

FINANCIAL INSTITUTIONS

Financial institutions hold nearly 90 per cent of all consumer instalment credit outstanding and retail outlets the remainder. Among financial institutions, commercial banks are the major holders. Currently they account for more than two-fifths of all holdings by such institutions. Sales finance companies are next, with nearly one-third of the total for the financial group.

Commercial banks. Commercial banks include all Federal Reserve member banks and all nonmember commercial banks in the United States, exclusive of banks in territories or possessions. Almost all of these banks engage in consumer credit activities—by direct lending to consumers, by buying retail instalment contracts, or both.

Benchmarks and adjustments. The first official benchmarks for consumer paper held by commercial banks are those for 1942 shown in call reports of condition submitted by insured banks to supervisory authorities. The figures for earlier years are based on year-end estimates by the Russell Sage Foundation, the National Bureau of Economic Research, and the Federal Reserve Board.

Schedule A, added to the call report with the 1942 revision, provided for insured banks to report instalment loans to individuals separately, by type of loan, on June and December dates. It was not until June 1961 that data by loan type became available for noninsured banks in the reports of the Federal Deposit Insurance Corporation. Noninsured banks hold less than 1 per cent of all consumer credit held by commercial banks. The distribution of loans held by noninsured banks for the period before 1961 is estimated from the loan distribution of country member banks.

Call reports provide for reporting of instalment loans to individuals in four classifications: automobile, other consumer goods, repair and modernization, and personal. In some cases, however, these totals do not give an accurate picture of consumer liability for

such credit. Therefore, it is necessary to make two types of adjustments in the totals.

In connection with some loans to individuals, borrowers accumulate deposits that are assigned or pledged to assure payment of their loans at maturity. The amounts of such deposits are shown in total in the call reports. This total is distributed by type of loan on the basis of data reported in 1958 by a sample of commercial banks. The estimate for each type is then subtracted from the book value of instalment loans of that type as reported by banks.

Then too, some loans to individuals are not strictly "consumer" types. Estimates of the portions considered to be nonconsumer are based primarily on a special survey of about 8,200 personal instalment loans made in June 1952, which obtained information on the purpose of "cash instalment loans to individuals." According to information in that survey, about 15 per cent of the total amount of personal instalment loans outstanding was for nonconsumer purposes. After the call report instructions relating to this item were modified for use in the December 1955 call, the estimated nonconsumer portion of personal instalment loans was revised to 10 per cent.

In the June 1952 survey, banks were also asked whether the category "retail automobile instalment paper" included loans for the purchase of commercial vehicles, taxis, trucks, or farm equipment and, if so, to indicate the proportion of such loans to their total automobile paper. According to the replies, about 5 per cent of the amount of automobile paper held by all commercial banks was nonconsumer. The automobile instalment total is reduced by that amount.

Repair and modernization loans reported by commercial banks are also adjusted to eliminate nonconsumer loans. This adjustment is based on data available each year from the Federal Housing Administration. In recent years about 15 per cent of these loans have been found to be on multifamily dwell-

ings, farm dwellings, or business property which, by definition, are nonconsumer; in earlier years this proportion was somewhat higher. An annual adjustment is made to eliminate the nonconsumer portion of both insured and noninsured repair and modernization loans at commercial banks.

The accompanying table shows total "instalment loans to individuals" as reported by all commercial banks in the United States for June 29, 1963, and the adjustments made to exclude the amounts of accumulated deposits and of credit for nonconsumer purposes.

| | Outstanding, June 29, 1963 (In millions of dollars) |
|---|--|
| Instalment loans to individuals, total | 22,873 |
| Less: | |
| Deposits accumulated | 790 |
| Nonconsumer adjustment | <u>1,481</u> |
| Consumer instalment credit, total | 20,602 |

In 1953 certain changes were made in procedures and concepts. At that time instalment credit totals for commercial banks were revised to include data for institutions that had formerly been classified as industrial banks. It was found to be impractical to continue that segregation because these banks were broadening their activities and satisfactory criteria for separate classification were not available.

Similarly, the series was revised to include all holdings of home repair and modernization paper by commercial banks. Earlier estimates had included only that portion insured under FHA Title I.

