COMPANIES.
- BANKS**—Quantitative Importance of Cash Lending 47; As Agencies of Retail Instalment Financing (Indiana) 43-44; As Source of Sales Finance Company Funds 61, 66-72; Loss Record on Finance Company Business 244; As Competitor of Sales Finance Companies 286-88. *See also* CASH INSTALMENT LENDING.
- BONUS FOR DEALER**—*See* DEALER PAYMENTS.
- BOOK CREDIT**—*See* OPEN CREDIT.
- BORROWERS FROM SALES FINANCE COMPANIES**—*See* CUSTOMERS OF SALES FINANCE COMPANIES.
- BORROWINGS OF SALES FINANCE COMPANIES**—62, 64-72; Terms 69, 70, 277; Costs 249-51; Influence of Factory Relationship 271.
- BUYER**—*See* CUSTOMERS FOR RETAIL INSTALMENT CREDIT *and* CUSTOMERS OF SALES FINANCE COMPANIES.
- CAPITAL FUNDS OF SALES FINANCE COMPANIES**—*See* FUNDS OF SALES FINANCE COMPANIES.
- CASH BUYERS**—Compared with Instalment Buyers 95-103.
- CASH INSTALMENT LENDING**—Quantitative Importance 46-48; Comparison with Sales Financing 48-49; For Commodity Purchases 40, 44; Insured Loans 52-53; By Sales Finance Companies 37-39, 49-50, 111-12; Recommended as Aid in Refinancing 119-20; Charges 198; In Competition with Sales Financing 287-88.
- CASH SELLING PRICE**—In EHFA Financing 94; In Relation to Customers' Incomes (automobiles) 88, 89-91; Comparison of Cash and Instalment Purchases (automobiles) 99-103; Credit Standards 133; As a Factor in Repossession (automobiles) 164-68, (appliances) 189; Insurance Charges 210.
- CATES, D.**—71 *footnote*.
- "CEASE AND DESIST" ORDER**—Six Percent Plan 202-03.
- CHARGE-OFFS**—*See* CREDIT LOSSES *and* REPOSSESSION.
- CHARGES OF SALES FINANCE COMPANIES**—196-226; Comparison with Cash-Lending Agencies 49-50; On Adjusted Contracts 111; Abuses and Regulation 230-39; Competition 258-59, 260-61, 286; Influence of Factory Relationships 267-70, 275; Wholesale Loans 276-77. *See also* INSURANCE.
- CHattel MORTGAGE**—*See* LEGAL INSTRUMENTS IN RETAIL INSTALMENT FINANCING.
- CHECKING ACCOUNTS**—*See* BANK ACCOUNTS.
- CHI-TEST**—96 *footnote*.
- CHRYSLER CORPORATION**—Relations with Commercial Credit Company 56-57, 266, 270, 272; Antitrust Proceedings 271-75.
- CHRYSLER DEALERS**—Use of Factory-Related Finance Company 265.
- CLOTHES IRONERS**—Contract Terms (EHFA) 150, 153.
- CLOTHING DEALERS**—Credit Standards 137.
- COAL AND WOOD DEALERS**—Credit Standards 137.
- CODES OF TRADE PRACTICES**—229, 230, 236, 239, 242.
- COLLATERAL SECURITY**—*See* SECURITY FOR LOANS.
- COLLATERAL TRUST BORROWING OF SALES FINANCE COMPANIES**—67-69.
- COLLECTION EXPERIENCE**—*See* REPOSSESSION; *also* DELINQUENCY; *also* CREDIT LOSSES.
- COLLECTION PROCEDURE**—*See* PROCEDURE OF SALES FINANCE COMPANIES.
- COLLISION INSURANCE**—108, 199, 220.
- COMMERCIAL BANKS**—*See* BANKS.
- COMMERCIAL CREDIT COMPANY**—Date of Origin 34; Assets 58; Relations with Chrysler 56-57, 262, 266, 270, 272; Degree of Use by Chrysler Dealers 265; Antitrust Proceedings 271-75. *See also* FACTORY-PREFERRED SALES FINANCE COMPANIES *and* NATIONAL SALES FINANCE COMPANIES.
- COMMERCIAL INVESTMENT TRUST**—Date of Origin 34; Corporate Structure 55; Assets 58; Relations with Ford (through Universal Credit Corp.) 56-57, 262, 272; Degree of Use by Ford Dealers (through Universal

- Credit Corp.) 265; Relations with Hudson 266; Relations with Studebaker 267; Antitrust Proceedings 271-75; Bancontract Discount Company 50 *footnote*. *See also* FACTORY-PREFERRED SALES FINANCE COMPANIES and NATIONAL SALES FINANCE COMPANIES.
