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Chapter Author: Joseph D. Coppock

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Characteristics of Contracts and Purchasers

THE demand for the consumer financing services of the Electric Home and Farm Authority is described in this chapter in terms of the principal features of the instalment contracts and the instalment purchasers. The characteristics that relate primarily to the contracts are: down payment as percent of cash selling price; length of contract; amount of note; size of monthly payment; and type of appliance. Those which in the main describe the purchasers are: monthly payment as percent of purchaser's monthly income; monthly income of purchaser; occupation; property and debt status; age, color, marital status, and size of family; and location and size of community.

For some of the items tabulations are available for all of the four fiscal years 1935 to 1938, but for most of the characteristics it has been necessary to rely on contracts purchased during only one year or one-half year and in a few instances on even more limited samples. In no case for which there is an abundance of data does the pattern diverge appreciably from that for the smaller samples.

DOWN PAYMENT

During the first few months of its operation, EHFA followed the policy of prescribing that the down payment approximate the monthly payment. Frequently, therefore, the down payment fell below 5 percent of the cash delivered price of the merchandise. The regulations were changed somewhat from time to time, but the required down payment remained comparatively small. In March 1938, for example, the minimum permitted down payment was 5 percent of the cash selling price, except for time purchases of a few low-priced appliances, including radios, on which a 10 percent minimum down payment was required.[1]

The actual average down payment for the contracts purchased by EHFA from 1934 to 1938 was 15 percent of the cash price, and since the average price was $162, the purchaser's original equity in the appliance was typically about $24. However, the down payment on 45 percent of the contracts was less than 10 percent, on 80 percent of the contracts less than 20 percent, and on only 3 percent of the contracts more than 40 percent. In no instance did down payment amount to less than 2.5 percent of the cash selling price. As Table 24 shows, the average increased steadily during the four fiscal years, from 12 percent in 1934-35 to more than 16 percent in 1937-38, a shift brought about almost entirely by a reduction in the proportion of cases with less than 10 percent down payment.

Cross-classifications of the January-June 1937 contracts with reference to percent down payment indicate that the distribution varied widely among the several length-of-contract classes.[2] Whereas only 17 percent of the contracts for 12 months or less were in the down payment class of under 10 percent, nearly 70 percent of the 60-month contracts[3] were in this smallest down payment class. Quite different was the pattern prevailing for the down payment groups of

[1] A 10 percent down payment was stipulated also for attic ventilating fans, milking machines, feed grinders, and portable space heaters. See below, Table 28, for full list of appliances eligible.

[2] See Table B-1 for cross-classification with reference to percent down payment and length of contract.

[3] These contracts were confined to the city of Los Angeles.

TABLE 24

PERCENTAGE DISTRIBUTION OF NUMBER OF CONTRACTS PURCHASED BY EHFA, FISCAL YEARS 1935–38,[a] BY PERCENT DOWN PAYMENT

Percent Down Payment[b]	*1934–35*[c]	*1935–36*	*1936–37*	*1937–38*	*Total*
Under 10	61.5	54.9	51.4	36.7	44.6
10–20	28.1	30.3	31.9	37.6	34.5
20–30	6.2	8.4	10.1	14.6	12.1
30–40	2.4	3.5	4.0	6.9	5.4
40 and over	1.8	2.9	2.6	4.2	3.4
TOTAL	100.0	100.0	100.0	100.0	100.0
Average percent down payment	12.1	13.3	13.7	16.3	15.0
Number of contracts	4,886	7,648	22,460	39,101	74,095

[a] Fiscal year ending June 30.
[b] Expressed in percent of cash selling price. Each level includes the lower figure and excludes the higher.
[c] Includes 142 contracts purchased in June 1934.

20 percent and over, for increases in term from 12 to 60 months were accompanied by fairly steady decreases in the percent of cases with such a large down payment. It may be concluded, then, that percent down payment and length of contract tended to move inversely, i.e., the longer the term the smaller was the down payment as a percent of the cash selling price. The longer contracts were usually the ones involving larger sums and a given percent down payment would mean a greater cash deposit than would the same percent down payment on shorter contracts.

It might be presumed also that percent down payment on time purchases would increase with increases in income, but no such relationship is revealed by available tabulations.[4] The median percent down payment value varied but

[4] See Table B-5 for cross-classification with reference to percent down payment and monthly income.

slightly with increases in income; and it was only in the monthly income class of $200 and over that the median was significantly larger than the median for all income groups. The most plausible explanation of this constancy of the percent down payment for income groups of different sizes may be that people with larger incomes contract to buy more expensive appliances but take advantage of the convenient selling terms afforded them by the EHFA plan, paying only about the same proportion of the cash price at the time of purchase as do lower-income instalment buyers. It is quite as striking that percent down payment did not vary significantly when monthly payment as a percent of monthly income increased from under 2.5 percent to more than 10; the median case was found consistently in the 10 to 20 percent down payment class.[5]