Current estimates. The monthly estimates of consumer credit held by commercial banks are based on sample data collected by the Federal Reserve Banks. As of December 1963 the sample included 609 banks, accounting for approximately one-half of the total consumer instalment credit held by all commercial banks. Banks in the sample report their outstanding balances as of the month-end as well as the volume of loans made during the month

for each type of loan, that is, purchased automobile paper, direct automobile loans, other consumer goods paper, repair and modernization loans, and personal loans.

Banks in the reporting sample in each Federal Reserve district are divided into three size classes on the basis of the amount of consumer instalment credit outstanding on each bank's books.⁶ Because the composition of the sample may vary slightly from one month to the next, owing to nonresponse or to mergers among banks, data representing identical samples are summarized by size class each month for the current and preceding months. Collections for each type of loan at banks in each size class are calculated by adding extensions of credit during the current month to credit outstanding at the preceding month-end and subtracting current month-end outstandings. Within each Federal Reserve district and each size-of-bank class, two relationships are then calculated for each type of credit: the percentage change in credit outstanding, and the ratio of collections during the month to outstanding balances at the previous month-end.

For each type of loan within each Federal Reserve district, weighted percentage changes are computed using weights based on the distribution by size class of each type of paper held by all banks in the district. The weighted percentage changes in sample outstandings are then applied to the credit outstanding at the preceding month-end to obtain outstandings at the close of the current month for all banks in each district.

Collection ratios are weighted similarly by type of credit and then are multiplied by the corresponding outstanding balances at the preceding month-end to obtain an estimate of repayments for each Federal Reserve district, by type, for the current month. The month's extensions of credit for each loan type are then

⁶ Classification of sample data by size class within each district was started in 1955 and is updated periodically.

derived by subtracting from outstanding credit at the end of the current month the amount outstanding at the previous month-end and then adding estimated repayments during the month.

These steps lead to monthly estimates of instalment credit outstanding, extended, and repaid—by type of credit—for each of the 12 Federal Reserve districts. The district totals are then summed to produce national estimates for all commercial banks.

Monthly estimates for the current period are obtained by extrapolating from the previous benchmark forward, using the procedure described above. Such estimates are later revised to benchmark data, by district and type of credit, using the straight-line method of adjustment described on pages 30-32.

Estimates of instalment credit at commercial banks appear monthly in the Board of Governors' statistical release, G.19, "Consumer Credit." A breakdown of these totals by Federal Reserve district appears in the G.18 release, "Consumer Instalment Credit at Commercial Banks."

Monthly estimates for early years. For dates prior to June 1943 the monthly estimates were based on various sources of information. In 1940 and 1941, they were based on data for a sample of banks that reported to the Consumer Credit Division of the American Bankers Association, and beginning in 1942 on a sample collected by the Federal Reserve. Percentage changes shown by these sample data were applied to the June 1943 benchmark.

Sales finance companies. Sales finance companies are engaged principally in purchasing instalment paper that arises from retail sales of passenger automobiles or other consumer goods or from outlays for repair and modernization of residential properties. Many of these companies have subsidiaries that engage in direct lending to consumers, and some others may be subsidiaries of large retailing or manufacturing corporations.

Some of the larger companies also are

heavily engaged in the financing or factoring of business accounts receivable or in financing sales of commercial, industrial, and farm equipment. In general, companies are classified in the Federal Reserve series as sales finance companies if more than half of their outstanding loans are in the form of purchased retail instalment contracts.

Benchmark data and estimates for early years. In recent years, benchmark data for the sales finance company series have been obtained from periodic surveys of all finance companies. The latest of the surveys was conducted as of June 1960, when reports were obtained from about 4,500 companies accounting for an estimated 96 per cent of the aggregate outstanding consumer instalment credit held by all finance companies.⁷ A similar survey was made in 1955, and another is scheduled for 1965.

Estimates of consumer loans by sales finance companies for earlier years were derived from three major sources of detailed information: the 1939 Census of Sales Finance Companies; the 1947 Survey of Sales Finance Companies conducted by the Board of Governors; and the 1950 Regulation W registration statement.