- COMPETITIVE RELATIONS OF SALES FINANCE COMPANIES—257-88; Six Percent Plan 201-03; Charges 222.
- CONDITIONAL SALES ACT—229-30.
- CONDITIONAL SALES CONTRACT—*See* LEGAL INSTRUMENTS IN RETAIL INSTALMENT FINANCING.
- CONFISCATION OF COLLATERAL—113.
- CONSENT DECREES—57, 239, 242, 271-75.
- CONSUMERS ADVISORY BOARD—230-31.
- CONTRACT—*See* LEGAL INSTRUMENTS IN RETAIL INSTALMENT FINANCING; *also* ADJUSTMENT OF CONTRACT; *also* AMOUNT OF NOTE.
- CONTRACT LENGTH — *See* CONTRACT TERMS.
- CONTRACT TERMS—Interest of Banks 72; In Relation to Customers' Incomes (automobile financing) 90; In EHFA Financing 94; Procedure (automobile financing) 106, (diversified financing) 118; Credit Standards 133-35, 138-55; And Repossession Experience (automobiles) 161-64; 165-68, (appliances) 179-80, 184-89, 190; As Competitive Factor (automobile financing) 260, (diversified financing) 284. *See also* CHARGES OF SALES FINANCE COMPANIES.
- CONVERSION OF COLLATERAL—113, 128, 240.
- COON, OWEN L.—Risk Evaluation 138.
- CORPORATE ORGANIZATION OF SALES FINANCE COMPANIES—54-55.
- COSIGNER—135.
- COSTS OF SALES FINANCE COMPANIES—*See* EXPENSES OF SALES FINANCE COMPANIES.
- CREDIT APPLICATION—106, 132-33, 136.
- CREDIT INVESTIGATION—Of Purchaser (automobile financing) 106-07, (diversified financing) 118-19; Of Dealer 113-15.
- CREDIT LINES OF SALES FINANCE COMPANIES—69.
- CREDIT LOSSES—121-31, 157-58. *See also* REPOSSESSION.
- CREDIT PROCEDURE—*See* PROCEDURE OF SALES FINANCE COMPANIES.
- CREDIT RATING SYSTEMS—136, 138.
- CREDIT STANDARDS—132-38; And Repossession Experience 159, 194-95.
- CREDIT UNIONS—47. *See also* CASH INSTALMENT LENDING.
- CRITICISMS OF INSTALMENT SELLING—Diversion of Purchasing Power 76; Imprudent Incurral of Debt 99-100, 102-03; Financing Practices 227.
- CUSTOMERS FOR RETAIL INSTALMENT CREDIT—45, 73-103, 105-06, 286. *See also* CUSTOMERS OF SALES FINANCE COMPANIES.
- CUSTOMERS OF SALES FINANCE COMPANIES—Number 45-46; Economic Circumstances 84-94; Relations with Dealer 105-08, 118-20; Relations with Company 108-13, 119; Credit Standards 132-38; Reasons for Repossession 169-73; Income (and appliance repossession experience) 180-83, 188, 193; Response to Rate Changes 222-23; Record of Purchaser Complaints (Wisconsin) 242-43; Role in Competitive Relations 257-61; Competition from Banks 286.
- DEALER—Credit Standards 135-37, 156; Charges 204; Relations with Purchaser (automobile financing) 105-08, 243, (diversified financing) 118, 119-20, (competition) 259-60; Relations with Sales Finance Company 36, 113-17; Relations with Factory and Factory-Related Finance Company 265-68, 270-71, 273-75; Losses (repurchase and non-recourse paper) 279-80; Fraudulent Practices 114-15; Importance in Competition 275-83, 286-87, 288. *See also* DEALER LIABILITY and DEALER PAYMENTS. *Also specific types of retailers* (AUTOMOBILE DEALERS; CLOTHING DEALERS; COAL AND WOOD DEALERS; DEPARTMENT STORES; FURNITURE DEALERS; HOUSEHOLD APPLIANCE DEALERS; JEWELRY DEALERS; LUMBER DEALERS).
- DEALER LIABILITY—Automobile Financing 115-17; Diversified Financing 120-21, 284-85; Credit Losses 124-28; Charges (diversified financ-

- ing) 226; As Competitive Factor 278-80.
- DEALER PAYMENTS**—Automobile Financing 117, 280-83; Diversified Financing 285; As Item in Charges 203, 204-07; Regulation 235-37, 273; Competition from Banks 287.
- DEBTORS FOR RETAIL INSTALMENT CREDIT**—*See* CUSTOMERS FOR RETAIL INSTALMENT CREDIT and CUSTOMERS OF SALES FINANCE COMPANIES.
- DELINQUENCY**—Automobile Financing 109-12; Diversified Financing 119; On Repossessed Appliances 178-79; Abuses and Regulation 237-39.