The distribution of contracts among down payment groups was affected only slightly by the different types of appliances purchased. Washing-machine contracts had a considerably larger-than-average percent of cases in the down payment class of less than 10 percent and "others" had a comparatively low percent of cases in this group, but differences among appliances were nominal in the other down payment classes.[6] Nor did down payment vary markedly with changes in size of note, although there was some tendency for the percent down payment to be small on the large contracts. For example, notes for less than $200 were spread more widely among the five down payment classes than were notes for over $200, 90 percent of which were confined entirely to the classes in which the down payment was less than 20 percent.[7]

[5] See Table B-4 for cross-classification with reference to percent down payment and monthly payment as percent of monthly income.
[6] See Table B-3 for cross-classification with reference to percent down payment and type of appliance.
[7] See Table B-2 for cross-classification with reference to percent down payment and amount of note.

LENGTH OF CONTRACT

Some EHFA instalment contracts matured in only 3 months and others in as many as 60. Maximum terms were set for instalment purchases of various types and groups of appliances, but 48 months was the peak term except in the city of Los Angeles.[8]

The average length of EHFA contracts during the four-year period 1935-38 was just over 30 months,[9] but it dropped from 32 months to 29 months between the fiscal year 1934-35 and the fiscal year 1937-38. Table 25 shows the frequency distributions of contracts purchased by duration for the four fiscal years; here it may be seen that the percentage of contracts covering a term of 36 months dropped from above 60 percent of the total to less than 40 percent, while the percentage of contracts in the duration classes of 24 months or less showed substantial gains. This shift may be attributed in part to the rather widespread shortening of contracts in the appliance field after the middle of 1937, which was not, however, a response to any special policy of EHFA. Of all the contracts purchased by EHFA from

[8] As the list of appliances expanded from 1934 to 1938, the maximum terms varied somewhat, but as of July 1938 the following rules prevailed, with minor exceptions in certain territories: 18 months for radio, attic ventilating fan, portable space heater; 24 months for washing machine, vacuum cleaner, dishwasher, waste disposal unit, feed grinder; 30 months for milking machine; 36 months for refrigerator, range, water heater, water pump, milk cooler, cream separator, clothes ironer, farm motor; 48 months for a combination of two or more of these appliances, with minor limitations. These terms covered new appliances only; used appliances which were otherwise eligible were subject to maximum durations of 12 to 24 months. Used radios, attic ventilating fans and portable space heaters were not eligible for financing.

[9] If we assume that all durations were exactly those shown in Table 25, the average length is 30.6 months, but since contracts of other lengths, about 2 percent of all contracts, were included in the next highest class, the average is probably closer to 30 than to 31 months. When weighted by dollar amount of contracts purchased, the average term rises to nearly 33.8 months, reflecting the fact that longer-term contracts are larger than average.

TABLE 25

PERCENTAGE DISTRIBUTION OF NUMBER OF CONTRACTS PURCHASED BY EHFA, FISCAL YEARS 1935–38,[a] BY LENGTH OF CONTRACT

Length of Contract[b]	*1934–35*[c]	*1935–36*	*1936–37*	*1937–38*	*Total*
6 months	.3	.4	.6	.8	.6
12 "	3.3	4.6	7.7	13.3	10.0
18 "	2.7	4.9	6.2	9.5	7.6
24 "	20.2	14.8	23.8	24.3	22.9
30 "	7.2	5.8	2.7	6.2	5.2
36 "	61.1	64.1	46.9	37.7	44.8
48 "	5.2	5.4	5.7	3.5	4.5
60 "	...	...	6.4	4.7	4.4
TOTAL	100.0	100.0	100.0	100.0	100.0
Average length of contract	32.4	32.4	32.1	29.1	30.6
Number of contracts	4,886	7,648	22,460	39,101	74,095

[a] Fiscal year ending June 30.
[b] Approximately 98 percent of the contracts had exactly these durations; those with other lengths are included in the next higher class.
[c] Includes 142 contracts purchased in June 1934.

1935 to 1938, 10 percent were written for 12 months or less, 41 percent for 24 months or less, 91 percent for 36 months or less and the remainder for 37 to 60 months.

The high concentration in the 36-month duration class is due largely to the predominance of refrigerator contracts for which this length was the maximum permitted. About three-fourths of the refrigerator contracts were to be paid out in exactly 36 months.[10] Approximately one-half of the electric-range contracts purchased ran for more than 36 months,[11] while three-fourths of the washing-machine contracts matured at the set maximum of 24 months. In the case of com-

[10] See Table B-7 for cross-classification with reference to length of contract and type of appliance.
[11] These contracts were made before range purchases were limited to duration of 36 months, as noted above.

bination purchases, more than three-fourths of the contracts covered 36 months or longer.