As may be seen from the tabulation on page 12, the 1947 Survey was the principal benchmark of these three. One reason was that it provided greater detail; another was that the reporting was on a consolidated basis. The 1939 Census and 1950 registration statement were used only to adjust the levels of items for which they provided information.

Breakdowns of the amount of paper purchased similar to the breakdowns of consumer instalment paper outstanding were reported in the 1939 Census and the 1947 Survey, but no such information was called for in the 1950 registration statement.

Estimates of instalment credit outstanding before 1939 were derived from sample data

⁷ For a description of the June 1960 Survey, see "Survey of Finance Companies, Mid-1960," *Federal Reserve Bulletin* (October 1961), pp. 1140-60.

**DETAIL PROVIDED ON TYPE OF
OUTSTANDING PAPER**

| 1939 Census | 1947 Survey | 1950 Registration statement |
|------------------------|---|-------------------------------------|
| Passenger vehicles | New motor vehicles | Retail automobile instalment credit |
| Trucks, trailers, etc. | Used motor vehicles | Other retail instalment credit |
| Other retail paper | Residential building repair and modernization | Repair and modernization credit |
| | Domestic appliances and furniture | Personal instalment cash loans |
| | Other retail paper | |
| | Wholesale motor vehicles | |
| | Other wholesale paper | |
| | Other business credit | |
| | Direct instalment loans to individuals | |

collected by the Russell Sage Foundation, the National Bureau of Economic Research, and the Department of Commerce. These data covered retail automobile paper and other retail instalment paper. The amount of repair and modernization loans and personal loans held by sales finance companies in the 1920's and early 1930's was negligible. All segments were adjusted to findings of the 1939 Census, and estimates of repair and modernization loans were adjusted to information from the Federal Housing Administration.

Current estimates. The current estimates of consumer instalment credit at sales finance companies are developed from reports received each month from a sample of about 125 companies, including the major independent sales finance companies and the principal subsidiaries of large retailing or manufacturing corporations. Reporting companies account for about 85 per cent of the automobile credit,

about 75 per cent of the other consumer goods paper, and more than 80 per cent of the personal loans held by all sales finance companies. They also hold about 40 per cent of the consumer repair and modernization loans on the books of sales finance companies.

Estimates are based on the consolidated operations of these companies, and no attempt is made to separate the operations of small loan and industrial loan subsidiaries. In many cases such legal distinctions are not operating distinctions, and the loan subsidiaries and discount subsidiaries operate as a single company and often out of the same offices, where not prohibited by State laws.

There is one major exception to the use of company reports on a consolidated basis. In the case of large retailing organizations that operate sales finance subsidiaries, an attempt is made to separate the retail credit operations from the sales finance credit operations inasmuch as both parts of the organization may hold consumer receivables and accept repayments. Paper held by such finance subsidiaries is included in consumer instalment credit estimates for sales finance companies, while paper retained by the parent retail organization is classified as retail credit.

Reporting sales finance companies provide monthly figures on amounts of consumer instalment credit outstanding and amounts of such paper acquired during the month, by type of credit, and also on the number of motor vehicles financed during the month. In addition, the monthly reports cover certain categories of business credit services offered by sales finance companies: retail financing of commercial vehicles; wholesale automotive financing ("floor planning"); financing of non-automotive consumer goods at wholesale; and business loans.

Figures for credit outstanding, extended, and repaid are estimated separately for each major type of credit and then combined to get totals for the sales finance group. Monthly estimates of credit outstanding are extrapolated from the

latest benchmarks on the basis of changes in holdings of companies in the sample. The reporting companies are classified into four size groups, with weights assigned to each group on the basis of the relationship of the holdings of reporting companies in each group to those of all sales finance companies of similar size on the most recent benchmark date. Repayments are calculated as follows: outstanding at the end of the preceding month, plus extensions during the month, less outstanding at the end of the current month, equal repayments during the month.

Two adjustments are made to exclude non-consumer loans. The first is applied to the respondents' figures for retail automobile credit outstanding. It is necessary because most of these companies are not able to break down total credit outstanding on motor vehicles so as to distinguish outstanding on passenger vehicles from outstanding on other (commercial) vehicles. These same companies, however, do prepare such a breakdown of new paper acquired, and these data, combined with estimates for the average original maturity of retail automotive paper on commercial vehicles, provide a basis for estimating the nonconsumer component of the total.