- DEPARTMENT OF FINANCIAL INSTITUTIONS, INDIANA**—*See* INDIANA (Regulation of Instalment Financing).
- DEPARTMENT OF JUSTICE**—Antitrust Proceedings 56-57, 271-75.
- DEPARTMENT STORES**—Share of Retail Instalment Financing 41; Credit Losses 122-23; Credit Standards 137; Down Payments 146; Charges 223.
- DISHWASHERS**—Contract Terms (EHFA) 150, 153.
- DIVERSIFIED FINANCING**—Quantitative Importance 39, 43; Dealer Capital 288; Specialization 55; Factory Relationships 56; Economic Circumstances of Appliance Customers 92-94; Credit Procedure 117-21; Credit Standards 135; Repossession Experience (electric appliances) 174-95; Contract Terms 145-55; Charges 223-26; Competitive Relations 283-85. *See also* ELECTRIC HOME AND FARM AUTHORITY. *Also specific commodities, such as* ELECTRIC APPLIANCES and FURNITURE.
- DOUBLE FINANCING**—*See* DUPLICATE FINANCING.
- DOWN PAYMENT** — *See* CONTRACT TERMS.
- DOYLE, JOHN F.**—233 *footnote*, 234, 243.
- DUPLICATE FINANCING**—114-15.
- DURATION OF CONTRACT**—*See* CONTRACT TERMS.
- EARNINGS OF SALES FINANCE COMPANIES**—*See* INCOME OF SALES FINANCE COMPANIES.
- ELECTRIC APPLIANCES**—As Factor in Rise of Sales Financing 74-75; As Source of Instalment Debt 80-82.
- See also* DIVERSIFIED FINANCING and ELECTRIC HOME AND FARM AUTHORITY. *Also specific types of appliances* (CLOTHES IRONERS; DISHWASHERS; FARM EQUIPMENT; RADIOS; RANGES; REFRIGERATORS; SEWING MACHINES; SPACE HEATERS; VACUUM CLEANERS; VENTILATING FANS; WASHING MACHINES; WASTE DISPOSAL UNITS; WATER HEATERS). *Also* HOUSEHOLD APPLIANCE DEALERS.
- ELECTRIC HOME AND FARM AUTHORITY**—As a Sales Financing Agency 50-52; Economic Circumstances of Customers 84-85, 92-94; Repossession Experience 174-95; Contract Terms 150-55; Easing of Terms 149; Charges 223-26; Insurance 119 *footnote*, 285; As Competitive Factor 284.
- ELECTRIC REFRIGERATORS**—*See* REFRIGERATORS.
- EMPLOYEES OF SALES FINANCE COMPANIES**—35.
- EQUITY FUNDS OF SALES FINANCE COMPANIES**—61-65.
- EXPENSES OF SALES FINANCE COMPANIES**—249-52; Credit Losses 121-22, 124-31; In Relation to Charges 206, 208.
- EXTENSION OF CONTRACT**—*See* ADJUSTMENT OF CONTRACT.
- FACTORING**—39.
- FACTORY-CONTROLLED SALES FINANCE COMPANY**—Charges 206-08, 210-17; Insurance 209; Net Profit 254-55. *See also* GENERAL MOTORS ACCEPTANCE CORPORATION.
- FACTORY-PREFERRED SALES FINANCE COMPANIES**—Charges 206-08, 211-17; Net Profit 254-55. *See also* COMMERCIAL CREDIT COMPANY and COMMERCIAL INVESTMENT TRUST.
- FACTORY RELATIONSHIP TO SALES FINANCE COMPANIES**—55-57; And Regulation of Dealer Payments 236; Competitive Importance (automobile financing) 261-75, (diversified financing) 283-84. *See also* FACTORY-CONTROLLED SALES FINANCE COMPANY and FACTORY-PREFERRED SALES FINANCE COMPANIES. *Also individual companies* (GMAC, CCC, CIT).
- FAMILY CIRCUMSTANCES OF CASH AND OF INSTALMENT BUYERS**—97-98.

- FARM EQUIPMENT—Contract Terms (EHFA) 150 *footnote*, 153 *footnote*.
- FARM FAMILIES—As Instalment Debtors 80, 81, 83-84.
- FEDERAL HOUSING ADMINISTRATION—Quantitative Importance of Cash Loans Insured 47; Insurance of Sales Finance Credit 52-53; Easing of Credit Terms 149; As Competitive Factor 284.
- FEDERAL TRADE COMMISSION—Six Percent Plan 201-03, 268; Data on Finance Charges 204-05 *ff.*; Interest Expression of Charges 212 *footnote*; Data on Profits of Sales Finance Companies 254; Proposals Regarding Trade Practices 230, 236-37, 242, 275 *footnote*; Manufacturer Relationships of Sales Finance Companies 262 *ff.*
- FIDELITY CONTRACT CORPORATION—33-34.
