

FEDERAL TRADE COMMISSION,
Washington, D.C., March 12, 1968.

HON. JOSEPH D. TYDINGS,
*Chairman, Subcommittee on Business and Commerce, Senate Committee on the
District of Columbia, U.S. Senate, Washington, D.C.*

DEAR SENATOR TYDINGS: I have the honor to transmit herewith the economic study of the Federal Trade Commission entitled "Installment Credit and Retail Sales Practices of District of Columbia Retailers."

I presented some of the highlights of this report in testimony before your subcommittee on January 30, 1968, regarding the proposed District of Columbia retail installment sales acts. You expressed interest in printing the text of the report in the record of the hearings. We would be happy to have you do this. The Federal Trade Commission will also print a limited number of copies to be available for distribution in the near future.

Sincerely yours,

PAUL RAND DIXON, *Chairman.*

FEDERAL TRADE COMMISSION ECONOMIC REPORT ON INSTALLMENT CREDIT AND
RETAIL SALES PRACTICES OF DISTRICT OF COLUMBIA RETAILERS, MARCH 1968

FEDERAL TRADE COMMISSION

Paul Rand Dixon, Chairman
Philip Elman, Commissioner
Everette MacIntyre, Commissioner
Mary Gardiner Jones, Commissioner
James M. Nicholson, Commissioner

ACKNOWLEDGEMENTS

This study was conducted under the general direction of Dr. Willard F. Mueller, Director, Bureau of Economics and Dr. Arthur T. Andersen, Chief, Division of Industry Analysis, Bureau of Economics. Dr. Frank G. Coolsen had primary responsibility for preparing the study. Mr. Philip W. Jaynes contributed substantially to the preparation of the final draft of the report.

SUMMARY AND CONCLUSIONS

This report presents the results of a survey of installment credit and sales practices involving household furnishings and appliances in the District of Columbia. The purpose of the survey was to obtain a factual picture of the finance charges, prices, gross margins and profits, legal actions taken in collecting delinquent accounts, and the assignment relationships between retailers and finance companies. The survey covered those D.C. retailers of furniture and appliances having estimated sales of at least \$100,000 for the year 1966. The 96 retailers providing data had combined sales of \$226 million, which represented about 85 percent of the sales of furniture, appliance, and department store retailers in the District of Columbia.

Use of Installment Credit by District of Columbia Retailers

Sixty-five retailers with combined sales of \$151 million indicated regular use of consumer installment sales contracts. The remainder sold only for cash or on a regular or revolving charge account basis. This report focuses primarily on retailers using installment contracts. These retailers were classified into two groups: those appealing primarily to low-income customers and those appealing to a more general market.

D.C. stores varied widely in their use of installment credit. Some general market discount appliance stores made very few sales on credit. At the other extreme, a number of low-income market retailers sold entirely on installment credit.

Installment credit was used much more extensively by retailers selling to low-income consumers than by retailers selling to other consumers. Low-income market retailers used installment credit in 93 percent of their sales. The comparable figure for general market retailers was 27 percent.