The second adjustment eliminates the non-consumer part of repair and modernization loans made by sales finance companies. This is essentially the same as the corresponding adjustment for commercial banks, which was described in an earlier section.

When new benchmark data for sales finance companies become available, monthly estimates for each type of credit are adjusted to the new levels by use of the straight-line method described on pages 30-32.

Estimates of instalment credit at sales finance companies appear monthly in the Board's statistical release G.20, "Sales Finance Companies," as well as in the *Federal Reserve Bulletin*.

Supplementary information. The Board's monthly release for sales finance companies

also includes three other types of information that are derived from the reporting sample data but that are not published in the *Bulletin*.

First, there are the estimates of business credit outstanding at, and extended by, all sales finance companies.

Second, there are estimates of the number of motor vehicles financed by sales finance companies, with a breakdown showing passenger and commercial vehicles separately, both new and used. These series are constructed as follows: Inasmuch as companies in the monthly sample report both volume of automotive paper acquired and the number of vehicles represented by this financing, it is possible to derive the average amount of each contract. This figure is then divided into the estimated total amount of automotive credit extended by sales finance companies during the month, to yield the total number of units financed by all sales finance companies.

The third series is credit sales of new passenger cars as a per cent of total number sold at retail. This series is developed in a manner similar to the second series, described above, except that the estimate of total number financed is made for passenger cars only, and it covers all lender groups. This figure is then divided by total unit sales of new cars (including imports and fleets), as reported by auto makers, to arrive at the percentage of these sales financed through the use of consumer instalment credit.

Back data for each of these series are available beginning with 1947.

Other financial institutions. "Other financial institutions" are classified into five major categories: credit unions; consumer finance companies; mutual savings banks; savings and loan associations; and all other financial firms engaged in the consumer loan business but not included elsewhere in the series. Industrial loan companies are included in the last named category. At the end of 1963 the instalment credit outstanding at institutions in these five categories was as follows:

| | (Millions of dollars) |
|--|-----------------------|
| Credit unions | 5,622 |
| Consumer finance companies | 4,590 |
| Mutual savings banks | 200 |
| Savings and loan associations | 504 |
| All other financial institutions (including industrial loan companies) | 943 |

Separate figures are published regularly for consumer receivables held by credit unions and consumer finance companies, but the figures for the other three lender groups are shown as a single total under the caption "other financial institutions."

Credit unions. Current estimates of consumer credit held by credit unions are based on monthly reports from the Bureau of Federal Credit Unions in the Department of Health, Education, and Welfare. Prior to November 1964 these data were collected by the Federal Reserve Banks from a sample of nearly 1,300 credit unions, about half of them Federally-chartered and half State-chartered. The sample accounted for more than 20 per cent of the consumer instalment credit held by these organizations.

The credit unions in the monthly sample report total outstanding loan balances and total repayments; they do not report information on loans classified by type. Estimates of total outstandings for all credit unions are carried forward each month on the basis of percentage changes in credit outstanding as reported by the sample. The ratio of repayments to receivables for the sample is then used to calculate total repayments, and extensions are derived as the residual. This method involves weighting of sample reports by Federal Reserve district.

Figures for total outstandings are adjusted to benchmark levels periodically, using the straight-line method described on pages 30-32. Benchmark data for both State- and Federally chartered credit unions are collected by the Bureau of Federal Credit Unions.

Before such revisions are undertaken, benchmark data are adjusted to the consumer credit

concept by excluding real estate mortgage loans made by State-chartered credit unions. The amounts excluded are based mainly on an annual compilation made by the Bureau of Federal Credit Unions, which requests data from supervisory authorities in States that permit credit unions to make such loans. An additional allowance is made to cover these loans in a few States that permit them but do not report them separately. For the period 1939 through 1947, this adjustment for real estate mortgage loans was based on information obtained from a questionnaire sent in 1948 to State banking authorities.