- FINANCE CHARGES—See CHARGES OF SALES FINANCE COMPANIES.
- FINANCIAL STRUCTURE OF SALES FINANCE COMPANIES—See FUNDS OF SALES FINANCE COMPANIES.
- FORD DEALERS—Use of Factory-Related Finance Company 265.
- FORD MOTOR COMPANY—Relations with Universal Credit Corporation 56-57, 262, 272; Antitrust Proceedings 271-75.
- FRAUDULENT PRACTICES OF DEALERS—114-15.
- FUNDS OF SALES FINANCE COMPANIES—58-60, 60-72, 249; EHFA 51. See also BORROWINGS OF SALES FINANCE COMPANIES.
- FURNITURE—As Source of Instalment Debt 80-82; Contract Terms 146-47, 149.
- FURNITURE DEALERS—Share of Retail Instalment Financing 41; Credit Standards 137; Credit Losses 122-23; Trade-ins 140 *footnote*.
- GALLOWAY SERVICE—113-14.
- GENERAL EXCHANGE INSURANCE CORPORATION—269.
- GENERAL MOTORS ACCEPTANCE CORPORATION—Assets 58; Borrowing Position 64; Six Percent Plan 201-04; Insurance 269; Factory Relationship 56, 57, 262; Degree of Use by Factory's Dealers 265; Antitrust Proceedings 271-75. See also FACTORY-CONTROLLED SALES FINANCE COMPANY and NATIONAL SALES FINANCE COMPANIES.
- GENERAL MOTORS CORPORATION—Affiliation with GMAC 56, 57; Antitrust Proceedings 271-75.
- GENERAL MOTORS DEALERS—Use of Factory-Related Finance Company 265.
- GOVERNMENT AGENCIES IN THE SALES FINANCE FIELD—See ELECTRIC HOME AND FARM AUTHORITY and FEDERAL HOUSING ADMINISTRATION.
- GROSS INCOME OF SALES FINANCE COMPANIES—See INCOME OF SALES FINANCE COMPANIES.
- HEATERS—See SPACE HEATERS and WATER HEATERS.
- HOME OWNERSHIP—As Reported by Cash and by Instalment Buyers 97.
- HOUSEHOLD APPLIANCE DEALERS—Share of Retail Instalment Financing 41; Down Payments 146.
- HUDSON MOTOR CAR COMPANY—Relations with Commercial Investment Trust, Inc. 266.
- INCOME OF SALES FINANCE COMPANIES—245-48.
- INCOMES OF CASH AND OF INSTALMENT BUYERS—96, 97, 100-02.
- INCOMES OF INSTALMENT BUYERS—75-76, 77-79, 81-94, 96, 97, 100-02, 134. See also CUSTOMERS OF SALES FINANCE COMPANIES.
- INDEPENDENT SALES FINANCE COMPANIES—Definition 57; Capital Employed 60 *footnote*; Proportion of Business Received 263-64; Charges 206-08, 211-17; Net Profit 254-55; Controversy over Factory Relationship (automobile financing) 270-71, (diversified financing) 284; Controversy over Dealer Payments 281. See also AMERICAN FINANCE CONFERENCE; also REGIONAL SALES FINANCE COMPANIES; also LOCAL SALES FINANCE COMPANIES.
- "INDEX OF REPOSSESSION EXPERIENCE"—158.
- INDIANA—Distribution of Retail Instalment Financing 43-45; Regulation of Instalment Financing 227-28, 231, 233, 234, 235, 236, 238, 239.

- INDUSTRIAL ACCEPTANCE CORPORATION—267 *footnote*.
- INDUSTRIAL BANKING COMPANIES—*See* BANKS.
- INDUSTRIAL FINANCE CORPORATION—267 *footnote*.
- INSTALMENT BUYERS—*See* CUSTOMERS FOR RETAIL INSTALMENT CREDIT *and* CUSTOMERS OF SALES FINANCE COMPANIES.
- INSURANCE—Procedure (automobile financing) 108-09, (diversified financing) 119; Against Conversion, Confiscation, Collision 128; Loss Accounting 131; Charges (automobiles) 197-223 *passim*; Influence of Factory Relationships on Charges 268, 269; As Source of Income 208, 245-47, 253-54; Abuses and Regulation 233-34, 235, 238-39, 240-42; As Competitive Factor (automobile financing) 269-70, (diversified financing) 285, (competition with banks) 287.
- INSURED LOANS—*See* FEDERAL HOUSING ADMINISTRATION.
- INTEREST EXPRESSION OF CHARGES—*See* PERCENTAGE EXPRESSION OF CHARGES.
