

**FEDERAL RESERVE BANK**  
**OF DALLAS**

Dallas, Texas, March 30, 1944

**AMENDMENT TO REGULATION W—CONSUMER CREDIT**

**To the Addressee:**

We enclose a copy of Amendment No. 11 to Regulation W of the Board of Governors of the Federal Reserve System, effective April 3, 1944.

As you know, all persons who extend credit within the scope of Regulation W are subject to its provisions. However, unless a business is required to register with us under the terms of section 3, it may operate under the general license provided by that section.

We are particularly interested in having the provisions of the regulation, as revised, brought to the attention of new firms and firms already operating under general license. Your cooperation in this respect will be appreciated. If you receive any inquiries from your members, please suggest that they communicate with us.

A copy of the amendment is being sent to each firm or person registered with us.

Yours very truly,

R. R. GILBERT

President



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**To the Addressee:**

There is enclosed a copy of Amendment No. 11 to Regulation W of the Board of Governors of the Federal Reserve System, effective April 3, 1944. The changes made by this amendment are technical or administrative, designed to improve the practical workings of the regulation. They will relieve both credit-grantors and their customers from some detailed requirements that are not now of sufficient importance to warrant the extra work which they sometimes involve.

Although the amendment makes about 15 small changes in the regulation, none of these require the credit-grantor to do anything he was not previously required to do. Most of them permit one credit-grantor or another to simplify his operations under the regulation.

One of the more important changes permits banks and other cash-lenders to obtain from the borrower on a form of their own the information concerning the purposes of the loan which they have heretofore had to obtain on a form prescribed by the Board, but they may continue at their option to use the prescribed form. Other changes give merchants more latitude in handling small balances in charge accounts and in handling instalment sales of articles priced up to \$10.00.

The amendment is not intended to have any material effect in the way of influencing either the expansion or the contraction of the total volume of consumer credit outstanding.

It is contemplated that the entire regulation will be reprinted so as to include all of the amendments to date. A copy will be sent you in due course.

Yours very truly,

**R. R. GILBERT**

President

## AMENDMENT NO. 11 TO REGULATION W

### ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Regulation W is hereby amended in the following respects, effective April 3, 1944:

1. By amending section 4(a) entitled "Down Payment" so that clause (3) will read as follows:

(3) In the case of articles the cash price of which is \$10.00 or less, no down payment is required.

2. By adding to section 4(d) entitled "Statement of Transaction" the following sentence:

The Statement of Transaction need not include a description of the article if it is purchased by means of a coupon book or similar medium of instalment credit upon which a cash down payment of at least one-third of its purchase value has been made.

3. By adding at the end of section 5(d) entitled "Curing Defaults" the following paragraph:

In the case of any charge account obligation of any member or former member of the armed forces of the United States incurred prior to his induction into such service, a default may be cured by the purchaser entering into a written agreement in good faith to make payment according to such terms as the Registrant shall deem it appropriate to require.

4. By striking out of section 5(f) entitled "'Authorization' of Small Items" the words "within 15 days from the date of sale" and inserting in lieu thereof the words "within 30 days from the date of sale".

5. By amending section 5(g) so that it will read as follows:

(g) **Small Defaults.**—A charge account shall not be deemed to be "in default" within the meaning of sections 5(c) or 12(m) if the amount in default is less than \$10.00.

6. By amending section 6(d) so that it will read as follows:

(d) **Statement of the Borrower.**—No registrant shall make any instalment loan, except under the provisions of section 10(a), unless he shall have accepted in good faith a signed Statement of the Borrower as to the purposes of the loan. Such Statement shall state whether or not

any of the proceeds of the loan are to be used to make a down payment on the purchase of a listed article or to be used to purchase any listed article having a cash price of \$15.00 or more, and, if any of the proceeds of the loan are to be so used, such Statement shall identify such listed article and shall state the cash price thereof and the value of any trade-in. Such Statement shall state also whether or not any of the proceeds of the loan are to be used to reduce or retire any instalment sale or instalment loan, or any single-payment loan which is subject to this Regulation, or any charge account arising in whole or in part from the sale of a listed article, and, if any of the proceeds are to be so used, shall state the amount of such obligation and the terms of payment. If a Registrant relies in good faith on the facts set out by the obligor in such Statement, it shall be deemed to be correct for the purposes of the Registrant. (The Registrant, at his option, may use either his own form or the most recent Statement of Borrower form prescribed by the Board.)

