



December 17, 1964

TO: ~~System~~ users of monthly L.4.2 release
on terms of auto credit

FROM: Harlow D. Osborne

RE: Proposed changes in L.4.2 release

The proposed new version of page 1 we sent you last month for your comments and suggestions was generally well received. We are sending this month's release in the same form, so you can take another look at it and give us any further comment or criticism that may occur to you.

Meanwhile we are considering one or two further modifications to take account of questions asked us about this version. In particular, some people were startled to see that loans amounting to over 100 per cent of dealer cost are not uncommon. Apparently they skimmed the page and thought we had selected this dividing line because we wanted to show the number of no-downpayment contracts.

In view of this possible confusion between the dealer-cost and list-price bases, we are wondering whether it might not be safer to omit both the 100 per cent and 110 per cent lines and add to the footnote a statement that the modal 94-95 per cent shown is roughly equivalent to 75-80 per cent of list.

If you think the point is important either way, or if any other aspect of the proposed change strikes you as raising problems, please let me know.

Not for publication

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

December 1964

L.4.2

DIRECT AUTO LOANS BY COMMERCIAL BANKS

DECONTROLLED AFTER SIX MONTHS

1964		Three months ending October	
Oct.	Sept.	1964	1963

NEW CAR CONTRACTS

Per cent of contracts written for:

Under 36 months	39.3	37.0	37.1	41.9
36 months	60.4	62.7	62.6	57.9
Over 36 months	0.3	0.3	0.3	0.2

Contracts written for 36 months:

Most frequent loan/value ratio <u>1/</u>	94	94	94	93
Per cent of contracts with ratios above 94 per cent	31.6	29.8	30.7	28.6
100 per cent	18.3	16.9	17.3	15.4
110 per cent	7.0	6.3	6.3	5.5

USED CAR CONTRACTS

Per cent of contracts written for:

Under 19 months	34.1	37.4	35.6	38.9
19-24 months	39.3	38.9	39.6	39.0
25-36 months	26.4	23.7	24.8	22.1

Contracts written for 24 months or less:

Most frequent loan/value ratio <u>1/</u>	94	94	94	94
Per cent of contracts with ratios above 94 per cent	31.9	29.9	32.6	31.8
100 per cent	21.9	22.9	22.8	22.3

1/ Computed mode of ratios based on dealer-cost values for new cars and wholesale prices for used cars.

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DEALER AUTO LOANS BY COMMERCIAL BANKS (PURCHASED PAPER)

4.2

1964		Three months ending October	
Oct.	Sept.	1964	1963

NEW CAR CONTRACTS

Per cent of contracts written for:

Under 36 months	20.6	18.7	19.3	20.5
36 months	78.7	80.6	80.1	78.8
Over 36 months	0.7	0.7	0.6	0.7

Contracts written for 36 months:

Most frequent loan/value ratio <u>1/</u>	94	95	95	94
Per cent of contracts with ratios above 94 per cent	40.1	39.8	40.5	38.6
100 per cent	26.3	25.7	26.8	24.9
110 per cent	9.2	9.2	8.9	7.7

USED CAR CONTRACTS

Per cent of contracts written for:

Under 19 months	22.0	22.8	22.2	24.0
19-24 months	33.0	34.7	34.5	36.1
25-36 months	45.0	42.5	43.3	39.9

Contracts written for 24 months or less:

Most frequent loan/value ratio <u>1/</u>	95	95	95	96
Per cent of contracts with ratios above 95 per cent	51.1	54.7	53.7	53.5
100 per cent	40.9	44.1	43.3	44.4

1/ Computed mode of ratios based on dealer-cost values for new cars and wholesale prices for used cars.