FEDERAL RESERVE BANK

OF ATLANTA

OFFICE OF
PRESIDENT

February 11, 1949

Board of Governors of the
Federal Reserve System
Washington 25, D. C.

Gentlemen:

This is written in reply to your letter of January 27, 1949 requesting that, in advance of preparation of our next quarterly reply to S-953, we forward an interim report on the results of a spot survey of recent tendencies in the durable goods and instalment credit field.

The following comments are made in response to the six numbered questions set out in your letter.

1. With increased production of regulated articles there has naturally followed an increase in dealer inventories. It is not clear whether this inventory accumulation is undue. It is probably accurate to say that inventories are unbalanced rather than excessive. Off-brands of appliances have become more difficult to move.

2. The 1949 Chevrolet has brought a premium of about $200 over list price in a sale to a used car dealer. This premium will not be obtainable for long. Premiums on "used" new cars have all but disappeared.

Price concessions have definitely been made in the used car field and in the case of certain appliances, such as television sets and radio-phonograph combinations. Local delivered prices of new automobiles are being advertised, and the purchase of "extras" on most cars is no longer required. Trade-in allowances on the purchase of new cars are becoming more liberal. While seasonal influences are at work, they are not sufficient to account wholly for these developments.

3. Banks and finance companies are not discriminating against particular types of retail instalment paper, with the

possible exception of the older models of used cars. They are giving closer scrutiny to the financial position of the purchaser and to his ability to liquidate his indebtedness out of income.

4. There is a tendency for financing institutions to tighten credit lines extended to dealers for floor plan financing or other wholesale transactions, but on a selective basis. The amount advanced has in some cases been reduced from 100% to 90%, in view of the possibility of future price declines.

5. Reports that dealers in durable goods lines are financially over-extended are not becoming more frequent.

6. There have been no lay-offs of importance in the manufacture and distribution of regulated durable goods.

Dealers in automobiles other than Chevrolet and Ford feel that they should have 24 months terms instead of the present 18. Without exception the automobile dealers favor the retention of the down payment requirement of 33 1/3%.

The foregoing comments were considered at a meeting of the Board of Directors of this bank held today, and they were approved as an expression of the views of our Directors.

Yours very truly,

W. S. McLarin, Jr.
President