

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

January 31, 1946
R&S sfo - 11

SALES FINANCE COMPANIES

DECEMBER 1945

Retail financing.—The December volume of retail financing by sales finance companies was smaller than a month earlier, but end-of-month outstanding balances continued to increase. The 4 per cent drop in automotive paper acquired was accompanied by a net increase of 3 per cent in amount outstanding. Outstanding balances on contracts arising from the sale of other consumers' goods were 5 per cent larger than at the end of November, although the dollar volume of paper purchased during December was slightly below that of the preceding month.

The decrease in total retail automotive financing, shown in the table below, was due largely to the decline in used passenger car paper. Financing of used passenger cars accounted for about 80 per cent of retail automotive financing in December. New passenger car financing showed sharp gains in number and dollar volume for the second consecutive month, but constituted only about 3 per cent of all retail automotive paper acquired by reporting companies.

The drop in retail financing of consumers' goods other than automotive resulted from declines in residential repair and modernization contracts and in paper arising from miscellaneous retail sales. Substantial increases were reported in paper arising from the sale of refrigerators and other household appliances, and in furniture paper.

Retail Financing by Sales Finance Companies

Class of retail instalment paper	Percentage change, November 1945 to December 1945		
	Number of cars	Volume of paper acquired during month	Outstanding balances, end of month
Automotive: Total retail	- 3	- 4	+ 3
Passenger cars: New	+108	+ 75
Used	- 6	- 5
Commercial cars: New	- 44	- 37
Used	+ 32	+ 36
Other consumers' goods: Total retail		- 2	+ 5
Furniture, radios, musical instruments		+ 6
Refrigerators and other household appliances		+ 11
Residential building repair and modernization		- 9
Miscellaneous retail		- 8

Wholesale financing.—Wholesale automotive paper acquired in December was 7 per cent less than a month earlier, resulting from declines in the financing of both new and used vehicles. Wholesale financing other than automotive was in about the same volume as in November.

Ratio of paper acquired to balances outstanding.—The ratio of paper purchased during the month to balances outstanding at the end of the month dropped 3 percentage points to 27 for December. Ratios were lower for all classes, except equipment paper. Retail automotive paper acquired was 20 per cent, and other retail consumer paper was 13 per cent of respective outstanding balances. Other wholesale paper acquired amounted to approximately three-fourths of the amount outstanding at the end of the month.

Note: December data, based on returns from 160 sales finance companies, are compiled in the same manner as those shown in earlier reports. Aggregates represent only the totals for the reporting companies and, since the reporting sample is not identical from month to month, they are not comparable with totals of preceding months.

SALES FINANCE COMPANIES

Table 1.--Automotive and Diversified Financing by Sales Finance Companies
Indexes of Outstanding Balances: December 31, 1939 = 100 ^{a/}

End of month and year	Total all sales financing	Retail automotive	Wholesale automotive	Wholesale other than automotive	Retail other consumers' goods	Industrial, commercial, and farm equipment
1939.....	100	100	100	100	100	100
1940.....	136	132	169	140	129	131
1941.....	152	149	175	250	148	147
1942.....	53	37	112	40	76	61
1943.....	20	13	40	8	30	27
1944.....	18	15	24	11	26	26
1945.....	22	18	27	38	39	23
1945 - January	18	15	25	14	26	27
February	18	14	26	15	26	26
March	18	14	26	18	26	30
April	18	14	25	17	27	32
May	18	14	25	16	28	28
June	18	14	24	16	29	27
July	18	15	20	16	30	27
August	18	15	18	19	31	25
September	18	15	17	21	33	24
October	19	16	18	28	35	24
November	21	17	24	32	37	24
December	22	18	27	38	39	23

^{a/} Indexes as of December 31 for the years of 1939, 1940, and 1941 are based on figures reported by sales finance companies on a supplementary report form which accompanied the regular monthly report form for January 1942. Succeeding indexes are derived by calculating the percentage changes of the outstanding balances reported by sales finance companies for each month from those reported by the same companies for the preceding month, and by linking these percentages to the indexes for the preceding month.

Table 2.--Relative Importance of Loans Made by Sales Finance Companies
During December 1945 and Outstanding Balances at End of Month

Class of paper	Paper acquired during month		Outstanding balances, end of month	
	Amount	Percentage of total	Amount	Percentage of total
Total, all classes of paper ^{a/}	\$105,514,757	100	\$344,036,775	100.
Total loans.....	36,161,108	34	91,847,367	27
Small (personal) loans.....	11,746,234	11	48,102,491	14
Business loans.....	24,414,874	23	43,744,876	13
Total sales financing ^{a/}	69,353,649	66	252,189,408	73

^{a/} Included in this classification are only those firms which, in addition to their sales financing operations, reported loan activities.

