

FEDERAL RESERVE BANK
OF DALLAS

Dallas, Texas, August 20, 1948

CONSUMER INSTALMENT CREDIT
ADOPTION OF REGULATION W — EFFECTIVE SEPTEMBER 20, 1948

To The Registrant Addressed:

There is quoted below a statement for the press issued by the Board of Governors of the Federal Reserve System for release today:

“The Board of Governors of the Federal Reserve System today issued Regulation W on ‘Consumer Instalment Credit’ under Public Law 905 which the President signed on August 16, 1948. The Regulation, which becomes effective September 20, 1948, is being published in the Federal Register, and copies will be distributed by the Federal Reserve Banks as promptly as possible.

The Regulation is in much the same form as that which terminated on November 1, 1947. It covers instalment sales of and loans for 12 kinds of consumers’ durable goods, providing the cost is more than \$50. It also covers instalment loans for most other consumer purposes. Instalment credits up to \$5,000 are subject to the Regulation.

The goods for which down payments are prescribed are as follows:

Article	Down Payment
1. Automobiles	33 $\frac{1}{3}$ %
2. Cooking Stoves	20%
3. Dishwashers	20%
4. Ironers	20%
5. Refrigerators	20%
6. Washing Machines	20%
7. Combination Units incorporating any item in 2-6	20%
8. Air Conditioners, Room Unit	20%
9. Radio and Television Sets, Phonographs	20%
10. Sewing Machines	20%
11. Suction Cleaners	20%
12. Furniture and Soft-Surface Floor Coverings	20%

Maturities on all instalment credits subject to the Regulation, whether to finance the purchase of these articles or not, must come within the following requirements:

Credit	Maximum Maturity
1. Not exceeding \$1,000	15 months
2. Above \$1,000, except that monthly payment on amounts over \$1,000 must not be less than \$70.00	18 months

Since November 1, 1947, when the old regulation ended, terms offered by merchants and lenders extending credit have been relaxed considerably. The requirements of the new regulation are somewhat less restrictive than those of last November but considerably tighter than terms now generally in effect. The down payment requirements on appliances are lowered from one-third to one-fifth. Also, to take care of late-model automobiles and certain other items where the expenditure must necessarily be large, the maximum maturity for credits above \$1,000 is set at more than 15 months, running up to 18 months. At the same time, the scope of the Regulation is broadened to include all credits up to \$5,000 whereas \$2,000 had been the limit under the previous regulation.

Instalment credit for home improvements was eliminated from Regulation W after the close of the war, and it is at present not covered in the Regulation. Because of the current inflationary situation, however, the Board is considering the advisability of an amendment to bring such credit under the Regulation. Before deciding whether to do this, the Board wishes to give all who are interested an opportunity to express their views. Accordingly, the Board will publish in the Federal Register an invitation to interested persons to submit comments on the question whether such an amendment would be desirable.

The Board is also giving consideration to an amendment which would have the effect of making unenforceable any contract which does not conform to the provisions of the Regulation on down payments or maturities. A similar procedure for receiving comment will be followed.

Regulation W will be administered in the field by the 12 Federal Reserve Banks and their 24 branches located conveniently throughout the country. Inquiries should be addressed to the nearest Federal Reserve Bank or branch."

A copy of the new regulation will be forwarded to all registrants in the Eleventh Federal Reserve District within the next ten days.

This bank or its branches in El Paso, Houston, and San Antonio will be glad to furnish any further information which may be desired concerning the new regulation.

Yours very truly,

R. R. GILBERT

President