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1

The Role of Government Agencies in Consumer Financing

THE government of the United States entered the field of consumer financing in 1934 when it established the Federal Housing Administration and the Electric Home and Farm Authority.[1] Through the former (under Title I of the National Housing Act) it supplied free insurance to private lending institutions against losses incurred by them in the extension of small character loans for real property improvement.[2] Through the latter it provided sales financing for retail purchases of electric appliances by customers patronizing approved dealers and served by cooperating utilities.

Although both FHA and EHFA are newcomers among consumer credit institutions and operate in rather restricted fields, the fact that they represent new and relatively untried relationships between government and this branch of busi-

[1] Other, less important, government agencies of consumer credit are: The Federal Credit Union Section of the Farm Credit Administration, established to supervise and examine credit unions chartered under the Federal Credit Union Act of 1934; the Disaster Loan Corporation, organized in 1937 to manage catastrophe loans under Reconstruction Finance Corporation supervision; the Rural Rehabilitation Division of the Farm Security Administration of the Department of Agriculture, which makes secured loans to destitute farmers. See Shirley K. Hart, "Government Agencies of Credit," *Annals of the American Academy of Political and Social Science* (March 1938) pp. 162 ff.

[2] Only the original plan, which lapsed in 1937, is treated in this volume. Title I property improvement loan insurance was revived in 1938. In 1939 the plan was extended to 1941 with several changes, of which the most important was the requirement that an insurance premium be paid by insured institutions. The main activity of the Federal Housing Administration is the insurance of real estate mortgages, provided for under Title II of the National Housing Act of 1934; Part I of the present study deals only with the loan insurance (Title I) provisions of the Act.

ness invests them with a significance extending beyond their recent accomplishments. Basically, FHA modernization loan insurance is a system of government subsidy to institutional money-lenders, while EHFA may be regarded both as government competition with private enterprise and as state encouragement of the electric appliance industry and the power utilities. Both these agencies have made their presence felt by setting finance charges substantially below the going market rate. The reader must bear in mind, however, that the wide publicity which has attended the entrance of FHA, and to a lesser extent of EHFA, into the domain of consumer financing is likely to give rise to an exaggerated notion of their quantitative importance; actually FHA has insured only a small fraction of all consumer loans and EHFA has financed relatively few of the nation's electric appliance sales.

The FHA scheme is unusual because it represents perhaps the only instance of government insurance of consumer loans.[3] EHFA is exceptional, too, in that it is a government agency which functions along substantially the same lines as a private business enterprise, although it has social objectives not typical of the ordinary sales finance company. Since both FHA and EHFA have operated throughout the country and have kept fairly complete records of their transactions, a survey of their activities shows how a considerable body of instalment borrowers and buyers behaved with regard to their instalment obligations.

SUMMARY OF THE MODERNIZATION LOAN INSURANCE PROGRAM OF THE FEDERAL HOUSING ADMINISTRATION

FHA modernization loan insurance, instituted when the Federal Housing Administration began operations in August

[3] The Canadian Parliament considered the introduction of such insurance in 1935, but no law was enacted. Government insurance for many other purposes has been used in the United States and elsewhere.

1934, was designed to help in "relieving the unemployment situation," to "facilitate the flow of money from its present sources to the point of need without an excessive use of Government financing," and to reduce "the costs of this type of financing. . . ."[4] According to Title I of the National Housing Act, any reliable financial institution could be insured against losses up to 20 percent of the total amount of net proceeds advanced to borrowers; this insurance was to be applied against the aggregate insured loans of an institution, and not against each separate loan. Insured loans, furthermore, could not exceed $2,000, and it was stipulated that the funds must be used for the improvement of real property. The borrower was to be a property owner, the total finance charge (including all fees except late charges) was not to exceed 5 percent per annum on the net proceeds (9.7 percent per annum interest on the unpaid balance), length of contract could not extend beyond 5 years, repayment was to be made in equal monthly instalments, and collateral security was not to be required. In case of continued default by the borrower, the lending institution was to file a claim with the FHA and receive payment for the unpaid balance plus interest and other items, provided it had not already exhausted its insurance reserve. The account was then turned over to the FHA, which proceeded to try to collect from the borrower. In May 1935 loans for the purchase and installation of movable durable household equipment were admitted to the insurance scheme, as were also loans of more than $2,000 for the improvement of commercial structures. Movable household equipment was declared ineligible in April 1936 and the insurance protection was reduced from 20 to 10 percent of an institution's aggregate modernization loans made after that date. Except for these modifications the plan remained