Estimates of total consumer instalment credit held by credit unions are shown monthly in the *Federal Reserve Bulletin* and on the "Consumer Credit" statistical release (G.19). Estimates of their holdings by type of credit are not published separately but are included with those for "other financial institutions." Similarly, estimates of credit union extensions and repayments are included in the category "other financial institutions."

According to the 1950 Regulation W registration statement, about 63 per cent of all loans outstanding at credit unions were personal loans, 26 per cent automobile loans, 6 per cent other retail loans, and 5 per cent repair and modernization loans. Later benchmark data, based on a 1956 survey made by the Bureau of Federal Credit Unions, indicated that the relative importance of automobile loans made in 1956 was substantially higher than in 1950, while personal loans had declined to about one-half of the total. Information from these two sources provided the benchmarks needed for developing estimates of outstandings by type of loan.

For dates prior to 1950, estimates of the amounts of consumer instalment loans outstanding by type of loan were made on the assumption that changes in the portfolios of credit unions were proportionate to changes in the portfolios of banks. In the 1940's the estimates were based on the distribution of con-

sumer loans at country member banks on call dates. Even though this procedure has limitations, these estimates were used to complete the "type" breakdown of the consumer credit series as a whole, since the amounts involved were small relative to the total credit outstanding.

The repair and modernization component is adjusted to exclude nonconsumer loans on the same basis as previously described for commercial banks. The amount of nonconsumer paper in other components is negligible.

Estimates of credit union holdings of consumer instalment credit during the 1920's and 1930's from the Russell Sage Foundation (Rolf Nugent), the National Bureau of Economic Research, and the Department of Commerce were comparable with these later estimates except for the adjustment to exclude real estate loans. Throughout most of the period virtually all loans were personal instalment loans, with a small amount of lending for automobile purchases and for home repair and modernization beginning in the mid-1930's.

Estimates of monthly repayments on instalment loans by type of loan are derived through the use of collection ratios at commercial banks.

Consumer finance companies. Estimates for consumer finance companies cover the consolidated consumer lending operations of companies that have one-half or more of their consumer receivables in loans made under effective State small loan laws. Consequently, the bulk of the credit they extend is in the form of direct personal loans to consumers.

Information in the 1950 Regulation W registration statement indicated the need for some revision in the series as constructed at that time. The statements revealed that a number of institutions had classified themselves as small loan companies although more than one-half of their receivables were purchased paper on automobiles or other consumer goods. Hence, it was necessary to reclassify them as sales finance companies.

At the same time a somewhat broader definition of consumer finance companies was adopted. This definition incorporated in the series some companies formerly classified as industrial loan companies and other lending agencies. In the figures presented here, these groups have been combined prior to 1950 in order to avoid inconsistencies in classification.

Current estimates of credit outstanding, extended, and repaid for consumer finance companies are based on reports from a sample of 340 companies, which account for about 60 per cent of the total instalment credit held by such concerns. The sample companies furnish reports on outstanding balances and extensions during the month, by type of credit. As in the commercial bank series, these sample data provide the basis for estimating amounts outstanding and collection ratios for all companies. When the collection ratios are applied to the preceding month's outstandings, they yield an estimate of current repayments. Total extensions of credit are then calculated as a residual. Estimates of amounts outstanding and of extensions by type of credit are shown in the Board's monthly statistical release G.22, "Consumer Credit at Consumer Finance Companies."

When new benchmarks become available, the monthly figures are revised to the new benchmark levels by use of the straight-line method. The most recent benchmark data for consumer finance companies are those provided by the 1955 and 1960 Surveys of Finance Companies. The reported benchmark data for repair and modernization loans included some nonconsumer loans. The data have been adjusted to exclude these loans by use of the ratios reported for commercial banks.

The Regulation W registration statement provided benchmark information for 1950 for the total amount of credit outstanding at consumer finance companies by type of loan. Year-end estimates for the period 1939-50 were extrapolated on the basis of percentage changes

in loans by type as shown by the State supervisory reports for States having small loan laws.

Monthly estimates for each year of the decade ending September 1950 were obtained by applying to the preceding year-end estimate (as adjusted to the 1950 benchmark) the month-to-month percentage changes for the particular year as indicated by the reporting sample of consumer finance companies. The monthly estimates were then adjusted to the year-end estimate by the straight-line method. Changes in the types of loans held by consumer finance companies were assumed to be similar to those reported by commercial banks in the 1940-45 period and to those for industrial loan companies in 1946-50.