7. By amending section 7(c) entitled "Renewals and Extensions" so that clause (i) of numbered paragraph (3) will read as follows:

(i) with respect to any obligation of any member or former member of the armed forces of the United States incurred prior to his induction into such service,

8. By amending section 7(d) so that it will read as follows:

(d) **Statement of the Borrower.**—No Registrant shall make any single-payment loan, except under the provisions of section 7(c), unless he shall have accepted in good faith a signed Statement of the Borrower as to the purposes of the loan. Such Statement shall state whether or not any of the proceeds of the loan are to be used to make a down payment on the purchase of a listed article or to be used to purchase any listed article having a cash price of \$15 or more, and, if any of the proceeds of the loan are to be so used, such Statement shall identify such listed article and shall state the cash price thereof and the value of any trade-in. If a Registrant relies in good faith on the facts set out by the obligor in such statement, it shall be deemed to be correct for the purposes of the Registrant. (The Registrant, at his option, may use either his own form or the most recent Statement of Borrower form prescribed by the Board.)

9. By amending section 8 entitled "Exceptions" so that clause (1) of subsection (m) will read as follows:

(1) the conversion of heating equipment to the use of any other fuel, the repair of heating equipment, or the replacement of heating equipment if it is worn out, damaged beyond repair, or destroyed,

10. By adding to section 8 entitled "Exceptions" the following new subsection:

(p) **Loans to Indians.**—Any extension of credit made in accordance with regulations of the Secretary of the Interior for the economic development or rehabilitation of Indians.

11. By amending section 10(a) entitled "Renewals and Revisions" so that clause (1) will read as follows:

(1) with respect to any obligation of any member or former member of the armed forces of the United States incurred prior to his induction into such service,

12. By striking out the phrase "in form and content prescribed by the Board," from the second paragraph of section 10(d) entitled "Statement of Necessity to prevent undue hardship."

13. By amending section 12(h) so that it will read as follows:

(h) **Preservation of Records.**—Every Registrant shall preserve, for the life of the obligation to which they relate, such books of account, records, and other papers (including any statements required by or obtained pursuant to this regulation) as are relevant to establishing whether or not an extension of credit within the scope of this regulation was in conformity with the requirements thereof, provided, however, that the Statement of the Borrower obtained pursuant to section 6(d) or 7(d) shall be preserved for the life of the obligation to which it relates or for one year, whichever period is longer, and provided further that the Registrant may preserve photographic reproductions in lieu of such books of account, records, or papers.

14. By amending section 12(i) so that it will read as follows:

(i) **Inspections and Production of Records.**—For the purpose of determining whether or not there has been compliance with the requirements of this regulation, every person required to be licensed under section 3 shall permit the Board or any Federal Reserve Bank, by its duly authorized representatives, to make such inspections of his business operations as the Board or Federal Reserve Bank may deem necessary or appropriate, including inspections of books of account, contracts, letters or other relevant papers wherever located, and, for such purpose, shall furnish such reports as the Board or the Federal Reserve Bank may require. When ordered to do so by the Board, every such person shall furnish, under oath or otherwise, such information relative to any transaction within the scope of the Executive Order as the Board may deem necessary or appropriate for such purpose, including the production of books of account, contracts, letters or other papers in the custody or control of such person.

15. By adding to section 12 the following new subsection:

(n) **Mail Orders.**—An instalment sale shall not be deemed to be in violation of section 4(a) if the sale is made upon the receipt of a mail order for one or more articles and the cash deposit received with the order fails by less than \$1.00 to equal the sum of the down payments required by this regulation for all of the articles included in the order.