[4] Memorandum of the National Emergency Council, submitted at Hearing before the Committee on Banking and Currency, U. S. Senate, 73rd Congress, 2nd Session, on S. 3603 (May 16, 1934) pp. 14-15.

substantially the same from August 1934 to April 1937, when it was permitted to lapse for nearly a year.[5]

Did this plan succeed in relieving unemployment, stimulating private investment and reducing the time payment charges on character loans? These questions are difficult to answer, and impossible to resolve in terms of the degree to which the stated objectives were reached. The total volume of modernization loans insured by FHA over the period from August 1934 to April 1937 was more than $560,000,000, or about $17,000,000 per month—certainly not a large fraction of the total bank credit or consumer credit granted during the period. There was a rise in the volume of additions, alterations and repairs to real property, but the increase was far from phenomenal, and no one can state with any assurance that it did not simply reflect the general atmosphere of recovery that characterized the period. The modernization loan insurance program can be credited, therefore, only with facilitating the financing of such recovery as did occur. As for the stimulation of the flow of private funds to a "point of need without an excessive use of government financing," it is true that many institutions relaxed their tight grip on credit, but it cannot be demonstrated that there would have been less investment if the government had never launched its program of loan insurance.

Finally, it is far from easy to determine to what extent the government's new venture reduced the costs of financing for the benefit of the final consumer-borrower. Rates did fall in the years 1934-37, and it seems proper to give part of the credit for their decline to the FHA modernization loan insurance scheme. Probably the maximum of 5 percent per annum discount—or 9.7 percent true interest on the unpaid balance—was considerably below the customary rate for the type of financing covered by FHA in most sections of the

[5] See Chapter 2, below, for details and less important changes.

country.[6] Possibly, too, the threat of an extension of the insurance technique to embrace even automobile sales financing constituted a force for rate reduction.[7] It must be recognized, however, that the number of sales and personal finance companies was increasing, as was also the number of cooperative credit unions; that electric utilities were already developing consumer financing plans; that some commercial banks were evincing greater interest in this field quite independently of FHA; and that manufacturers of durable consumer goods were adopting schemes for financing sales of their appliances. An increase in the number of consumer credit outlets does not, of course, necessarily effect a lowering of price, but barring shifts in demand and costs such reduction would be the short-run tendency.

The principal contribution of FHA would seem to be its achievement of what Administrator McDonald called "the big thing"—the education of commercial bankers with regard to small character loans amortized on a monthly repayment basis. The modernization loan insurance program did actually give hundreds of bankers a wider acquaintance with the consumer finance business than they had previously had.[8] Apparently, therefore, government subsidy was moderately success-

[6] See National Bureau of Economic Research (Financial Research Program), *Sales Finance Companies and Their Credit Practices,* by W. C. Plummer and R. A. Young (1940) Chapter 8.

[7] Various producer groups urged Congressional committees to expand the list of eligible improvements. See Hearings before U. S. Senate and House Committees on Banking and Currency, 1934-39, for attitudes of various private groups.

[8] The opinion of Administrator McDonald on this point is interesting: "I think the local banks which went into this business will never get out of it. Some of them will get out of it, but the big ones never will get out of it, and they will be enough to furnish competition to the finance companies." This was the Administrator's reply to Senator R. F. Wagner's suggestion, "if you withdraw from the field, that may bring up those rates again." Hearing before a subcommittee of the Committee on Banking and Currency, U. S. Senate, 74th Congress, 2nd Session, on S. 4212 (March 16, 1936) p. 7.

ful in increasing competition on the supply side of the consumer credit market.[9]

From August 1934 through April 1937 FHA insured about 1,450,000 modernization notes with a face value aggregating approximately $560,000,000. The average volume of insured notes outstanding over the period 1934-38 was somewhat less than $100,000,000 and thus amounted to between 2 and 3 percent of the estimated average outstandings of all types of consumer instalment credit—both retail instalment and cash loan—in the United States during the period.