- INTEREST ON SALES FINANCE COMPANY BORROWING—*See* BORROWINGS OF SALES FINANCE COMPANIES.
- INTERIM ADVISORY LEGISLATIVE COMMITTEE, WISCONSIN—*See* WISCONSIN (Regulation of Instalment Financing).
- INVESTIGATION OF CREDIT APPLICANTS—*See* CREDIT INVESTIGATION.
- IRONERS—*See* CLOTHES IRONERS.
- JEWELRY DEALERS—Share of Retail Instalment Financing 41; Credit Standards 137; Contract Terms 146-47; Credit Losses 122-23.
- KOSER, LEONARD R.—225 *footnote*.
- LEGAL INSTRUMENTS IN RETAIL INSTALMENT FINANCING—104-05.
- LEGAL INSTRUMENTS IN WHOLESALE FINANCING—276.
- LEGISLATION REGARDING RETAIL INSTALMENT FINANCING—*See* REGULATION OF RETAIL INSTALMENT FINANCING.
- LENDING POLICY—*See* CREDIT STANDARDS.
- LENDING PROCEDURE—*See* PROCEDURE OF SALES FINANCE COMPANIES.
- LENGTH OF CONTRACT—*See* CONTRACT TERMS.
- LIABILITY OF DEALER—*See* DEALER LIABILITY.
- LICENSING OF INSTALMENT FINANCING—Existing Legislation 228; Proposed Law 229-30, 233, 235, 237, 239, 242.
- LIFE INSURANCE PLAN OF FINANCING—226.
- LIMITED RECOURSE FINANCING—*See* DEALER LIABILITY.
- LIQUIDITY STANDARDS FOR SALES FINANCE COMPANIES—71-72.
- LOAN APPLICATION—*See* CREDIT APPLICATION.
- LOCAL SALES FINANCE COMPANIES—Types of Business Handled 39; Scope 57-60; Proportion of Business Received 263-64; Sources of Funds 62-65, 67-68; Gross Income 247-48; Expenses and Profits 249-53; Dealer Liability 279. *See also* INDEPENDENT SALES FINANCE COMPANIES.
- LONG-TERM DEBT OF SALES FINANCE COMPANIES—62, 65, 68.
- LOSS RESERVES FOR DEALER—*See* DEALER PAYMENTS.
- LOSS RESERVES OF SALES FINANCE COMPANIES—Accounting Procedures 128-31.
- LOSSES OF DEALERS—*See* DEALER (Losses).
- LOSSES OF SALES FINANCE COMPANIES—*See* CREDIT LOSSES *and* REPOSSESSION.
- LUMBER DEALERS—Credit Standards 137.
- MAINE—Regulation of Instalment Financing 227-28.
- MANUFACTURER ASSOCIATION WITH SALES FINANCE COMPANIES—*See* FACTORY RELATIONSHIP TO SALES FINANCE COMPANIES.
- MARKET FOR RETAIL INSTALMENT CREDIT—*See* CUSTOMERS FOR RETAIL INSTALMENT CREDIT *and* CUSTOMERS OF SALES FINANCE COMPANIES.
- MASSACHUSETTS COMMITTEE ON CONSUMER CREDIT—231, 232-33.
- MATURITY OF NOTES—*See* CONTRACT TERMS.

- MATURITY REQUIREMENTS ON SALES FINANCE COMPANY BORROWING—See BORROWINGS OF SALES FINANCE COMPANIES.**
- MAYTAG ACCEPTANCE CORPORATION—Assets 58. See also REGIONAL SALES FINANCE COMPANIES.**
- MECHANICAL REFRIGERATORS—See REFRIGERATORS.**
- MICHIGAN—Regulation of Instalment Financing 227-28, 233, 235.**
- MID-WEST FINANCE CONFERENCE—See AMERICAN FINANCE CONFERENCE.**
- MONTHLY PAYMENT—Automobiles (in relation to customers' incomes) 89-91; In EHFA Financing 94, 153; And Repossession Experience (appliances) 182-83, 190-92; Charges 197-99.**
- MORRIS PLAN BANKING COMPANIES—As Agencies of Retail Instalment Financing (Indiana) 44.**
- MOTOR DEALERS CREDIT CORPORATION—267 footnote.**
- MOTOR VEHICLE DEALERS—See AUTOMOBILE DEALERS.**
- MOTORS INSURANCE CORPORATION—269 footnote, 287.**
- NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS—241 footnote.**
- NATIONAL ASSOCIATION OF SALES FINANCE COMPANIES—Membership Rules 37-38; Standardization of Terms 142; Code of Trade Practices 229.**