The changes in the eligible appliances list from year to year and the changes in the regulations governing the term for which different appliances could be financed quite naturally had a substantial effect on the general distribution of contracts by duration. Differences in the amount of note also affected contract length, for the median contract in the group of contracts involving less than $100 fell in the class of 24 months, while the median contract in the group of $400 and over fell in the class of 48 months, and in the $100 to $400 group in the 36-month class.[12] Apparently the desire of purchasers to have smaller monthly payments was reflected in the long terms for larger contracts. As might have been expected, increases in the percent down payment made for shorter-term contracts. When the down payment was under 10 percent, the median contract fell in the duration class of 36 months, but as percent down payment increased, the median dropped to lower duration classes; thus nearly half of the contracts with down payments of more than 40 percent had durations of 18 months or less.[13] This pattern is explained by the circumstance that larger percent down payments leave smaller unpaid balances which can be met satisfactorily in relatively few monthly payments.

It might be thought that persons with larger-than-average incomes would have contracts of less-than-average length, but such was not found to be the case among the contracts studied. For the income levels under $100 per month the median fell in the 24-month duration class, while for the higher income groups the median was in the 30-month duration

[12] See Table B-6 for cross-classification with reference to length of contract and amount of note.

[13] See Table B-1 for cross-classification with reference to length of contract and percent down payment.

class.[14] The variation does not appear to warrant the view that length-of-contract distribution is affected significantly by differences in the monthly income of the purchaser. Differences in monthly payment as percent of monthly income did not have much effect upon the percentage distribution according to term of contract, for even with increases in monthly payment as percent of monthly income the median contract remained in the 24- and 30-month duration class.[15]

AMOUNT OF NOTE

The Authority financed no contracts for less than $40 and although no precise upper limit was set only 2 percent of the contracts exceeded $400. The average size of contract over the four years 1935-38 was $157. This was the amount of the note, or the "time balance," which was composed of the original unpaid balance plus the time payment charge.[16] The distribution of contracts among five broad amount-of-note classes is shown in Table 26 for the four fiscal years 1935-38 separately and in combination. For the entire period, 28 percent of the contracts amounted to less than $100 apiece, 49 percent to $100-200, 17 percent to $200-300, and 6 percent to $300 and over. Differences were moderate as between the four years: there was a steady though small increase in the percentage of contracts for $300 and over and a tendency for the proportion of contracts in the $100-200 class to decline. Average size of contract increased from $155

[14] See Table B-9 for cross-classification with reference to length of contract and monthly income.

[15] See Table B-8 for cross-classification with reference to length of contract and monthly payment as percent of monthly income.

[16] The amount of note approximated very closely the cash selling price of appliances, on the average, which meant in effect that the down payment was the rough equivalent of the time payment charge. The observations concerning the distribution of contracts among size-of-note classes apply as well, therefore, to the distribution of notes according to cash selling price. The conformity in this respect was tested for contracts purchased in January-June 1938.

TABLE 26

PERCENTAGE DISTRIBUTION OF NUMBER OF CONTRACTS PURCHASED BY EHFA, FISCAL YEARS 1935–38,[a] BY AMOUNT OF NOTE

Amount of Note[b]	*1934–35*[c]	*1935–36*	*1936–37*	*1937–38*	*Total*
$ 40– 100	22.9	14.1	27.0	31.2	27.7
100– 200	58.9	63.6	48.6	45.2	49.0
200– 300	15.3	17.6	18.6	17.2	17.6
300– 400	2.0	3.3	4.0	4.5	4.0
400–1000	.9	1.4	1.8	1.9	1.7
TOTAL	100.0	100.0	100.0	100.0	100.0
Average amount of note	$ 155.49	$ 166.37	$ 159.39	$ 154.17	$ 157.10
Number of contracts	4,886	7,648	22,460	39,101	74,095
Total amount of notes	$759,712	$1,272,418	$3,579,945	$6,028,377	$11,640,452

[a] Fiscal year ending June 30.
[b] Each level includes the lower figure and excludes the higher. EHFA financed no contracts of less than $40.
[c] Includes 142 contracts purchased in June 1934.

in 1934-35 to $166 in 1935-36, but dropped to $159 and then to $154 in the two succeeding fiscal years.[17]

The time payment charge was calculated at 5 percent per annum of the original unpaid balance. Before August 10, 1936 the customer had to pay a booking fee of $1 per contract and a collection fee of $1 per year for the duration of the contract. With these charges added to the basic rate of 5 percent, the rate came to 7 percent (prior to August 1936) on a one-year note for $100, but it was lower, of course, for larger-size and longer-term contracts.[18] The minimum finance charge was $2.50, and the average charge on all contracts

[17] The average amount of note for 1938-39 was $146.
[18] 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, Table 59, for comparison of finance charges.

financed by EHFA for the four-year period was just under $19.[19]

Amount of note differs, of course, according to the type of appliance purchased. On the average, combination contracts involved the highest amounts of note, refrigerators and ranges intermediate amounts, washers and other appliances the smallest amounts. There was considerable variation, however, in the percentage distributions.[20] Down payment as a percent of the cash selling price was inversely related to size of note, for when the percent down payment was large, the size of the note was usually small.[21] The inverse relationship just noted is a reflection of the obvious fact that the payment of a larger percent of the purchase price leaves a smaller amount to be paid on instalment. In general, too, amount of note rose with an increase in the maturity of the contract.[22] Thus for contracts covering 24 months or less, the majority of notes amounted to less than $100; when contracts matured in 30 or 36 months they fell largely in the $100-200 class, and when they extended for as long a period as 48 months the typical (median) amount of note was even larger. On the other hand over half of the 60-month contracts were in the $100-200 class. It can scarcely be questioned that the availability of longer terms makes possible larger total commitments by consumer-borrowers because of the resultant tendency toward reduction of the size of the monthly payment; the converse, that larger purchases induce people to request longer terms, is also supported by the evidence.