By the end of 1934, 11,945 financial institutions, of which 10,029 were commercial banks, had signed up for FHA insurance, but only 6,433 of these approved institutions actually insured loans with FHA from 1934 to 1937. About 10 percent of the cooperating lenders furnished approximately 84 percent of the total number and the dollar volume of notes insured. Ninety percent of the 6,433 insured institutions were commercial banks; the remaining 10 percent consisted of finance companies, industrial banking companies, building and loan associations, savings banks, credit unions and a few miscellaneous agencies. National banks furnished 44 percent of the dollar volume of notes insured in the years 1934-37, state banks and trust companies 27 percent, finance companies 22 percent, and other types of institutions the remaining 7 percent. Banks accounted for a slightly increasing proportion of the total as the plan continued from 1934 to 1937.

[9] It is appropriate to point out that not all banks were attracted by the plan and that some which originally signed up for the insurance did not use it. Many others merely formalized their existing arrangements in order to take advantage of the government subsidy. Of 136 banks that replied to a questionnaire sent to 274 selected banks which had established personal loan departments, 54 stated that FHA modernization loan insurance had been definitely helpful in bringing them into consumer financing. This questionnaire was distributed in connection with the National Bureau's study of commercial banks and consumer instalment credit. For further details see National Bureau of Economic Research (Financial Research Program), *Commercial Banks and Consumer Instalment Credit,* by John M. Chapman and Associates (1940).

Participating banks represented 85 percent of the commercial banking resources and approximately one-third of the number of commercial banks in the country.

Institutions insured and properties improved were located in every state in the nation; New York furnished 21 percent and California 14 percent of the total dollar volume of notes.[10] Only 34 of the 3,074 counties in the United States had no insured loans, but 98 of the counties had 66 percent of the total dollar volume. Volume tended to be concentrated in sections where the population was densest, population growth the most rapid and per capita income relatively high.

Probably two-thirds to three-fourths of all the loans covered by the plan could be classed as consumer loans.[11] Two-thirds of the number and one-half of the dollar amount of notes insured were loans of $2,000 or less for the improvement of single-family dwellings; most of the remainder were notes of $2,000 or less for the improvement of other than single-family properties. About two-fifths of the loaned funds were used for the purchase and installation of equipment and machinery, while three-fifths went for additions, alterations or repairs.

The average size of all notes insured was $386 (including the finance charge), but the average size of notes for $2,000 or less was only $351. Eighty percent of the number of notes were for $500 or less, but these notes accounted for slightly under half the dollar volume. Loans for the purchase and

[10] These and later percentage distributions relate to all notes insured from August 1934 to April 1937 unless otherwise noted.

[11] It was impossible to segregate the single-family dwelling loans for separate detailed analysis, but there is no doubt as to the predominance of the consumer type of loan in the entire body of the notes insured. Since the division between consumer and producer loans is not sharp, particularly in this field of investment, it seems justifiable to treat the entire body of FHA modernization loans as a roughly homogeneous group with a liberal admixture of small producer loans. Only 1 percent of the number and 10 percent of the dollar amount of all loans insured were written for more than $2,000; the average size of these larger notes was $4,664.

installation of machinery or equipment were, on the average, only two-thirds the size of loans used for additions, alterations or repairs.

Although insured loans could run as long as 5 years, the average duration was 30 months. Over half of all the notes matured in exactly 36 months, and 95 percent were issued for this term or for an even shorter period. The average monthly payment was $11 for all notes and $10 for notes of $2,000 or less. The average time payment charge was $49; it was described as 5 percent per annum discount of the net proceeds to the borrower, but amounted to 9.7 percent per annum of the net proceeds on an interest basis because repayment was made in equal monthly instalments during the period covered by the loan. These averages are shown in Table 1.

By the close of 1938 the Federal Housing Administration had paid to participating institutions 84,598 claims, amounting to $19,138,100, on notes insured up to April 1937, when the original plan lapsed. These claims accounted for 5.8 percent of the total number of notes insured; the dollar volume of claims paid was 3.4 percent of the total dollar volume of notes insured. Since some of the notes were scheduled to run into 1942, only tentative estimates of the final ratio of claims paid to notes insured can be given. Probably the final claims paid percentage will fall between 4 and 5 percent of the dollar volume under the original act; the final claims paid percentage by number is likely to be somewhat higher.