- NATIONAL BOND AND INVESTMENT COMPANY—Date of Origin 34; Assets 58. See also REGIONAL SALES FINANCE COMPANIES.**
- NATIONAL HOUSING ACT—52.**
- NATIONAL INDUSTRIAL RECOVERY ACT—229, 236.**
- NATIONAL RETAIL CREDIT ASSOCIATION—Standard Terms 149.**
- NATIONAL RETAIL DRY GOODS ASSOCIATION—Standard Terms 149; Code of Trade Practices 229.**
- NATIONAL RETAIL FURNITURE ASSOCIATION—Standard Terms 149.**
- NATIONAL SALES FINANCE COMPANIES—Types of Business Handled 39; Number and Importance 57-60; Sources of Funds 62-65, 67-69; Gross Income 247-48; Expenses and Profits 249-53; Dealer Liability 279.**
- See also* **FACTORY-CONTROLLED SALES FINANCE COMPANY and FACTORY-PREFERRED SALES FINANCE COMPANIES.**
- NATIONAL SURETY COMPANY—See COMMERCIAL INVESTMENT TRUST.**
- NET CHANGES IN INSTALMENT DEBT—77-84.**
- NET PROFITS OF SALES FINANCE COMPANIES—See PROFITS OF SALES FINANCE COMPANIES.**
- NET WORTH OF SALES FINANCE COMPANIES—252.**
- NEW-CAR FINANCING—See AUTOMOBILE FINANCING.**
- NON-RECOURSE FINANCING—See DEALER LIABILITY.**
- NORTHERN FINANCE COMPANY—34.**
- NOTE AMOUNT—See AMOUNT OF NOTE.**
- NUMBER OF INSTALMENTS PAID—On Repossessed Cars 160-61, 171-73; On Repossessed Appliances 177-80.**
- NUMBER OF SALES FINANCE COMPANIES—34-35.**
- OCCUPATIONS OF CASH AND OF INSTALMENT BUYERS—97.**
- OCCUPATIONS OF INSTALMENT BUYERS—81, 83-84, 97.**
- OPEN CREDIT—39, 74.**
- OPEN-MARKET BORROWING OF SALES FINANCE COMPANIES—67-70.**
- OPERATING EXPENSES OF SALES FINANCE COMPANIES—See EXPENSES OF SALES FINANCE COMPANIES.**
- OPERATING METHODS OF SALES FINANCE COMPANIES—See PROCEDURE OF SALES FINANCE COMPANIES.**
- ORGANIZATIONAL STRUCTURE OF SALES FINANCE COMPANIES—54-55.**
- ORIGINAL UNPAID BALANCE—Automobiles (in relation to customers' incomes) 89-91; And Charges (automobile financing) 197, 201, 208-10, (diversified financing) 223.**
- OVERHEAD EXPENSES OF SALES FINANCE COMPANIES—See EXPENSES OF SALES FINANCE COMPANIES.**
- PACIFIC FINANCE CORPORATION—Date of Origin 34; Assets 58. See also REGIONAL SALES FINANCE COMPANIES.**
- PACK FOR DEALER—See DEALER PAYMENTS.**

- PAYMENTS TO DEALERS**—*See* DEALER PAYMENTS.
- PENNSYLVANIA**—Consumer Discount Company Act 227-28 *footnote*.
- PERCENTAGE EXPRESSION OF CHARGES**—208-10; Cash Lending 49; Avoidance by Sales Finance Companies 197-98; Six Percent Plan 202-03; Methods of Computation 212-13 *footnote*; Proposals 231-32; Wisconsin Provisions 234.
- PERSONAL FINANCE COMPANIES**—Quantitative Importance of Cash Lending 47; As Agencies of Retail Instalment Financing (Indiana) 44; Charge-off Experience 181 *footnote*; As Competitor of Sales Finance Companies 286, 287-88. *See also* CASH INSTALMENT LENDING.
- PERSONAL LOAN DEPARTMENTS**—*See* BANKS.
- PERSONNEL OF SALES FINANCE COMPANIES**—35.
- PREPAYMENT OF NOTES**—237-39.
- PROCEDURE OF SALES FINANCE COMPANIES**—36, 104-21; EHFA 51; Comparison with Cash-Lending Agencies 48-49.
- PRODUCER CREDIT FOR RETAIL PURCHASES**—37, 41-42.
- PROFITS OF SALES FINANCE COMPANIES**—244, 249-56; In Relation to Charges 206, 208.
- PROMISSORY NOTE**—*See* LEGAL INSTRUMENTS IN RETAIL INSTALMENT FINANCING.
- PURCHASE PRICE**—*See* CASH SELLING PRICE.
- PURCHASER**—*See* CUSTOMERS FOR RETAIL INSTALMENT CREDIT *and* CUSTOMERS OF SALES FINANCE COMPANIES.