[19] The time payment charge is gross revenue per contract to EHFA, and a decline in the dollar amount of the charge is of special interest because costs, above overhead, tend to vary with the number of contracts financed rather than with dollar size of contract. See section on EHFA finances in Chapter 5, p. 100 ff.

[20] See Table B-10 for cross-classification with reference to amount of note and type of appliance.

[21] See Table B-2 for cross-classification with reference to amount of note and percent down payment.

[22] See Table B-6 for cross-classification with reference to amount of note and length of contract.

Size of note was affected also, but in moderate degree, by the monthly income of the purchaser: the median amount of note shifted only from the under-$100 class to the next highest class ($100-200) as monthly income increased from under $50 to over $200.[23] This failure of amount of note to respond markedly to changes in monthly income may be explained by the fact that persons in the lower income groups are able to manage commitments of almost average size because of the long contracts available to them under the EHFA plan. The median amount of note rose steadily with increases in monthly payment as percent of monthly income.[24]

SIZE OF MONTHLY PAYMENT

The minimum monthly instalment permitted by EHFA was $1.50, and the average monthly payment actually made on contracts purchased over the four-year period 1935-38 was just above $5. Nearly 90 percent of the contracts called for monthly payments of less than $8; only 3 percent required monthly instalments of $12 or more. The distribution of contracts according to size of monthly payment is shown in Table 27. Monthly payment depends entirely on amount of note and length of contract since it is derived from a division of the face amount of the contract by the duration. During the four fiscal years the average monthly payment increased irregularly from $4.8 in 1934-35 to $5.3 in 1937-38, a rise which reflects the slightly more rapid decline in the average length of contract than in the average amount of note.[25]

[23] See Table B-12 for cross-classification with reference to amount of note and monthly income.

[24] See Table B-11 for cross-classification with reference to amount of note and monthly payment as percent of monthly income.

[25] No cross-classifications were made for the monthly payment distribution, but monthly payment as percent of monthly income is treated quite fully below, pp. 121-22.

TABLE 27

PERCENTAGE DISTRIBUTION OF NUMBER OF CONTRACTS PURCHASED BY EHFA IN EACH HALF-YEAR, JANUARY 1937–JUNE 1938, BY AMOUNT OF MONTHLY PAYMENT

Amount of Monthly Payment[a]	*Jan.–June* 1937	*July–Dec.* 1937	*Jan.–June* 1938
$ 1.50– 4.00	35.8	32.9	26.8
4.00– 8.00	55.9	56.0	60.3
8.00–12.00	6.3	7.9	10.2
12.00–16.00	1.4	2.0	1.6
16.00 and over	.6	1.2	1.1
TOTAL	100.0	100.0	100.0
Number of contracts	16,007	17,067	22,034

[a] Each level includes the lower figure and excludes the higher.

TYPES OF APPLIANCES FINANCED

By June 1938 almost any form of major electric household or farm equipment could be purchased on time through EHFA, but this wide choice represented a list greatly expanded since 1934, when it had included only refrigerators, ranges and water heaters. As may be seen in Table 28, 85,137 appliances were purchased through 74,095 instalment contracts, an average of 1.15 appliances per contract. Refrigerators made up about 50 percent of the four-year total, ranges 18 percent, washing machines 17 percent, water heaters and radios 5 percent each, and a variety of other appliances the remaining amount.[26] Although the number of refrigerators financed continued to increase over the four years, the percentage of refrigerators in the fiscal-year totals declined from 80 to 43 percent from 1934-35 to 1937-38. Ranges and water heaters made up about the same fractions of the contracts for each fiscal year; the percentage loss of

[26] See Table 28 for other electric appliances eligible for EHFA financing.