Year-end estimates of personal instalment loans outstanding at consumer finance companies for the period before 1939 are those prepared by Rolf Nugent. These estimates account for virtually all of the consumer credit held by State-regulated companies. These companies also engaged in a small amount of lending for the purchase of automobiles and major household durable goods and for home repair in the years immediately before World War II.

Mutual savings banks. Benchmark information on consumer credit outstanding at mutual savings banks became available from regular reports of condition made twice each year to bank supervisory agencies effective with data for June 1957. Before that, the item "other loans to individuals" outstanding at such institutions was available from the all-bank series for June and December dates beginning with 1947 and for June dates 1943-46. Data for loans other than mortgage loans were reported for insured mutual savings banks for June and December back to 1939, and these were used with all-bank data in estimating consumer loans at all mutual savings banks for December dates in 1943-46 and for June and December dates back to December 1939.

Beginning with June 1947, monthly data on total loans other than mortgage loans out-

standing at a sample of mutual savings banks have been collected and published by the National Association of Mutual Savings Banks. This item consists largely of loans to individuals, and percentage changes in it were applied to the June and December figures for consumer loans, described above, to obtain monthly estimates.

Prior to June 1947 no monthly information was available, and consumer loans outstanding at mutual savings banks were estimated for the months between June and December dates on the basis of the changes in consumer loans at commercial banks, with the monthly estimates adjusted to benchmarks by the straight-line method.

The estimates of total credit outstanding are distributed by type of credit on the basis of benchmark information from periodic call report data (since June 1961) and from the 1950 registration statement. Proportions for earlier dates were extrapolated, employing commercial bank data in the same way as described earlier for credit unions. The single-payment loan category and the repair and modernization component are adjusted to exclude nonconsumer loans, using the same percentages that are used for commercial banks.

Estimates of monthly repayments of instalment loans assume that the collection ratios for each type of credit are the same for mutual savings banks as for commercial banks. The commercial bank ratios are applied to balances at mutual savings banks at the end of the preceding month. Extensions are then calculated as the residual.

Savings and loan associations. In addition to their primary activity, which is to make real estate mortgage loans, savings and loan associations make two types of loans that fall in the consumer credit category: (1) repair and modernization loans and (2) loans to stockholders against their share accounts in the association. Repair and modernization loans are a part of the instalment loan category. Share loans, however, are included in the

single-payment loan category of noninstalment credit under "other financial institutions."

The Federal Home Loan Bank Board has made available for year-end dates back to 1939 information on (1) the total amount of loans not secured by first mortgages held by all savings and loan associations and (2) the amount held by associations that are members of the Federal Home Loan Bank System (that is, Federally chartered associations). The latter total is broken down between secured (share) and unsecured (repair and modernization) loans.

To obtain totals for repair and modernization loans for all associations, it is necessary to estimate the amounts of these loans held by nonmember associations. The distribution of total loans at member savings and loan associations according to secured or unsecured types is used to estimate the breakdown for nonmember associations. The totals for repair and modernization loans are then adjusted to exclude nonconsumer loans by applying the same percentages used to adjust such loans held by commercial banks.

Monthly figures for repair and modernization loans at all savings and loan associations between benchmarks are estimated on the basis of the relationship to such loans at commercial banks on the most recent benchmark date. These monthly estimates subsequently are adjusted to the end-of-year benchmarks by straight-line interpolation.

Monthly repayments of repair and modernization loans are estimated by using the collection ratio for such loans at commercial banks, and extensions are calculated as a residual. Monthly estimates subsequently are adjusted to end-of-year data on outstanding credit by the straight-line method.

The benchmark estimates for repair and modernization loans are subtracted from total nonmortgage loans in order to derive benchmark estimates for share loans outstanding. Monthly estimates of share loans at savings and loan associations are extrapolated from

these benchmarks on the basis of their relationship to single-payment loans at commercial banks. The estimates are adjusted to end-of-year benchmarks by the straight-line method.

