

**FEDERAL RESERVE BANK
OF DALLAS**

Dallas, Texas, May 5, 1942

**To all Banking Institutions in the
Eleventh Federal Reserve District:**

There is enclosed a press statement issued by the Board of Governors of the Federal Reserve System pertaining to Regulation W, which has been revised effective May 6, 1942. The press statement gives a brief digest of the revision which, as will be observed, includes several fundamental changes.

The entire regulation is being reprinted so as to include all amendments, and a copy will be mailed to your institution on May 7.

Yours very truly,

R. R. GILBERT

President



FEDERAL RESERVE BANK
OF DALLAS

PRESS STATEMENT BY BOARD OF GOVERNORS OF THE FEDERAL RESERVE
SYSTEM REGARDING REGULATION W

For release in morning newspapers of Wednesday, May 6, 1942

"In conformity with the President's special message to Congress of April 27 and under authority of Executive Order No. 8843 of August 9, 1941, the Board of Governors of the Federal Reserve System has adopted, effective May 6, 1942, Amendment No. 4 of Regulation W relating to consumer credit.

"As amended, the regulation is extended to cover a comprehensive list of durable and semi-durable goods for civilian consumption, and contemplates that the volume of outstanding consumer credit, already substantially diminished, will be further contracted in keeping with the Government's purpose to prevent the rapid bidding up of prices. The purpose of this revision is to help make effective the last point in the 7-point program which the President set forth in his special message to Congress of April 27, 1942, as follows:

"To keep the cost of living from spiraling upward, we must discourage credit and instalment buying, and encourage the paying off of debts, mortgages, and other obligations; for this promotes savings, retards excessive buying and adds to the amount available to the creditors for the purchase of war bonds."

"The principal changes made in the regulation are:

1. The list of consumers' goods to which the regulation applies has been broadened to include automobile batteries and accessories, tires and tubes; bedding; draperies; binoculars; household electric appliances not hitherto listed; used furniture; jewelry; luggage; athletic equipment; table and kitchenware; pottery, glassware; yard goods; and non-military clothing and furs, including shoes, hats and other haberdashery. The full list is attached with the additions indicated by an asterisk.

2. The maximum permissible maturity of instalment sales has been reduced to 12 months, and the required down payment for all listed articles has been increased to 33 $\frac{1}{3}$ per cent. Exceptions to this rule include instalment sales of automobiles, for which the down payment of one-third and the maximum maturity of 15 months are retained, and furniture and pianos, for which the required down payment, formerly 10 per cent, becomes 20 per cent, the maximum maturity being 12 months.

3. The scope of the regulation has been broadened to make it cover, in addition to instalment sales and instalment loans, charge-account sales of listed articles and single-payment consumer loans. The regulation provides with respect to charge accounts that unless payment is made by the tenth day of the second calendar month following the purchase, no further credit may be extended to purchase any listed article until the items in default have been paid for in full or have been placed on an instalment basis for payment within 6 months. No down payments are required on purchases in charge accounts.

4. Single-payment loans of \$1,500 or less are limited to a maturity of 90 days, and where such a loan is to purchase a listed article costing \$15.00 or more, a down payment is also required. If not paid in 90 days, the loan must be placed on an instalment basis.

5. The revised regulation provides that instalment payments shall not be less than \$5.00 per month or \$1.25 per week.

“The exemption from down payment requirements of instalment sales maturing within 3 months has been repealed.

“Provisions covering seasonal adjustments and so-called farmer plans are retained in the regulation, together with various additional exceptions, such as real estate loans; security loans subject to Regulations T and U; educational, hospital, medical, dental, and funeral expenses; aircraft; defense housing; credit to dealers; fire and casualty insurance premiums; agricultural production loans; business loans; insurance policy loans; and extensions of credit to the Federal Government, to local governments, or to any hospital, school, college, or other educational or charitable institution.

“Copies of the regulation are being printed at each of the Federal Reserve banks and will be distributed by them throughout the country within a few days. Any inquiries with respect to the regulation should be addressed to the Federal Reserve bank of the district in which the inquiry originates.”

**LISTED ARTICLES AND COMPUTATION OF DOWN PAYMENTS AND
MAXIMUM CREDIT VALUES**

Group A—One-third down and twelve months' maximum maturity:

1. Air conditioners, room unit
2. Air conditioning systems, home
3. Aircraft (including gliders)
4. Attic ventilating fans
- * 5. Automobile batteries and accessories
- * 6. Automobile tires and inner tubes, for passenger automobiles
- * 7. Bedding, blankets, curtains, draperies, and household linens and towels
8. Bicycles
- * 9. Binoculars, field glasses, opera glasses, and hand telescopes
10. Boats, and inboard and outboard motors designed for use therewith, other than boats or motors designed specifically for commercial use
11. Clocks, electric or other, designed for household or personal use
12. Cooking stoves and ranges, designed for household use
13. Dishwashers, electric, designed for household use
- *14. Electric appliances, not elsewhere listed, designed for household or personal use
15. Floor coverings (including fabric and linoleum type rugs, carpets, mats, and other floor covering materials, whether or not designed to be affixed to the floor)
16. Furnaces and heating units for furnaces, household (including oil burners, gas conversion burners, and stokers)
17. Heating stoves and space heaters, designed for household use
18. Ironers designed for household use
- *19. Jewelry (including precious stones and costume jewelry)
20. Lamps designed for household use
21. Lawn mowers, edgers, and trimmers (whether or not power-driven)
- *22. Lighting fixtures designed for household use
- *23. Luggage, purses, handbags, toilet cases, and umbrellas
24. Motion picture cameras, projectors, and lenses, designed for film gauges less than 35 mm.; still cameras, projectors, lenses and shutters, and enlargers
25. Musical instruments not elsewhere listed

*Added effective May 6, 1942.

26. Household electric organs
27. Plumbing and sanitary fixtures designed for household use
- *28. Portable lights, and portable or stationary flood-lighting equipment, designed for household use
29. Radio receiving sets, phonographs, or combinations
30. Refrigerators, mechanical, of less than 12 cubic feet rated capacity
31. Sewing machines designed for household use
32. Silverware (including flatware and hollow ware, whether solid or plated)
- *33. Sports', athletic, outing, and games' equipment
34. Suction cleaners and mechanical carpet sweepers, designed for household use
- *35. Tableware and kitchen ware, equipment, and utensils, designed for household use (including pottery, porcelain, chinaware, glassware, and cutlery)
36. Washing machines designed for household use
37. Watches
38. Water heaters designed for household use
39. Water pumps designed for household use
- *40. Wearing apparel and furs, non-military (including footwear, headwear, and haberdashery)
- *41. Yard goods designed for making garments or for making articles of household use

Group B—20 per cent down and 12 months' maximum maturity:

1. Furniture, household (including ice refrigerators, bed springs, and mattresses)
2. Pianos

Group C—12 months' maximum maturity:

1. Materials and services (other than articles, whether or not designed for household use, which are of kinds elsewhere listed) in connection with repairs, alterations, or improvements upon urban, suburban or rural real property in connection with existing structures (other than a structure, or a distinct part thereof, which, as so repaired, altered or improved, is designed exclusively for non-residential use), provided the deferred balance does not exceed \$1,500

Group D—Maximum maturity 15 months; for down payment requirement see section 13(c):

1. Automobiles (passenger cars designed for the purpose of transporting less than 10 passengers, including taxi-cabs)
2. Motorcycles (two or three-wheel motor vehicles, including motor bicycles)

*Added effective May 6, 1942.