

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 80-53

March 18, 1980

TO CHIEF EXECUTIVES OF CONSUMER CREDIT EXTENDERS

President Carter has announced a broad program designed to moderate and reduce inflationary forces in the United States economy. In addition to fiscal, energy, and other measures, the President, under the terms of the Credit Control Act of 1969, provided the Federal Reserve Board with the authority to exercise special restraints on the growth of certain kinds of credit. At the same time, the Federal Reserve Board has taken a series of other steps to restrain credit growth.

These are explained more fully in the enclosed Federal Reserve press release. In the near future you will be receiving from the Federal Reserve further instructions on the program of special deposits which must be held at Federal Reserve Banks, on increases in certain kinds of consumer credit. However, the highlights of the Consumer Credit Program that affects your firm are described.

1. The program is designed to slow the expansion of certain types of consumer credit by requiring that all retailers, credit card companies and other extenders of consumer credit with more than \$2 million of such covered credit outstanding on March 14 maintain a special deposit at a Federal Reserve Bank equal to 15 percent of the increases in such credit since March 14.

2. Covered consumer credit includes loans extended via credit cards, checking account overdraft credit plans, other forms of revolving credit, all open-end credit, unsecured closed-end credit, or secured credit not extended to purchase the collateral--with the exceptions noted below.

3. Excluded from covered consumer credit are secured loans where the security is purchased with the proceeds of the loan, such as an automobile, mobile home, furniture or appliance; mortgage loans where the proceeds are used to purchase the home or for home improvements; credit extended for utility, health or educational services; credit extended under state or federal government guaranteed loan programs; and savings passbook loans.

4. All extenders of credit with \$2 million or more of covered credit outstanding on March 14 must file a base report by April 1 with the Federal Reserve. This report will state the amount of credit outstanding on March 14 or the nearest available figure.

5. Thereafter, covered creditors must file a monthly report with the Federal Reserve on the amount of covered consumer credit outstanding during the month, based on the daily average amount of covered credit or other available figures. The first of these reports, for the period from March 15 through April 30 is due by May 12. The report for subsequent months is due by the second Monday of the month after that covered by the report.

6. The first 15 percent special deposit requirement must be maintained during the period beginning May 22 and ending June 25 on increases in outstanding credit during the first reporting period.

While the Federal Reserve is aware of the burdensome nature of these actions on both you and your customers, we believe that they are necessary to begin the process of slowing the pace of inflation that has become so painful. We also believe that these programs seek to spread the burden of combating inflation equitably among all lenders and as fairly among borrowers as is practicable. Without your wholehearted cooperation, the best interest of our Nation will not be served.

Sincerely yours,

Ernest T. Baughman

President

Enclosures