Of the various types of lending institutions, credit unions and building and loan associations collected the smallest proportion of claims on notes they had insured with FHA, and finance companies and industrial banking companies the largest. In general the institutions which had insured a large volume of notes were characterized also by a high claims paid

TABLE 1

AVERAGE VALUES OF CERTAIN CHARACTERISTICS OF ALL NOTES INSURED WITH FHA, 1934–37, AND ALL EHFA INSTALMENT CONTRACTS, 1934–38

Characteristics	*Average Value*	
	FHA Notes[a]	EHFA Contracts[b]
Amount of note	$ 386	$ 157
Amount of credit[c]	$ *337*	$ *138*
Amount of time payment charge	$ *49*	$ *19*
Rate of time payment charge[d]	5%	5 + %
Percent down payment[e]	...	15%
Length of contract (in months)[f]	30.3	30.6
Monthly payment	$ 11	$ 5

[a] Based on notes insured August 1934 to April 1937.
[b] Based on contracts purchased June 1934 to June 1938.
[c] For FHA loans the amount of credit represents the net proceeds to borrower. For EHFA contracts it represents the original unpaid balance.
[d] This is 5 percent per annum discount, 9.7 percent per annum interest, by the method of calculation used by these agencies, because the repayment was made in equal monthly instalments during the nominal period of the loan. The EHFA average was 5+ percent because some additional fees were required before August 10, 1936.
[e] Percent of cash selling price, estimated at $162 for EHFA. FHA required 10 percent down payment on some types of improvements after February 15, 1936, but no tabulations were made.
[f] Both averages are actually fractionally lower because of the method of calculating the average. If length of contract is weighted by dollar volume the average duration of FHA notes is 35.1 months and the average duration of EHFA contracts 33.8 months.

percentage, but the size of the institution itself had no significant effect upon the ratio of claims paid to notes insured.

Contrary to the expectations of FHA officials, there was a smaller ratio of claims to notes insured in the $2,000-50,000 class than on loans in the class of $2,000 or less. Within the latter group, notes for the improvement of single-family dwellings had a lower claims paid percentage than did those for the improvement of other than single-family properties.

It was found also that loans for additions, alterations or repairs had a lower ratio than did loans for the purchase and installation of machinery or equipment.

The census region with the worst collection experience was the West South Central; that with the best record was the Mountain group. Among the states, Arkansas, Florida and South Carolina had the greatest proportion of claims paid to notes insured and Montana, Minnesota and Wisconsin the smallest.

On the average, defaulting borrowers made 7 monthly payments;[12] 67 percent of the notes on which claims were paid had gone into default before the borrower had made 9 payments. "Unemployment," "reduced income" and "service complaint" were the most common reasons for default reported by lending institutions.

The total expenses incurred by the Federal Housing Administration for the original modernization credit insurance plan from its inception in August 1934 can merely be estimated, because some costs are still to be met and some additional recoveries are yet to be made by the government. Furthermore, administrative costs can be assigned to Title I loans only on an arbitrary basis since they were handled in conjunction with Title II mortgage insurance. Our estimate of costs from 1934 through 1942, when all loans insured in 1934-37 will be liquidated, is $30,000,000; by this date it is expected that $28,000,000 will have been paid in claims to banks, that administrative costs will total $12,000,000, and that deductions for recoveries by FHA on defaulted loans will amount to $10,000,000. Through December 1938 claims actually paid came to $19,000,000, administrative costs to about $10,000,000, and actual recoveries to about $6,000,000. The estimate of $28,000,000 to be paid for claims means that the subsidy to insured institutions will be $19 per note. Most of this fund is to reimburse institutions for sums ad-

[12] As of February 28, 1938.

vanced, but according to the claims paid experience through February 1938, claims included enough other items to make the gross yield on defaulted loans 10.6 percent per annum, slightly higher than the gross return of 9.7 percent per annum on undefaulted notes.[13] No insurance premium was paid by the insured institutions to compensate the government for this subsidy.[14]

SUMMARY OF THE PLAN AND OPERATIONS OF THE ELECTRIC HOME AND FARM AUTHORITY

The Electric Home and Farm Authority, a government sales finance company limited to financing consumer purchases of electric appliances, was created by Executive Order of the President of the United States in December 1933 under powers granted him by the National Industrial Recovery Act. The Authority, originally chartered as a Delaware corporation and managed by the directors of the Tennessee Valley Authority, was reincorporated under the laws of the District of Columbia in August 1935. Conceived partly as a device for stimulating the use of electricity, EHFA formulated a novel plan of attack on what were considered the four main obstacles to widespread utilization of electric power: high electric rates, high appliance costs, high finance charges, and the "public's lack of information relative to the use of electricity and electrical appliances."[15] It set out, therefore, to provide low-cost and relatively long-term financing services to consumers who bought tested and labeled appliances and received electric current from utilities whose rates were approved by the Authority. Testing

[13] See Table 12 (Chapter 4), especially footnote (f) for method of determining this yield.