- RADIOS**—As Source of Instalment Debt 80-82; In EHFA Financing 92; Contract Terms 146-47, 149, 150, 153; Repossession Experience 192-93.
- RANGES**—In EHFA Financing 92; Contract Terms 149, 150, 153; Repossession Experience 191-93.
- RATE CHARTS**—197-99, 203-04.
- RATES OF SALES FINANCE COMPANIES**—*See* CHARGES OF SALES FINANCE COMPANIES.
- REASONS FOR REPOSSESSION**—Automobiles 168-73; Electric Appliances 193-94.
- RECOURSE FINANCING**—*See* DEALER LIABILITY.
- REDISCOUNTING**—39.
- REFINANCING**—*See* ADJUSTMENT OF CONTRACT.
- REFRIGERATORS**—As Source of Instalment Debt 80-82; In EHFA Financing 92; Contract Terms 146-50, 153-55; Comparative Contract Figures 176; Repossession Experience 191-92.
- REGIONAL SALES FINANCE COMPANIES**—Types of Business Handled 39; Number and Scope 57-60; Proportion of Business Received 263-64; Sources of Funds 62-65, 67-68; Gross Income 247-48; Expenses and Profits 249-53; Dealer Liability 279. *See also* INDEPENDENT SALES FINANCE COMPANIES.
- REGIONALISM IN INSTALMENT DEBT**—80-81, 92.
- REGISTRATION OF SALES FINANCE COMPANIES**—273-74.
- REGULATION OF RETAIL INSTALMENT FINANCING**—227-43.
- RENEWAL OF CONTRACT**—*See* ADJUSTMENT OF CONTRACT.
- REPOSSESSION**—Procedure (automobile financing) 112, (diversified financing) 120; Analysis of Experience (automobile financing) 156-73, (appliance financing) 174-95; Credit Losses 127; Abuses 239-40, 242.
- REPURCHASE-AGREEMENT FINANCING**—*See* DEALER LIABILITY.
- RESERVE FOR DEALER**—*See* DEALER PAYMENTS.
- RESERVE-FOR-LOSSES ACCOUNTS**—*See* LOSS RESERVES OF SALES FINANCE COMPANIES.
- RETAIL DEALER**—*See* DEALER.
- RETAIL INSTALMENT CREDIT**—Quantitative Importance 40-42; Comparison with Cash Loan Instalment Credit 47; Significance in Business of Sales Finance Companies 36-37, 39, 42-45, 263-64; Customers 45, 73-103, 105-06, 286; Credit Loss Experience 122-23; Abuses and Regulation 227-43; Sales Finance Companies in Competition with Other Agencies 285-88. *See also* entries on

- general aspects of retail instalment financing and on specific aspects of sales finance companies' business.*
- RETAIL STORES—*See* DEALER.
- RISE OF SALES FINANCE COMPANIES—33-35, 60-61, 73-76.
- RISK—*See* CREDIT STANDARDS.
- SALES FINANCE COMPANIES—*See particularly: ACTIVITIES OF . . . ; PROCEDURE OF . . . ; COMPETITIVE RELATIONS OF . . . ; CUSTOMERS OF . . . ; AUTOMOBILE FINANCING; DIVERSIFIED FINANCING; WHOLESALE FINANCING. Also* CORPORATE ORGANIZATION OF . . . ; FACTORY RELATIONSHIP TO . . . *Also* CREDIT STANDARDS; CONTRACT TERMS; CHARGES OF . . . ; INSURANCE. *Also* FUNDS OF . . . ; BORROWINGS OF . . . ; INCOME OF . . . ; EXPENSES OF . . . ; PROFITS OF . . . *Also* NATIONAL . . . ; REGIONAL . . . ; LOCAL . . . ; FACTORY-CONTROLLED SALES FINANCE COMPANY; FACTORY-PREFERRED . . . ; INDEPENDENT . . . ; ELECTRIC HOME AND FARM AUTHORITY.
- SALES FINANCING—*In Relation to Total Retail Instalment Financing* 42-46; *Comparison with Cash Lending* 48-50. *See also entries on specific aspects of sales financing.*
- SECURITY FOR LOANS—*Comparison of Sales Financing and Cash Lending* 48; *Credit Standards* 133-35; *Abuses* 240, 242.
- SECURITY FOR SALES FINANCE COMPANY BORROWING—67-69.
- SEWING MACHINES—*Contract Terms* 147.
- SHORT-TERM DEBT OF SALES FINANCE COMPANIES—62, 65-70.
- SIX PERCENT PLAN—201-03; *Charges* 213 *and footnote; Competitive Importance* 267-68.
- "SKIPS"—*See* CONVERSION OF COLLATERAL.
- SMALL LOAN COMPANIES—*See* PERSONAL FINANCE COMPANIES.
