

Credit." To carry out this responsibility, it began to collect information pertaining to various types of consumer credit. Shortly thereafter—in 1942—the responsibility for maintaining the official statistics on consumer credit was transferred from the Department of Commerce to the Federal Reserve System. This centralization of the collection of the statistics served to make maximum use of the information that was available within the Federal Reserve, to eliminate duplication and inconsistency in reporting, and to minimize for respondents the burden of reporting. Since 1942 the Board of Governors has been the primary source of aggregative consumer credit statistics even though authority for consumer credit regulation expired in 1952.

Like most economic statistics, the consumer credit series are based largely on comprehensive benchmark data which become available periodically. Current monthly estimates are extrapolated from the latest benchmarks on the basis of sample data. Such data are obtained through the voluntary cooperation of lenders and other credit granters who submit regular reports of their consumer credit operations. As new benchmark data become available, the monthly estimates are reviewed and revised as necessary.

The estimates for the various segments of consumer credit published each month are for the nation as a whole, including Alaska from January 1959 and Hawaii from August 1959. Data are not compiled for individual States or for metropolitan areas as a rule.

Where possible, the monthly estimates for consumer credit begin with 1940. In addition, estimates of credit outstanding at year-end are available for the period 1919-39.

Tables showing current estimates of consumer credit outstanding, extended, and repaid, by both type and holder, are published regularly in the monthly *Federal Reserve Bulletin*. Several statistical releases are issued each month to provide additional detail, as indicated later in this section.

## DEFINITIONS AND CONCEPTS

The Federal Reserve series, "consumer credit," includes all short- and intermediate-term credit that is extended through regular business channels to finance the purchase of commodities and services for personal consumption, or to refinance debts incurred for such purposes. In this sense, consumer credit may refer either to an advance of funds for the purchase of goods or services or to an advance of goods or services in exchange for a promise to pay at a later date. No minimum period for repayment is set by this definition, except that there must be some lapse of time between the transfer of the goods or services and the payment for them.

Personal consumption is considered an end in itself, as distinguished from the process of using up or "consuming" goods and services as a stage in production. Thus the concept of consumer credit excludes credit extended to businesses or to individuals exclusively for business purposes. Credit extended to governmental agencies or to nonprofit or charitable organizations is also excluded.

Some of the basic data available do not embody these conceptual distinctions and thus require adjustments to eliminate the non-consumer elements. These adjustments will be described in later sections on estimating methods. Nevertheless, it has not been possible to make certain other adjustments that in principle ought to be effected, because there is no statistical basis on which to make the adjustments or because the conceptual distinctions themselves are not clear in practice. For example, the System's commercial bank call report data on loans to farmers do not segregate credit for consumption from that for production purposes. As the bulk of the total is for production purposes, the practice has been to exclude these loans entirely from the consumer credit figures.

A similar problem arises with credit used to purchase multipurpose durable goods such

as automobiles. These goods may serve both consumption and business purposes, but no data are available for apportioning the credit involved between consumer and nonconsumer uses. In practice, therefore, credit obtained by individuals for the purchase of passenger cars is included as consumer credit, whereas any credit obtained by individuals for the purchase of commercial vehicles and other commodities and equipment used primarily for business is not included.

The consumer credit series also excludes policy loans of life insurance companies even though these loans have some of the characteristics of loans against shares in savings and loan associations, which are included. There are two bases for this exclusion. One is the customary absence of a definite repayment schedule for policy loans, the majority of which are not repaid. The other is the lack of a statistical basis for segregating the large proportion of such credit known to be for business purposes. Inasmuch as the amount of policy loans is large, this lack of adequate data could lead to sizable errors in the consumer credit estimates.

The Federal Reserve series also excludes two other types of consumer credit because of lack of adequate statistical information. These are loans by one individual to another for consumption purposes, and similar loans made by businesses to their employees.

The practical difficulties of measurement noted above cause the published consumer credit series to depart somewhat from the basic concepts and, on balance, to understate the amount of short- and intermediate-term consumer credit outstanding. However, the movements shown in the series are believed to reflect reasonably well both the current and the longer-term trends in consumer credit.

#### MAJOR TYPES OF CONSUMER CREDIT

Consumer credit is divided into two major types, instalment and noninstalment, which in

turn are subdivided according to both the type of credit and the kind of institution to which the obligation is owed. The accompanying chart shows the components of the consumer credit series and estimates of the amounts outstanding held by the different types of retail and financial institutions on December 31, 1963.

**Instalment credit.** Instalment credit represents all consumer credit that is scheduled to be repaid in two or more payments. Revolving credit, budget, and coupon accounts are treated as instalment credit rather than as charge accounts because they provide for scheduled repayment on a periodic basis. Published estimates of the amount of instalment credit outstanding generally include the financing charges on such credit and the cost of insurance or other fees included in the credit contract.

The four principal classes of instalment credit are automobile paper, other consumer goods paper, home repair and modernization loans, and personal loans.

Automobile paper represents credit extended for the purchase of new or used automobiles, whether or not the credit is specifically secured by the automobile purchased. Similarly, "other consumer goods paper" represents credit extended for the purchase of such nonautomotive consumer goods as home appliances and furniture, jewelry, mobile homes, and boats.

Automobile credit and other consumer goods credit often are extended to the consumer by a retailer; sometimes the retailer will hold the paper for his own account, but in many instances he will sell it to a sales finance company, a commercial bank, or some other financial institution. In other instances instalment paper represents loans made directly by lending institutions to consumers for the purchase of goods and services.

Repair and modernization loans include both Federal Housing Administration-insured credit and noninsured credit extended to consumers