[14] The revised plan which began operation in July 1939 required the payment of a premium of 3/4 of 1 percent of the net proceeds to the borrower in return for 10 percent insurance against losses by the insured institution.

[15] From the special report entitled *Purposes and Program of the Electric Home and Farm Authority, Inc.* (March 15, 1935) Book I, p. 1.

and approval of appliances, accompanied by an educational and advertising campaign, were to increase the demand on the part of consumers for appliances of this type and quality and at the same time to provide a substantial demand for EHFA financing. The educational and advertising features were eliminated when the Authority was reincorporated in August 1935. Except for this change the purpose and the operations have remained substantially the same since the establishment of EHFA.

Appraisal of the achievements of this agency involves problems similar to those encountered with regard to the effects of the FHA loan insurance program. There is no gainsaying the assertion that the cost of instalment credit to consumers in the electric appliance field declined between 1934 and 1938, that electric rates decreased somewhat, and that the prices on some types of electric appliances were lower at the end of the period than they were at the beginning. It cannot be ascertained, however, that these changes are to be credited to the Electric Home and Farm Authority, for its services were available to the less than 3,000,000 persons receiving electric current from cooperating utilities in the entire nation, and its transactions from 1934 to 1938 accounted for only one-tenth of one percent of the national retail sales finance volume. Utilities, manufacturers and dealers failed to embrace the plan with any marked enthusiasm, apparently because they did not have to depend upon EHFA for financing services and also because they did not expect that the price reductions recommended by it would bring them increased profits. EHFA does, however, manifest a new development in government activity: it worked in successful cooperation with a number of utilities, manufacturers and dealers and at the same time competed to some extent with existing sales finance companies.

The Authority made agreements with private, municipal and cooperative utilities, tested and approved the appliances of manufacturers, and contracted to handle the instalment paper of retail dealers. By June 30, 1938, 206 utilities, 175 manufacturers and 1,563 dealers were on the EHFA rolls. The consumer contracted to buy the appliance from the dealer, the dealer sold the contract to the Authority for cash, the consumer paid his monthly instalments to the local utility with his electric bill, and the utility remitted the funds to the Authority. A total of 74,095 contracts for $11,-640,452 had been purchased by the Authority under this arrangement by the end of June 1938, at which time 59,181 contracts with unpaid balances of $6,754,530 were outstanding. Expenses (mostly salaries) exceeded income slightly during the period prior to its reorganization, when it was operating as a promotional agency in conjunction with the TVA, but for the entire period 1934-38 earned income was somewhat in excess of costs. Indeed, after setting aside substantial reserves against losses, the Authority showed a profit on the invested capital ($850,000) of 1.1 percent and 4.2 percent for the years 1936-37 and 1937-38 respectively.

EHFA has few perquisites arising from its affiliation with the government, and its organization and operation resemble those of a private enterprise. Although a line of credit is established with the Reconstruction Finance Corporation, funds above capital and surplus built up out of earnings have been secured by borrowing from banks. Almost all assets have been in "instalment contracts receivable" and almost all liabilities in "notes outstanding" to banks. The ratio of capital to borrowed funds was 16 percent at the end of the fiscal year 1937-38.

If the customer bought an approved appliance from a dealer licensed by EHFA and purchased his electricity from a utility which had entered into a cooperative agreement with the Authority, the time payment plan was available to him, provided the amount of the note was not less than $40, the down payment not less than 5 percent of the cash selling price, the duration not longer than 36 months, and the monthly payment not less than $1.50.[16] The finance charge was 5 percent per annum on the original unpaid balance. Only slight changes were made in these rules over the period covered by this study (1934-38).[17]

The 74,095 instalment contracts financed by the Authority for the four fiscal years 1935-38 provided for the purchase of 85,137 electric appliances. Fifty percent of the appliances were refrigerators, 18 percent ranges, 17 percent washing machines, 5 percent water heaters, 5 percent radios, and the remaining percentage "others." Average down payment was 15 percent of the average cash selling price of $162, so that the average original unpaid balance was $138; with the addition of the average time payment charge of $19, the average amount of note came to $157. Since the average length of contract was 30 months, the average monthly payment was slightly over $5. Only small variations in these values occurred over the four years under discussion.[18]

Electric Home and Farm Authority instalment purchasers were neither evenly nor widely distributed over the country. During the first two years of EHFA's operation, 97 percent of its contracts came from four states: Georgia, Mississippi, Alabama and Tennessee. In the fiscal year 1936-37 a total of 22,460 contracts was purchased in twenty states, but over one-third of the total was derived from these same four states, while one-fourth was furnished by California, primarily by the area served by the municipal plant of Los Angeles. The 39,101 contracts purchased by EHFA in the fiscal year 1937-38 were distributed as follows: 29 percent from the four Tennessee Valley states, 27 percent from California, 11 percent from Minnesota and the remaining 33

[16] Under special circumstances the minimum down payment had to be 10 percent and the maximum term could be as long as 60 months.