TABLE 28

PERCENTAGE DISTRIBUTION OF NUMBER OF APPLIANCES FINANCED BY EHFA, FISCAL YEARS 1935–38,[a] BY TYPE OF APPLIANCE

Type of Appliance	*1934–35*[b]	*1935–36*	*1936–37*	*1937–38*	*Total*
Refrigerator	79.4	72.1	48.1	43.2	49.9
Range	16.1	15.5	19.5	17.1	17.6
Water Heater	4.5	3.5	5.0	5.4	5.0
Washing Machine	...	6.5	19.8	19.0	16.8
Radio	...	...	.9	8.3	4.7
Others[c]	(.04)	2.4	6.7	7.0	6.0
ALL TYPES	100.0	100.0	100.0	100.0	100.0
Number of contracts	4,886	7,648	22,460	39,101	74,095
Number of appliances	5,334	8,477	25,798	45,528	85,137
Number of appliances per contract	1.09	1.11	1.15	1.16	1.15

[a] Fiscal year ending June 30.
[b] Includes appliances financed under 142 contracts purchased in June 1934. Refrigerators, ranges and water heaters were the only eligible appliances in 1934-35.
[c] Includes attic ventilating fan, portable space heater, vacuum cleaner, dishwasher, waste disposal unit, feed grinder, milking machine, water pump, milk cooler, cream separator, clothes ironer and farm motor.

refrigerators in the later years was taken up by washing machines, ironers, radios, vacuum cleaners, water pumps and a few "others."[27]

The percentage distribution of the dollar amount of contracts financed among the different types of appliances varied considerably from the percentage distribution by number. Refrigerators and ranges had more than the average share of the dollar volume; other appliances had less. The relation

[27] During 1936-37 and 1937-38, 3,352 appliances (2,768 contracts) were financed through Rural Electrification Administration projects. Refrigerators made up 47.3 percent, washers 17.6, ranges 10.1, radios 8.3, water pumps 8.1, "others" 8.6.

between the number and amount distributions is brought out quite clearly by data on the size of the average time balance (original unpaid balance plus time payment charge) per appliance financed. Whereas the time balance for all appliances for 1937-38 was $132, it was $171 for refrigerators and $155 for ranges. Average time balances on water heaters, washing machines, radios and "others" ranged between $78 and $93.[28]

Combination contracts for the purchase of two or more appliances accounted for about one-seventh of the total number of contracts in 1937 and 1938. Because most EHFA tabulations were based upon the distribution of *contracts* by type of appliance rather than upon the distribution of *appliances*, the discussion of cross-classifications with respect to other characteristics must proceed in terms of the former distribution rather than of the latter. Refrigerator contracts made up 53 percent of the total for January-June 1937, range contracts 15 percent, washers 13 percent, combinations 12 percent and "others" 7 percent.[29] This percentage distribution tends to prevail also for the various percent down payment classes ranging from under 10 percent to more than 40 percent of the cash selling price,[30] but it fails to represent the different amount-of-note classes primarily because prices of appliances varied.[31]

[28] The appliance distribution by amount for 1937-38, the only year for which it was available, was as follows: refrigerators 56 percent, ranges 20 percent, washers 11 percent, radios 5 percent, water heaters 4 percent and "others" 4 percent. The total dollar amount was $6,028,377. This distribution may be compared with the distribution by number in Table 28.

[29] For the 17,061 July-December 1937 contracts the percentage distribution was: refrigerators 36 percent, ranges 15 percent, washers 22 percent, combinations 12 percent and "others" 15 percent. For the 22,460 January-June 1938 contracts the percentage distribution was: refrigerators 46 percent, ranges 10 percent, washers 15 percent, combinations 15 percent, and "others" 14 percent. Distributions were not tabulated for earlier years.

[30] See Table B-3 for cross-classification with reference to type of appliance and percent down payment.

[31] See Table B-10 for cross-classification with reference to type of appliance and amount of note.

Wide variations from this appliance distribution are found among the different duration classes;[32] these differences are probably conditioned by the regulations which set maximum terms for the types of appliances and by the range in prices charged for them.

As might have been expected, the instalment purchasers of the more expensive appliances and combinations of appliances tended to be concentrated in the higher income groups. Thus the median purchaser of ranges had an income of over $150 per month, while the median purchaser of washers was in the income class of $100-125 per month.[33] It might be thought that monthly payment as a percent of monthly income would be higher for some types of appliances than for others because of varying prices, but the median case for each of the appliance groups called for a monthly payment which took from 2.5 to 5 percent of the monthly income of the purchaser.[34]

MONTHLY INCOME OF PURCHASERS

From the purchasers' statements it appears that the Electric Home and Farm Authority drew only 5 percent of its customers from the one-third of the nation's families with the lowest incomes, those with less than $75 per month.[35] At the

[32] See Table B-7 for cross-classification with reference to type of appliance and length of contract.

[33] See Table B-14 for cross-classification with reference to type of appliance and monthly income.

[34] See Table B-13 for cross-classification with reference to type of appliance and monthly payment as percent of monthly income.

[35] See W. C. Plummer and R. A. Young, *op. cit.*, Chapter 3. EHFA customers had incomes typical of instalment purchasers of diversified articles, according to the data presented in these findings. In this connection it must be stressed that the small percentage of lowest income purchasers should not be viewed too literally. It is not unusual for persons with small incomes to overstate their earnings in applying for instalment credit. Furthermore, incomes of substantially the same size are subject to widely different drains. These considerations reflect weaknesses inherent in the data.

upper end of the income scale, as Table 29 shows, only 6 percent of the EHFA customers as compared with 8 percent of the nation's families had more than $250 a month. Four-fifths of the Authority's customers came from the two-fifths of the nation's families whose income ranged between $100 and $250 a month. The median monthly income for EHFA customers was between $125 and $150, while the median income for families in the general population was between $75 and $100 per month.