- SMALL LOANS—*See* CASH INSTALMENT LENDING.
- SPACE HEATERS—*Contract Terms (EHFA)* 150, 153.
- STANDARD TERMS—*See* CONTRACT TERMS.
- STATE BANKING COMMISSION, WISCONSIN—*See* WISCONSIN (*Regulation of Instalment Financing*).
- STOVES—*See* RANGES.
- STUDEBAKER CORPORATION—*Relations with Sales Finance Companies* 267.
- STUDY OF CONSUMER PURCHASES—76, 95, 100.
- SUBSIDIES TO SALES FINANCE COMPANIES—266-67, 274.
- T-TEST—96 *footnote*.
- TAXES OF SALES FINANCE COMPANIES—249-51.
- TERMS OF SALES FINANCE COMPANY BORROWING—*See* BORROWINGS OF SALES FINANCE COMPANIES.
- TERMS OF SALES FINANCE CONTRACTS—*See* CONTRACT TERMS.
- THEFT INSURANCE—220.
- TIME-PAYMENT CHARGE—*See* CHARGES OF SALES FINANCE COMPANIES.
- TRADE ASSOCIATIONS OF SALES FINANCE COMPANIES—*See* AMERICAN FINANCE CONFERENCE *and* NATIONAL ASSOCIATION OF SALES FINANCE COMPANIES.
- TRADE-IN—*Extent of Practice* 139-40; *As Factor in Dealer Payments* 283; *Competitive Importance* 259-60.
- TRADE PRACTICES—*See* CODES OF TRADE PRACTICES *and* REGULATION OF RETAIL INSTALMENT FINANCING.
- UNIFORM LAWS—*See* CONDITIONAL SALES ACT *and* LICENSING OF INSTALMENT FINANCING (*Proposed Law*).
- UNITED STATES DEPARTMENT OF JUSTICE—*See* DEPARTMENT OF JUSTICE.
- UNIVERSAL CREDIT CORPORATION—*See* COMMERCIAL INVESTMENT TRUST.
- UNPAID BALANCE—*See* ORIGINAL UNPAID BALANCE.
- UNSECURED BORROWING OF SALES FINANCE COMPANIES—67-69.
- URBANIZATION—*And Use of Instalment Credit* 79-80, 83.
- USED-CAR FINANCING—*See* AUTOMOBILE FINANCING.
- USED-CAR LOANS—277-78.
- VACUUM CLEANERS—*Contract Terms* 147, 150, 153.
- VENTILATING FANS—*Contract Terms (EHFA)* 150, 153.

- WAGE ASSIGNMENTS**—See SECURITY FOR LOANS.
- WAGE-EARNING FAMILIES**—As Instalment Debtors 83-84.
- WASHING MACHINES**—In EHFA Financing 92; Contract Terms 147, 149, 150, 153; Repossession Experience 191-93.
- WASTE DISPOSAL UNITS**—Contract Terms (EHFA) 150, 153.
- WATER HEATERS**—Contract Terms (EHFA) 150, 153.
- WHOLESALE FINANCING**—Significance in Business of Sales Finance Companies 36, 39; As Source of Income 245-46; Factory Relationship of Companies 263-64; Fraudulent Dealer Practices 114-15; Credit Losses 129; As Competitive Factor 270, 273, 276-77.
- WISCONSIN**—Retail Automobile Financing 42; Record of Purchaser Complaints 242-43; Regulation of Instalment Financing 227-28, 231, 232, 233, 234, 235, 236, 238, 239.

Studies in Consumer Instalment Financing

These studies are part of a broad program of research in finance inaugurated by the National Bureau of Economic Research in 1938 under grants from the Association of Reserve City Bankers and the Rockefeller Foundation. They have been prepared with the cooperation of public agencies, private enterprises and university specialists.

Sales Finance Companies and Their Credit Practices is the second study in the series. The first book, *Personal Finance Companies and Their Credit Practices*, was published in January, 1940; the third, *Commercial Banks and Consumer Instalment Credit*, appeared in June, 1940.

Other institutions of consumer instalment financing on which monographs are soon to be issued are industrial banking companies and government agencies in the field of instalment finance. Also in preparation are estimates of the volume of consumer instalment credit during the period 1929-38, a description of the statistical pattern of consumer debt, and a study of the relation between consumer instalment financing and economic fluctuations.

In these studies the term "instalment financing" is used to comprise all consumer credit that entails the repayment of principal and the payment of interest in prescheduled amounts at regular intervals. Therefore cash loans repayable on instalment terms and credit extended for the purchase of specific commodities are included, but charge account and open book credit do not come within the scope of the inquiry. Home mortgage credit has been specifically excluded, because it entails a quite different set of problems.