Industrial loan companies and other lending agencies. Monthly estimates of instalment credit outstanding at industrial loan companies and other lending agencies are based on reports from a sample of about 60 companies accounting for approximately 10 per cent of the total credit held by these companies. They report their outstanding balances and extensions during the month, by type of loan.

As in the preparation of estimates for most other types of lenders, the percentage change during a month in sample outstandings is applied to the preceding month-end balance to obtain an estimate of outstanding credit by type for the current month-end. Collection ratios for the sample group are applied to universe outstandings to estimate repayments, and extensions are calculated as the residual. The method used involves weighting of sample reports by Federal Reserve district. When new benchmarks become available, the monthly figures are adjusted to the new levels. All estimates for repair and modernization loans are adjusted to exclude the nonconsumer portion in the same manner as for commercial banks.

Benchmark data for this category of lenders for recent years were obtained in the Surveys of Finance Companies for 1955 and 1960. In the 1960 Survey, reports were returned by approximately 1,600 industrial loan companies, cooperative credit associations, and loan funds operated by churches, fraternal orders, or others. The Regulation W registration statement for the end of September 1950 provided the most complete benchmark for these institutions in earlier years.

For the period December 1939 through September 1950, separate monthly estimates were made for industrial loan companies and for all other lenders. These monthly estimates, described below, were then combined and the

totals were adjusted to the 1950 registration statement figures by the straight-line method. For industrial loan companies the monthly estimates for the December 1939-September 1950 period were made by applying the monthly percentage changes shown by the reporting sample to an estimate for the end of 1944 derived from a special Federal Reserve survey. Year-end estimates before 1939 were derived from the Nugent (Russell Sage Foundation) estimates for industrial banking companies and from information for States in which industrial loan companies operated. The other component of Nugent's series, industrial banks, is included in the commercial bank estimates for those years.

For the other lenders monthly estimates for the period December 1939 through September 1950 were benchmarked on an estimate for the end of 1939 prepared by the Russell Sage Foundation. These monthly estimates were obtained by applying to the end-of-1939 figure one-half of the percentage change shown by the sample of consumer finance companies, since over that period the amount of credit held by such companies had increased about twice as rapidly as for the group of miscellaneous lenders. Year-end estimates prepared by the Russell Sage Foundation were used also for the period prior to 1939.

Distributions by type of loan for industrial loan and consumer finance companies were based on data from the 1950 registration statement and carried through the period 1944-51, using changes for each type of loan reported by the industrial loan company sample. Prior to 1944, the distributions were based on data for commercial banks.

RETAIL OUTLETS

Retail outlets hold nearly one-eighth of consumers' instalment receivables. In addition, they originate and then sell to financial institutions a large part of the instalment paper

arising from sales of automobiles and other major durable goods to consumers. Only that part of the instalment paper that retailers own and carry on their books as customer accounts is included in the estimates for retail outlets. The remainder is included in estimates for the banks, sales finance companies, or other institutions that purchase the paper. Noninstalment (charge-account) credit arising from retail sales is nearly always carried on the retailers' books.

General estimating methods. Estimates of consumer instalment credit held by retail outlets are based largely on data from monthly reporting samples. Those reporting currently to the Federal Reserve System—department stores, furniture stores, household appliance stores, and four large mail-order companies—hold around two-thirds of all consumer instalment credit outstanding at retail establishments. Estimates for these kinds of business are customarily adjusted to year-end benchmarks for instalment accounts receivable as compiled by the Bureau of the Census in its Retail Trade Survey.

Outstanding credit at the remaining kinds of business, for which the Federal Reserve System does not collect monthly sample data, are estimated by kind of business between benchmark dates and extrapolated from the latest year-end benchmark by using ratios of receivables to weighted sales derived from the Bureau of the Census Survey data. These estimates, published monthly in the *Federal Reserve Bulletin* and in the "Consumer Credit" release (G.19), are shown for department stores and mail-order companies combined, and separately for furniture stores, household appliance stores, automobile dealers, and "all other" retailers.

It is necessary to make two adjustments in the figures that the Bureau of the Census reports for retail receivables so that they will conform to the consumer credit concept. The first is to add an estimate for the amount of consumer credit arising from retail sales made at