The percentage distribution of EHFA contracts among monthly income groups varied with the type of appliance

TABLE 29

PERCENTAGE DISTRIBUTION AND CUMULATIVE PERCENT OF EHFA CUSTOMERS, JANUARY-JUNE 1938, AND OF ALL FAMILIES IN THE UNITED STATES, 1935–36, BY AMOUNT OF MONTHLY INCOME

Amount of Income Monthly[a]	*EHFA Customers*[b]		*All United States Families*[c]	
	Percentage Distribution	Cumulative Percent	Percentage Distribution	Cumulative Percent
Under $50	.7	.7	19.4	19.4
50– 75	5.1	5.8	16.5	35.9
75–100	11.7	17.5	16.4	52.3
100–125	24.4	41.9	12.3	64.6
125–150	15.7	57.6	9.3	73.9
150–200	24.2	81.8	12.1	86.0
200–250	12.2	94.0	5.9	91.9
250 and over	6.0[d]	100.0	8.1	100.0
ALL CLASSES	100.0		100.0	

[a] Each level includes the lower figure and excludes the higher.
[b] Based on a 10 percent sample of 2,219 January-June 1938 contracts.
[c] Adapted from National Resources Committee, *Consumer Incomes in the United States, Their Distribution in 1935-36,* Table 3, p. 18. Data do not include single individuals.
[d] Separated from $200-and-over incomes on basis of a sample of 500 cases, in order to indicate more accurately the distribution of the Authority's customers in the upper income brackets.

purchased. Thus the median customer for washing machines was included in the income group of $100-125, the median purchaser of refrigerators and radios in the income class of $125-150, and the median purchaser of ranges, combinations and "others" in the income class of $150-200.[36] Monthly income shows a direct relationship to amount of note: as amount of note increases from under $100 to over $400, the median income rises from $100-125 to over $200.[37]

The distribution of contracts among income levels reflects changes in monthly payment as a percent of monthly income, for when this ratio falls below 2.5 percent, the median case is in the income class of $200 and over; when it ranges from 2.5 to 5 percent, the median income is in the class of $125-150; and when it reaches or exceeds 5 percent, the median monthly income is $100-125.[38]

The monthly income class in which cases fall is not affected by the size of the down payment as a percent of the cash selling price; the median case in each down payment group from under 10 percent to over 40 percent falls in the income class of $125-150,[39] perhaps because the down payment required and paid is ordinarily within the capacity of almost any purchaser. Nor does the income distribution vary with differences in term of contract, since the median in each of the six length-of-contract classes from 12 to 48 months is found in the income class of $125-150;[40] the typical (median) income for the makers of 60-month contracts is slightly larger than that for each of the six shorter length-of-contract classes.

[36] See Table B-14 for cross-classification with reference to monthly income and type of appliance.

[37] See Table B-12 for cross-classification with reference to monthly income and amount of note.

[38] See Table B-15 for cross-classification with reference to monthly income and monthly payment as percent of monthly income.

[39] See Table B-5 for cross-classification with reference to monthly income and percent down payment.

[40] See Table B-9 for cross-classification with reference to monthly income and length of contract.

MONTHLY PAYMENT AS PERCENT OF MONTHLY INCOME OF PURCHASERS

Monthly payment as percent of monthly income is an index of the extent of the drain of the instalment purchase upon the economic power of the purchaser, and as such would seem to be a better measure of the purchaser's capacity to meet his obligation than either monthly payment or monthly income alone. Table 30 shows the distribution of EHFA contracts for the first half of 1938 according to this ratio.[41]

TABLE 30

PERCENTAGE DISTRIBUTION OF NUMBER OF CONTRACTS PURCHASED BY EHFA, JANUARY–JUNE 1938, BY MONTHLY PAYMENT AS PERCENT OF MONTHLY INCOME[a]

Monthly Payment as Percent of Monthly Income[b]	*January to March*	*April to June*	*Total*
Under 2.5%	19.5	17.9	18.5
2.5– 5.0	47.2	45.8	46.2
5.0– 7.5	21.0	24.8	23.4
7.5–10.0	4.8	4.3	4.5
10.0–22.5	2.6	2.9	2.8
No information	4.9	4.3	4.6
TOTAL	100.0	100.0	100.0
Number of contracts	7,620	14,414	22,034

[a] Based on a 10 percent sample of 2,219 contracts.
[b] Each level includes the lower figure and excludes the higher.

Monthly payment amounted to 4.4 percent of monthly income, on the average, but 18 percent of the cases had a ratio of under 2.5, and 3 percent of the cases a ratio of over 10; 46 percent fell in the 2.5-5 percent class. Clearly the great majority of EHFA customers were using only a very small fraction of their incomes for the monthly instalment payments. As monthly income increased from under $50 to over

[41] EHFA did not tabulate income data before January 1, 1938.