SALES FINANCE COMPANIES

Table 3.--Automotive and Diversified Financing by Sales Finance Companies
January 1942 = 100 ^{a/}

ITEM	1944	1945											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
<u>RETAIL AUTOMOTIVE</u>													
Total number of cars financed.....	25	24	24	32	30	31	34	34	33	36	40	41	40
Total volume of paper acquired.....	33	31	31	41	38	39	45	46	44	50	56	59	57
New passenger cars.....Number.....	3	3	2	3	2	2	2	3	3	4	3	9	18
Paper acquired....	5	4	3	4	4	4	3	4	5	6	5	11	19
New commercial cars.....Number.....	30	22	18	25	28	30	38	40	56	74	92	148	83
Paper acquired....	25	21	17	24	24	26	30	30	43	56	68	104	65
Used passenger cars.....Number.....	27	26	27	35	33	34	37	38	36	37	43	41	39
Paper acquired....	37	36	37	48	45	46	53	54	50	54	62	61	58
Used commercial cars.....Number.....	22	17	15	19	18	18	20	19	19	31	33	34	45
Paper acquired....	46	36	30	40	35	37	41	39	39	56	62	65	88
<u>WHOLESALE AUTOMOTIVE</u> (Paper acquired)													
Total volume of paper acquired.....	14	16	15	18	16	15	15	12	14	15	19	32	30
New cars (passenger and commercial).....	5	6	4	6	5	5	7	5	5	6	10	22	21
Used cars (passenger and commercial).....	65	71	73	80	70	68	56	47	62	56	67	71	64
<u>DIVERSIFIED FINANCING</u> (Paper acquired)													
Total diversified financing.....	45	44	38	49	51	51	58	53	62	63	84	82	82
Total retail, other consumers' goods.....	59	53	48	55	63	66	75	69	81	82	104	103	101
Furniture, radios, musical instruments.....	24	27	19	26	25	28	27	26	26	24	26	28	29
Refrigerators and other household appliances...	14	17	16	22	24	33	33	31	28	34	43	62	69
Residential building repairs and modernization.	114	99	94	114	129	151	172	159	173	158	210	216	197
Miscellaneous retail.....	207	172	154	143	179	137	171	143	242	312	378	311	286
Total wholesale, except automotive.....	5	13	7	10	8	9	9	11	11	10	24	26	26
Industrial, commercial, and farm equipment.....	39	54	55	206	122	53	50	39	47	43	90	57	84

^{a/} Indexes are derived by calculating the percentage changes in the number of cars financed or the volume of paper acquired by sales finance companies during each month from the number of cars financed or the volume of paper acquired by the same companies during the preceding month, and by linking these percentages to the indexes for the preceding month. The indexes for "Total retail automotive," "Total wholesale automotive," and "Total retail, other consumers' goods" are based on all figures reported for these items regardless of whether or not breakdowns could be supplied.

SALES FINANCE COMPANIES

Table 4.--Automotive and Diversified Financing by Sales Finance Companies
Paper Acquired During December 1945 and Balances Outstanding at End of Month

Class of paper	Volume of paper acquired during December 1945		Outstanding balances December 31, 1945 ^{a/}	Ratio paper acquired to outstanding balances ^{b/}
	By all companies reporting	By companies reporting outstanding balances ^{c/}		
Total retail automotive.....	\$28,529,666	\$27,895,312	\$141,756,613	20
Total wholesale automotive.....	32,173,232	32,049,923	42,428,312	76
Total wholesale - other than automotive...	978,727	937,002	2,728,979	34
Total retail - other consumers' goods.....	9,870,398	9,662,113	71,812,420	13
Industrial, commercial, and farm equipment	490,684	475,187	3,983,860	12
Total sales financing.....	\$72,042,707	\$71,019,537	\$262,710,184	27

^{a/} Data are based on figures from sales finance companies able to report both their paper acquired and their outstanding balances.

^{b/} Ratios obtained by dividing paper acquired (column 2) by outstanding balances (column 3).

Table 5.--Number of Cars Financed and Volume of Paper Acquired
by Sales Finance Companies During December 1945

Class of paper	Number of cars		Paper acquired	
	Number	Percentage of total	Dollar volume	Percentage of total
Total retail automotive.....	38,870	100	\$23,736,715 ^{a/}	100
New passenger cars.....	963	3	770,536	3
New commercial cars.....	1,654	4	2,023,377	9
Used passenger cars.....	33,402	86	18,999,538	80
Used commercial cars.....	2,851	7	1,943,264	8
Total wholesale automotive.....	38,544	100	\$28,110,119	100
New cars (passenger and commercial)..	27,796	72	19,323,161	69
Used cars (passenger and commercial)..	10,748	28	8,786,958	31

^{a/} Data are based on reports from sales finance companies providing a breakdown of their retail and wholesale automotive financing. These amounts are less than those reported in table 4 due to the exclusion of some data for which breakdowns were not available.

Table 6.--Volume of Diversified Sales Financing During December 1945

Class of paper	Dollar volume of paper acquired	Percentage of total
Retail - other consumers' goods:		
Furniture, radios, pianos, and other musical instruments..	\$ 600,241	6
Refrigerators and other household appliances.....	567,216	5
Residential building repairs and modernization.....	5,838,617	55
Miscellaneous retail.....	2,190,854	20
Total retail - other consumers' goods.....	\$ 9,196,928 ^{a/}	86
Total wholesale - other than automotive.....	978,727	9
Industrial, commercial, and farm equipment.....	490,684	5
Total diversified financing.....	\$11,303,598	100

^{a/} Data are based on reports from sales finance companies providing a breakdown of their retail financing of other consumers' goods. This amount is less than that reported in table 4 due to the exclusion of some data for which breakdowns were not available.