

# COMMERCIAL CREDIT COMPANY

BALTIMORE-2

A. E. DUNCAN  
CHAIRMAN OF THE BOARD

July 8, 1949.

Mr. M. S. Eccles, Vice Chairman,  
Board of Governors of the Federal Reserve System,  
Washington, D. C.

Dear Mr. Eccles:

You doubtless will recall that I had the privilege of lunching with you and some of your associates in your Building some time in February. Regulation "W" was discussed at length and I urged that announcement be promptly made of one-third down, 24 months, on new automobiles, but effective around June 1st. I stated that such announcement would undoubtedly greatly curtail the growing opposition to continuing Regulation "W" on any basis.

As you know, I have never thought that Regulation "W" was administered to the best advantage, but I was quite disappointed at its discontinuance on June 30th. I have never understood the attitude of the American Bankers Association in its opposition to Regulation "W," some of the members of which are usually among the first to comment to finance companies as to the tendency toward lower down payments and longer terms.

I enclose copy of our Operations Bulletin of June 24th, which sets forth our policy after discontinuation of Regulation "W" on June 30th. Some days before June 30th the Bank of America Nat'l Trust & Sav. Assoc., San Francisco, announced its policy, effective July 1st, of 30% down, 30 months, on new cars, late model used cars 30% down, 24 months, etc. A few days ago the Industrial Bank of New York announced one-third down, 36 months, on new cars. I have before me clipping from the Buffalo Evening News of an advertisement by Manufacturers and Traders Trust Company, Buffalo, of 25% down, 24 months, on new cars. A Dodge dealer in Jacksonville has advertised new Dodge cars at \$500. down with \$60. monthly payments, which, on some models, means less than 25% and around 36 months. I have always stated that Regulation "W" was the only means I could think of to stabilize instalment financing terms.

It has been very discouraging to us, and I am sure to other finance companies, to find that banks have been the first ones to start lower down payments and longer maturities as soon as Regulation "W" was discontinued. These changes, it seems to me, have been most unnecessary and unwise and I do not believe will materially increase the sale of new cars. The demoralization of terms will somewhat increase the loss ratio, but not seriously. It will, however, be very irritating in competition among finance companies, banks and dealers.

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The Federal Trade Commission is to have a conference September 15th in connection with automobile financing practices, etc. I have been wondering if that Commission could be persuaded to lay down regulations somewhat similar to Regulation "W" as fair trade practices, etc. I do not think they could have any supervision over what banks might do, but if instalment paper could not be created in the first place on terms outside of the limitations prescribed, the banks could not acquire such irregular paper, and thereby terms could be stabilized.

Do you think it is at all practical to try to interest the Federal Trade Commission along the above lines? I would appreciate your comments.

Meanwhile, I remain, with personal regards,

Sincerely,



Chairman of the Board.

AED\*ACM

July 1949

Mr. A. E. Duncan,  
Chairman of the Board,  
Commercial Credit Company,  
Baltimore 2, Maryland.

Dear Mr. Duncan:

I appreciate very much your letter of July 8, 1949 as you have always shown a helpful and constructive interest in furthering the objectives of Regulation W, even though we may not have seen eye to eye in every respect on how it should be administered. The developments that have taken place since the termination of the regulation have come as no surprise to us, and I am sure were anticipated by you. The failure of Congress to renew and extend the authority no doubt was due not only to the outspoken opposition of such organizations as the American Bankers Association but also to the failure of the supporters of the regulation to make their views known to the appropriate committees in Congress.

We have been aware of the interest that the Federal Trade Commission is taking in automobile financing practices but it is our understanding that their function is confined to the question of unfair methods of competition involving such matters as fraud and deception. We do not believe that they would undertake to deal with questions of credit extension such as down payments and maturities and it may be added that, under the law, banks are expressly exempted from their jurisdiction in this connection. I may add, too, it seems to me that, since Congress has shown its unwillingness to approve an extension of Regulation W, it would not be appropriate for another agency of Government to attempt by indirection to accomplish the purpose of the regulation.

With best regards, I am

Very sincerely yours,

CM:am

M. S. Eccles.