$200, the median case in the frequency distributions showing monthly payment as percent of monthly income dropped from the class of 7.5-10 percent to that of under 2.5 percent.[42]

Type of appliance purchased had no discernible effect on the ratio of monthly payment to monthly income: the median case among the contracts for the purchase of refrigerators, ranges, washers, radios, combinations and "others" was found in the class of 2.5 to 5 percent.[43] Monthly payment as percent of monthly income did not vary significantly for contracts of different sizes, although in the case of contracts of $300 or more, monthly payment as a percent of monthly income rose above the class of 2.5-5 percent.[44] In every down payment class the median case had a monthly payment of 2.5-5 percent of the monthly income.[45] Length of contract likewise failed to affect significantly monthly payment as percent of monthly income, since in all of the duration classes from 12 to 48 months the median case was between 2.5 and 5 percent of the monthly income, and the median for the 60-month contracts fell in the class immediately lower.[46]

OCCUPATIONAL DISTRIBUTION OF PURCHASERS

Approximately one-half of the EHFA customers were wage-earners and most of the others were office or sales clerks and small independent enterprisers. Less than 10 percent were engaged in farming and none was on relief. This distribu-

[42] See Table B-15 for cross-classification with reference to monthly income and monthly payment as percent of monthly income. Cross-classifications for income relate only to January-March 1938 contracts.

[43] See Table B-13 for cross-classification with reference to monthly payment as percent of monthly income and type of appliance.

[44] See Table B-11 for cross-classification with reference to monthly payment as percent of monthly income and amount of note.

[45] See Table B-4 for cross-classification with reference to monthly payment as percent of monthly income and percent down payment.

[46] See Table B-8 for cross-classification with reference to monthly payment as percent of monthly income and length of contract.

TABLE 31

PERCENTAGE DISTRIBUTION OF EHFA CUSTOMERS, 1934–39, AND OF ALL FAMILIES IN THE UNITED STATES, 1935–36, BY OCCUPATIONAL GROUPS

Occupational Group	*EHFA Customers*[a]	*All Families*[b]
Wage-earning	45.5	32.2
Farming	13.1[c]	21.0
Clerical	14.4	12.3
Business	22.8	11.8
Professional	4.2	4.5
Others	.0	2.9
Relief	.0	15.3
ALL GROUPS	100.0	100.0

[a] Based on a sample of 500 cases, 1934-39.

[b] Adapted from National Resources Committee, *Consumer Incomes in the United States, Their Distribution in 1935-36,* Tables 4B and 5B, p. 96. Data do not include single individuals.

[c] This percentage would appear to be high, since farm contracts constituted only 6.5 percent of the total number for the entire year 1938, when first tabulated. It is probably true, however, that the figure given in this table reflects a more accurate picture of the actual occupational pattern.

tion, when compared with that for all families in the United States (Table 31), supports the broad observation that the Authority was providing instalment credit for skilled and semiskilled wage-earners and the less prosperous white-collared class. Upper business and professional persons, farmers and unskilled manual workers aggregated less than one-fifth of the EHFA customers, whereas they comprised, along with relief workers, about one-half of the country's working population.[47] The distribution showing whether the purchaser was self-employed or hired by others reveals that 16 percent, excluding independent farmers, were self-employed.

Since one of the aims basic to the establishment of the Authority was to provide financing services to users of electricity who lived on farms, it is of interest to inquire into

[47] Excluding single individuals.

the reasons why only 6.5 percent of all the contracts purchased in 1938 came from farmers. There are a number of explanations of this apparently small representation of farm purchasers. In the first place, some EHFA customers reside in rural areas but do not classify themselves as farmers, while others may live on farms but derive only part of their income from farming. Additional reasons are the lack of electric power distribution in the rural areas, the failure of many utilities providing rural services to sign cooperative agreements with the Authority, and perhaps the generally lower level and irregular flow of cash income for farmers. It is likely, however, that the cooperative associations for the distribution of electricity in rural areas, which were organized under the guidance of the Rural Electrification Administration and which constituted such a large fraction of the total number of utilities cooperating with EHFA, will provide a larger volume of EHFA contracts in the future.[48] Contracts received through REA projects numbered only 559 ($101,712) in the fiscal year 1936-37 and 2,209 ($381,185) in the fiscal year 1937-38, 2.5 and 5.7 percent of the total volume of contracts purchased in these fiscal years respectively.

The principal characteristics of farm contracts financed by EHFA during the first six months of 1938 varied somewhat from those of the general body of contracts.[49] The percent down payment on farm contracts was 17.3 as compared with 16.3 for all contracts; average amount of note was $173, more than 10 percent above the average size of all contracts; and average length of farm contracts was 29.7 months, as compared with 29.2 months for all contracts.[50] Average reported income for farmers who financed purchases of electric ap-

[48] See Table B-16 for list of cooperating utilities.

[49] The Authority did not tabulate farm contracts separately before January 1, 1938. Statements on farm contracts in this paragraph are based on complete tabulations of all farm contracts purchased from January to June 1938.

