

This PDF is a selection from an out-of-print volume from the National Bureau of Economic Research

Volume Title: Sales Finance Companies and Their Credit Practices

Volume Author/Editor: Wilbur C. Plummer and Ralph A. Young

Volume Publisher: NBER

Volume ISBN: 0-870-14461-8

Volume URL: <http://www.nber.org/books/plum40-1>

Publication Date: 1940

Chapter Title: Preface and table of contents to "Sales Finance Companies and Their Credit Practices"

Chapter Author: Wilbur C. Plummer, Ralph A. Young

Chapter URL: <http://www.nber.org/chapters/c5652>

Chapter pages in book: (p. -17 - -8)

Preface

THE National Bureau of Economic Research, under grants from the Association of Reserve City Bankers and the Rockefeller Foundation, inaugurated in 1938 a broad program of research in finance, of which the initial project has been a comprehensive investigation of the instalment financing of consumers. The present study of sales finance companies is the second in a series of institutional studies under this investigation, describing the important financial agencies that deal in consumer instalment credit. Other institutional studies in the series cover personal finance companies, commercial banks, industrial banking companies and government agencies operating in the field—the Federal Housing Administration and the Electric Home and Farm Authority.

The term “instalment financing” as used in this investigation designates all consumer credit that entails the payment of interest and repayment of principal in prescheduled amounts, usually in equal instalments, under a formal legal instrument providing for definite and prompt legal action in the event of debtor default on any payment. The consumer instalment financing project therefore includes both sales finance credit and cash credit extended on instalment terms, but it excludes retail charge account credit. Instalment credit extended on the security of real estate, while of great financial importance, has also been excluded from the field of study, because of its long maturities and its other special features. Thus the types of consumer instalment credit under investigation are characterized by a relatively short or inter-

mediate term of contract as well as by an instalment basis of repayment scheduled under a formal legal instrument.

Sales financing pertains to all credit extended for the instalment purchase of merchandise. This kind of financing is conducted, at least to some extent, by commercial banks and industrial banking companies, and not infrequently dealers themselves advance the credit for their customers' instalment purchases. The present study, however, is primarily concerned not with sales financing in general but with sales finance companies in particular, although the analysis of their function as credit agencies, their credit standards and experience, their terms and characteristic practices, reveals the main features of this type of credit extension, whatever the agency engaged in it.

In preparing this study we have sought the cooperation of numerous individuals and organizations, and their information, experience and suggestions have been essential to making our results accurate and complete. Some of our materials have been drawn from personal interviews and correspondence with individuals familiar with or associated with the sales finance field, others come directly from the records of firms in the business, and still others have been furnished us by public agencies.

We take pleasure in acknowledging our indebtedness to the National Credit Office, Inc., for access to material in its files; the First National Bank of Chicago, for allowing us to consult the tabulations which it has prepared on the operations of twenty-four sales finance companies from 1935 to the present; the Bureau of Business Research of the University of Illinois, for making its original compilations of the earnings and expenses of sales finance companies during 1928-37 available for our use; the Bureau of Home Economics of the United States Department of Agriculture, for preparing special tabulations of automobile purchasers,

1935-36; the Marketing Research Division of the Bureau of Foreign and Domestic Commerce, United States Department of Commerce, for giving us access to special materials assembled in connection with its annual *Retail Credit Survey*; the National Retail Credit Association, the National Retail Furniture Association and the National Retail Dry Goods Association, for sending out questionnaires to their memberships on our behalf; the Federal Trade Commission for making its study of the motor vehicle industry immediately available to us upon its release as a public document.

Sales finance companies which have helpfully responded to requests for information are the Associates Investment Company, the Commercial Credit Company, the Commercial Investment Trust Corporation, the General Electric Contracts Corporation, the General Finance Corporation, the General Motors Acceptance Corporation. We are particularly grateful to the officers of the latter company for giving us access to special tabulations of instalment financing data. We wish to acknowledge a particular debt also to the Electric Home and Farm Authority, which generously permitted us to examine its records and furnished us with special tabulations. Milan V. Ayres, Secretary and Analyst of the National Association of Sales Finance Companies, has made materials available for our use and on many questions has given us the benefit of his extensive technical knowledge of the subject. Fred V. Chew, Executive Vice President of the American Finance Conference, has provided us with studies prepared by that organization for its membership, and his assistants have answered numerous inquiries about the sales finance business.

We have benefited greatly from the counsel of many bank credit officers who have had long experience in extending bank loans to sales finance companies, and to the numerous bankers who have assisted us in many ways, particularly Ar-

thur W. Newton of the First National Bank of Chicago, we owe a special acknowledgment.

For criticisms of the manuscript and suggestions for its revision we are particularly indebted to Winfield W. Riefler of the Institute for Advanced Study, to Moses Abramovitz, Simon Kuznets and Leo Wolman of the National Bureau research staff, and also to the directors of the National Bureau. Other readers whose critical suggestions have been helpful include: Milan V. Ayres, Secretary, National Association of Sales Finance Companies; Fred V. Chew, Executive Vice President, American Finance Conference; Margaret Grobden, Consumer Credit Institute of America, Inc.; John E. Hamm, Russell Sage Foundation; M. Haddon Howell, Chase National Bank of New York City; Rolf Nugent, Russell Sage Foundation; R. W. Pitman, Morris Plan Bank of Philadelphia; R. W. Pitman, National Credit Office, Inc.; Thomas W. Rogers, Director of Research, American Finance Conference; Paul H. Young, Reserve Discount Company of St. Louis.

The preparation of this manuscript has required the assistance of many members of our staff, and the book owes much to their combined efforts.

The compilations at the National Credit Office, Inc., were made by Dickson Reck, who also wrote the initial studies dealing with procedure, competitive relations and legal regulations.

The quantitative estimates of retail instalment credit and cash loan credit were developed by Duncan Holthausen.

David Durand was in charge of the automobile repossession study, and also derived the tables on income distribution of automobile instalment buyers.

Joseph Coppock prepared the original draft of the chapter on appliance repossessions, on the basis of records of the Electric Home and Farm Authority.

The tables covering income and expenses of sales finance companies for the past ten years were prepared by Peter Franck and Dorothy Weitzel.

Elizabeth Todd assisted in the revision of the study for publication, wrote the summary of contents and was in full charge of the editing. The manuscript has benefited greatly from her careful editorial work.

WILBUR C. PLUMMER

*Financial Research Staff and
University of Pennsylvania*

RALPH A. YOUNG

*Director, Financial Research
Program, and University of
Pennsylvania*

June 1, 1940