

**FEDERAL RESERVE BANK  
OF DALLAS**

Dallas, Texas, December 19, 1941

**NOTICE REGARDING USE OF  
"STATEMENT OF NECESSITY TO PREVENT UNDUE HARDSHIP"  
IN CONNECTION WITH REGULATION W**

**To All Banking Institutions, and Others Concerned,  
in the Eleventh Federal Reserve District:**

Regulation W, relating to consumer credit, which was issued by the Board of Governors of the Federal Reserve System pursuant to Executive Order No. 8843 issued by the President of the United States, limits the terms of payment of certain instalment credits.

It would tend to defeat the purposes of the Order if, after an instalment credit subject to Regulation W had been granted, the terms could ordinarily be changed at a later time or the credit refinanced to provide a rate of payment not regularly permitted by the regulation. However, in order to prevent undue hardship, provision has been made for flexibility in exceptional circumstances.

The regulation provides that in such circumstances a creditor may, within certain limits, renew, revise, consolidate, or refinance an instalment credit already outstanding so as to provide a rate of payment below that regularly permitted by the regulation. Section 8(d) of the regulation provides that a creditor may take such action upon acceptance in good faith of a "Statement of Necessity to Prevent Undue Hardship" signed by the obligor. Until January 15, 1942, such a statement may be in any form which meets the requirements set forth in section 8(d) of the regulation, but a statement received on or after January 15, in order to be acceptable under the regulation, must follow the form prescribed by the Board of Governors of the Federal Reserve System.

A specimen copy of the form which the Board has prescribed for use in this connection is enclosed. The forms will not be supplied by the Board or by this Bank but should be printed or otherwise reproduced by the Registrant or obtained by him from stationery or supply houses. Please note that the form should be reproduced only in accordance with the instructions at the top of the specimen form. Your attention is also called to the fact that Registrants are instructed to keep all statements on file.

Any inquiry relating to this form should be addressed to the Federal Reserve Bank of Dallas or to one of its branches at Houston, San Antonio and El Paso.

Yours very truly,

**R. R. GILBERT**

**President**

SPECIMEN FORM

Form F. R. 565.

FOR INFORMATION OF REGISTRANT OR PRINTER ONLY—NOT TO BE PRINTED AS PART OF FORM: In reproducing this form, the Registrant or printer shall follow exactly the wording and arrangement of the front and back of the form, but may vary the spacing as desired; may make additions to the form, such as an acknowledgment by the Borrower that he has received a copy, provided they do not call for the obtaining of any additional information from the Borrower; may, in a form to be used by a Registrant who contemplates using it only in connection with credits already held by him, change the opening sentence of the statement to read "I am requesting a change in the terms of payment of the following instalment indebtedness payable to you" and omit the column "Name of Creditor"; or may change "Signature of Customer" to "Signature of Borrower". Since the form may be changed from time to time, it is suggested that Registrants do not stock large supplies of the form.

STATEMENT OF NECESSITY TO PREVENT UNDUE HARDSHIP

Prescribed by the Board of Governors of the Federal Reserve System under its Regulation W, issued pursuant to Executive Order No. 8843 of the President of the United States.

This form is to be used only in connection with credits subject to Regulation W, in exceptional cases in accordance with the terms of that Regulation. See other side of this sheet for further explanation.

To:

(Name of Registrant)

I am requesting a change in the terms of payment, or a refinancing, of the following instalment indebtedness:

| <u>Name of Creditor</u> | <u>Unpaid Balance</u> | <u>Present terms of payment</u> |
|-------------------------|-----------------------|---------------------------------|
|                         |                       |                                 |
|                         |                       |                                 |
|                         |                       |                                 |
|                         |                       |                                 |

The desired change is necessary in order to avoid undue hardship to me or my dependents resulting from contingencies unforeseen by me at the time of obtaining the above credit or which were beyond my control. Following is a brief statement of the principal facts and circumstances with respect to such contingencies:

I make this statement in good faith and certify (a) that the information contained in this statement is true and correct, and (b) that the requested change is not to be made in connection with any plan or intention to evade or circumvent the requirements of Regulation W.

(Date)

(Signature of Customer)

Record of action taken: See reverse side for notation to be made by the Registrant if the request is granted.

THE REGISTRANT RECEIVING THIS STATEMENT MUST KEEP IT ON FILE

(Over)

## EXPLANATION

Executive Order No. 8843 issued by the President of the United States relates to consumer credit. Regulation W, which was issued by the Board of Governors of the Federal Reserve System pursuant to that Order, limits the terms of payment of certain instalment credits.

It would tend to defeat the purposes of the order if, after an instalment credit subject to Regulation W had been granted, the terms could later be changed or the credit refinanced to provide terms of payment that would not originally have been permitted by the Regulation. However, in order to prevent undue hardship, provision has been made for flexibility in exceptional circumstances.

The Regulation provides that in such circumstances a creditor may, within certain limits, renew, revise, consolidate, or refinance an instalment credit already outstanding so as to provide a rate of payment below that which would originally have been permitted by the Regulation. A creditor may take such action upon acceptance in good faith of a written statement signed by the obligor that the contemplated action is necessary to avoid undue hardship upon the obligor or his dependents resulting from contingencies that were unforeseen by him at the time of obtaining the original extension of instalment credit or which were beyond his control. In order to be acceptable such written statement must set forth, briefly but specifically, the principal facts and circumstances with respect to such contingencies and upon which the request for modification is based. It must also contain the specific statement that the desired renewal, revision, or other action is not pursuant to a preconceived plan or an intention to evade or circumvent the requirements of the Regulation.

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## RECORD OF ACTION TAKEN

(To be filled in and signed by the Registrant if a renewal, revision, consolidation, or refinancing is granted on the basis of this Statement of Necessity.)

This Statement of Necessity has been accepted in good faith by the undersigned.

Terms of credit as renewed, revised, consolidated, or refinanced

Amount

Terms of payment

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(Name of Registrant)

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(Date)

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(Signature of individual signing for Registrant)