[50] Averages for all contracts are for the fiscal year 1937-38, except those involving income, which apply to January-June 1938.

pliances through EHFA was $138 per month; average income for all purchasers was $152 per month. Monthly payment as percent of monthly income was slightly higher for farmers (4.6 percent) than for all customers (4.4 percent). Refrigerators, ranges, washing machines and radios were represented in almost the same proportions in farm contracts as in the general run of contracts.

PROPERTY AND DEBT OF PURCHASERS[51]

Forty percent of the purchasers owned real estate and the remaining 60 percent did not. If farmers, 80 percent of whom owned real estate, are omitted, the percentage of purchasers who were real estate owners falls to 34. Of the urban real estate owners, 55 percent had mortgages on their properties, and of the farmers, 40 percent. One-third of the purchasers reported that they had other instalment debts at the time they contracted for EHFA financing.

OTHER CHARACTERISTICS OF PURCHASERS[52]

The age of the EHFA customers varied from 20 to 70 years, with the average just under 40 years. Twenty-two percent were 20 to 29 years old, 37 percent 30 to 39, 25 percent 40 to 49, and 16 percent 50 to 69. There was a preponderance of purchasers in the age group of 30 to 39 in the EHFA distribution as compared with the percentage in this class among all persons between 20 and 70 years in the United States.

Only about 3 percent of the customers were Negroes, although Negroes constitute 9.7 percent of the national population and a far greater proportion of the population of the

[51] Statements in this section are based on tabulations of the same 500 contracts as in the preceding section (Table 31).

[52] Statements in this section are based on tabulations of the same 500 contracts covered in the preceding two sections.

southern states, from which a considerable fraction of the contracts came.

Nearly 95 percent of the purchasers were married, whereas married persons account for 60 percent of the total population.

Among EHFA instalment buyers over 80 percent were in family groups of 2 to 5 individuals, a higher percentage than that found in the general population, for which the proportion is about 70. In other words, the average size of family was smaller for EHFA customers than for the population at large.

TABLE 32

PERCENTAGE DISTRIBUTION OF NUMBER OF CONTRACTS PURCHASED BY EHFA, FISCAL YEARS 1935–38,[a] BY STATES[b]

State	*1934–35*[c]	*1935–36*	*1936–37*	*1937–38*	*Total*
California	...	...	29.3	27.3	23.2
Georgia	26.8	39.4	14.8	13.2	17.3
Tennessee	30.8	33.6	13.8	8.7	14.3
Mississippi	31.4	19.4	7.7	3.9	8.5
Minnesota	...	...	1.7	10.6	6.1
Indiana	...	...	6.7	7.4	6.0
Connecticut	...	...	6.0	3.9	3.9
Alabama	11.0	2.5	4.0	2.7	3.6
Florida	...	.2	5.4	3.6	3.5
20 other states[d]	...	4.9	10.6	18.7	13.6
ALL STATES	100.0	100.0	100.0	100.0	100.0
Number of contracts	4,886	7,648	22,460	39,101	74,095

[a] Fiscal year ending June 30.
[b] The distribution of contracts was approximately the same whether calculated by purchaser, by dealer or by utility.
[c] Includes 142 contracts purchased in June 1934.
[d] States not named in table were added as follows: Illinois, Nebraska and Ohio in 1935-36; Kansas, Michigan, Iowa, North Dakota, South Dakota, Virginia and Wisconsin in 1936-37; Colorado, Kentucky, Missouri, North Carolina, Oregon, Pennsylvania, Wyoming, Washington, Montana and South Carolina in 1937-38. EHFA facilities were made available in Louisiana, Oklahoma and Texas during 1937-38 but no contracts had been purchased prior to the close of the fiscal year 1938.

LOCATION AND SIZE OF COMMUNITY

By June 30, 1938 the Authority had purchased contracts for customers who lived in 29 different states.[53] Of the total of 74,095 contracts financed from June 1934 through June 1938, 86 percent came from 9 of these 29 states. California furnished almost one-fourth of the total, Georgia one-sixth, Tennessee one-seventh, and Mississippi one-twelfth. The changes over the four-year period are shown in Table 32.

EHFA's purchasers were not widely distributed within the states in which the Authority operated. Except for farmers and for customers residing in Los Angeles, they were drawn from small and middle-size cities.[54]

[53] The tabulation was made according to the state in which the dealer was located, but the variation should be insignificant.

[54] The Authority's financing services were available in only 15 of the 191 cities in the United States with over 50,000 inhabitants (1930): Los Angeles, California; Portland, Oregon; Hartford, Connecticut; Kansas City, Kansas; Fort Wayne, Indiana; Lansing, Michigan; Augusta, Georgia; Minneapolis, Minnesota; Atlanta, Georgia; Jacksonville, Florida; Chattanooga, Tennessee; Knoxville, Tennessee; Springfield, Illinois; Cedar Rapids, Iowa; and Macon, Georgia.