[17] Up to August 10, 1936, the customer paid a charge of $1.00 for booking, and $1.00 per year for billing, in addition to the finance charge of 5 percent.

[18] See Table 1, above, for a complete statement of these values.

percent from 22 other states which were mostly in the Middle West. EHFA's customers were concentrated in relatively few districts, and only a small number came from the highly industrialized sections of the country. Less than 14 percent of the 74,095 contracts purchased by the Authority originated in states east of the Mississippi and north of the Ohio River, although nearly 50 percent of the population of the country and most of the industrial cities were located in this area. The only contracts purchased in New England were a few hundred from Hartford, Connecticut.

It appears from the purchasers' statements that a mere 5 percent of EHFA's customers were drawn from the one-third of the nation's families which received the lowest incomes (under $75 a month)[19] and that scarcely any customers came from the top of the income scale ($250 or more per month). The median family income of purchasers of appliances financed by EHFA was between $125 and $150, while the median income of all families in the United States was in the class of $75 to $100. Viewed occupationally, EHFA customers were largely skilled and semiskilled wage-earners and the less prosperous white-collar class, self-employed and hired. They were much more highly concentrated in the age groups of 20 to 50 than was the general population; nearly 40 percent of the instalment purchasers were between 30 and 40 years of age. Almost 95 percent of the purchasers were married as compared with approximately 75 percent of the persons in the same age groups in the entire population. Less than 3 percent of the purchasers were Negroes, as compared with 9.7 percent of the entire population and about one-fourth in the southern states, which supplied such a large proportion of the contracts. The small proportion of Negro customers is to be explained

[19] This percentage undoubtedly underestimates the actual proportion of extremely low-income purchasers, since persons with small earnings commonly overstate their resources to forestall rejection of their applications for instalment credit.

by the fact that only the more prosperous southern Negroes are served by the power lines.

By far the vast majority of EHFA's customers paid off their obligations substantially as scheduled. For 1937, the first year for which EHFA kept a record of repossession experience, only 2,452 repossessions (7.4 percent) were reported for the 33,089 contracts financed.[20]

The repossession percentage or ratio varied for different classifications of contracts. It declined, for example, as percent down payment rose. As term of contract increased to 30-36 months the repossession percentage rose also, but for longer-term contracts it decreased. The repossession ratio tended to go down somewhat with increases in the amount of note, and to decline a bit more rapidly with increases in the size of monthly payment. As might have been expected, the higher the monthly income of the purchaser, the lower was the repossession percentage; as monthly payment as a percent of monthly income rose, the repossession ratio mounted. When contracts are classified according to type of appliance, the repossession ratio is found to have been highest for washing machines and lowest for electric ranges.

Half of the estimated final total of repossessions on a given body of contracts were reported within 10 months from the date of purchase, and slightly more than half of these were credited with 5 or less monthly payments before default. The average number of payments made before default (between 4 and 5) amounted to about one-eighth of the average number of payments contracted for.

CONCLUDING OBSERVATIONS

Through the FHA modernization loan insurance program hundreds of bankers were introduced to consumer lending

[20] As of December 31, 1938. It will be recalled that part of the period covered by the repossession data was marked by a recession of business activity.

in the years 1934 to 1937. EHFA in the period 1934-38 contributed in some small degree to the increased use of electricity by offering lower finance charges for instalment purchases of electric appliances and by encouraging reductions in the rates for electric power and in the prices of appliances. Both agencies functioned in highly specialized branches of consumer credit and were relatively insignificant quantitatively. The loan insurance scheme has not involved the federal government in heavy outlays and EHFA has actually shown a slight profit; both have operated in reasonably efficient fashion. Their principal claim to attention must rest, however, upon other and perhaps more symbolic attributes, for they represent pioneering government ventures in the field of consumer instalment credit.