

FEDERAL RESERVE BANK

OF DALLAS

Dallas, Texas, October 14, 1950

CONSUMER CREDIT AMENDMENT NO. 1 TO REGULATION W

To the Registrant Addressed
and Others Concerned:

There is quoted below the text of a statement issued by the Board of Governors of the Federal Reserve System in connection with Amendment No. 1 to Regulation W, effective October 16, 1950:

"For release in morning newspapers of
Saturday, October 14, 1950.

October 13, 1950.

"The Board of Governors announced today Amendment No. 1 to Regulation W, effective Monday, October 16, reducing the maximum maturity on instalment credits from 21 to 15 months for automobiles and from 18 to 15 months for appliances and furniture.

"The minimum down payment on automobiles remains at one-third; the down payments on appliances are increased from 15 per cent to 25 per cent and on furniture from 10 per cent to 15 per cent. The maximum maturity on home improvement credits remains at 30 months and the minimum down payment at 10 per cent. Down payments will now be required on all articles costing \$50 or more instead of \$100 or more.

"The terms which will be required under Regulation W are as follows:

	Down Payments	Maturities
Automobiles	33 $\frac{1}{3}$ % Down	15 Months
Television sets, radios and other major durables	25% Down	15 Months
Furniture	15% Down	15 Months
Home improvements	10% Down	30 Months
Unclassified loans		15 Months

"In commenting on today's revision of the regulation, Chairman McCabe said:

"The Board's action was based upon consideration of reports from Federal Reserve Banks and other sources in the field in all parts of the country which reflect continued upward pressure on prices in the five weeks since the reissuance of the Regulation was announced on September 8, 1950. While the intensity of these pressures on the market varies somewhat from time to time the fact remains that the underlying inflationary forces are unabated and have been augmented by the continuing growth of bank credit as well as credit in specific areas, including instalment credit. More vigorous applica-

(Over)

tion of regulation of instalment credit, coincident with the imposition of the real estate credit controls, is therefore in order so that these and other credit measures may most effectively serve in the effort to hold the line until further fiscal measures, as nearly as possible on a pay-as-you-go basis, and such additional credit measures as may be necessary can be brought into play. This is in accordance with the President's mid-year economic report of July 26 in which he stated that first reliance should be placed upon fiscal and credit measures and that this would make less necessary resort to direct controls. Likewise, the action is pursuant to the statement of August 18 in which the Reserve System declared its purpose to use all the means at its command to restrain further expansion of bank credit.

"Prospective pressures on productive capacity, manpower supplies, and the price structure arising out of expanded defense and military aid programs will be increasingly heavy. Today's action was taken in the light of the system's statutory responsibilities, both under the Federal Reserve Act and under the Defense Production Act, to reduce inflationary forces particularly in various credit areas; to help maintain the purchasing power of the dollar; and to assist other agencies in assuring that the needs of the defense program are adequately met."

A copy of the amendment is enclosed.

Any information which may be desired concerning the Regulation will be gladly furnished by this bank and its branches in El Paso, Houston, and San Antonio, Texas.

Yours very truly,

R. R. GILBERT

President

CONSUMER CREDIT

AMENDMENT NO. 1 TO REGULATION W

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Regulation W is hereby amended in the following respects, effective October 16, 1950:

1. By changing "\$100" in Part 1 of the Supplement to read "\$50."

2. By changing "*15 per cent*" and "*85 per cent*" in Part 1, Group B of the Supplement to read, respectively, "*25 per cent*" and "*75 per cent*."

3. By changing "*10 per cent*" and "*90 per cent*" in Part 1, Group C of the Supplement to read, respectively, "*15 per cent*" and "*85 per cent*."

4. By changing the maximum maturity stated in Part 2 of the Supplement for articles listed in Group A from "*21 months*" to "*15 months*."

5. By changing the maximum maturity stated in Part 2 of the Supplement for articles listed in Group B, Group C and for Unclassified Instalment Loans, respectively, from "*18 months*" to "*15 months*."

6. By changing the figure "*24*" to "*18*" in Part 3 of the Supplement.

7. By striking out that portion of Section 6(a) (1) between the words "*flow of income*" and "*; or.*"