Federal Reserve Bank
OF DALLAS

Dallas, Texas, June 14, 1951

Interpretation Relating To “Sets and Groups”
As Referred To In Section 6(g) of Regulation W

To the Registrant Addressed and Others Concerned
in the Eleventh Federal Reserve District:

Certain general principles are offered herein concerning when and under what circumstances an instalment sale of two or more items to one customer is to be treated as a sale of a single listed article for the purpose of determining whether or not a down payment is required. Basically involved are the provisions of Section 6(g) of the Regulation entitled “Sets and Groups of Articles,” and the provision in Part 1 of the Supplement to the Regulation (as amended October 16, 1950) that the down payment and loan value requirements shall not apply in the case of a listed article having a cash price of less than $50.00, exclusive of any applicable sales tax.

Additional copies of this circular may be obtained from this bank, or its branches at El Paso, Houston, and San Antonio.

Yours very truly,

R. R. GILBERT
President
Regulation W: Sets and Groups and
The $50 Exemption

There is quoted below an administrative interpretation by the Board of Governors of the Federal Reserve System covering the application of Section 6(g):

"In determining whether several articles constitute 'a single listed article' under Section 6(g)—

1. The articles must be so related as to constitute a set, group, or assembly, or
2. They must be merchandised as a single unit; and, in either case
3. They must be sold or delivered at substantially the same time.

"Requisites 1 and 2, it will be noted, are stated in the alternative. Consequently, if a given case meets either or both of these requisites, Section 6(g) will apply, assuming that the third requisite, which is self-explanatory, is also satisfied.

"If the items are functionally related as in the case of a dining room or bedroom suite, the first requisite would be met. However, even if the items are not functionally related, but are merchandised as a set, group, or assembly, the second requisite would be met and the absence of functional relationship would be immaterial.

"With respect to the second requisite, important considerations are how the items are offered to customers, advertised, or ticketed, and the merchandising practices of a particular seller or practices in the particular trade. If listed articles are sold pursuant to an offering of the articles as a set, group, or assembly, the articles constitute a single listed article regardless of functional relationship and regardless of whether they are offered at a combination price which is lower than the price of each article if bought separately."

There are set out below a number of illustrative cases, together with a brief statement as to how each is to be treated under the Regulation. It is to be understood that no attempt has been made to cover every possible factual situation which may arise, and that these illustrative cases are intended to serve only as a guide.

Case 1.—Articles are offered for sale and sold as a group at a group price, and are not separately priced or sold separately.
Example: A dining room table, six chairs, and a buffet are offered for sale as a group at a price of $289.50. None of these items is separately priced, and none will be sold separately.

Comment: In this case the various items are functionally related, and are also merchandised as a unit. Where such items are the subject of an instalment sale to a customer, the seller must obtain a down payment of 15 percent of the group price of $289.50.

Case 2.—Articles are offered for sale and sold at a group price, but are also separately priced and will be sold separately. The group price, however, is less than the total sum of the separate prices of each of the items.

Example: A bed, a chest of drawers, a vanity, and a vanity bench, are offered for sale at a group price of $95.50. Each of the items is separately priced, and is offered for sale and will be sold separately, so that a customer may, at his election, buy one or more, but less than all at their respective separate prices of $35 for the bed, $30 for the chest, $30 for the vanity table, and $4.95 for the vanity bench.

Comment: In this case the various items are functionally related, and also are being merchandised by the seller as a single unit. When all such items are the subject of an instalment sale to one customer at the group price of $95.50, the seller must obtain a down payment of 15 percent of that amount.

Likewise, should the customer elect to purchase a combination of any two of the items (excluding the vanity bench), the seller must obtain a down payment of 15 percent of the total sum of the separate prices of each such item. Thus, if the customer buys the bed and the chest at the same time under one instalment contract, the seller must obtain a down payment of 15 percent of $65.

The rules stated above are applicable even though each of the items has a separate cash price of less than $50. They would also apply if any one or more of the items had a separate cash price of $50 or more; for example, if the bed were priced at $69.50 instead of $35.

Of course, if the customer elected to buy only the vanity and the vanity bench at the combined price of $34.95, no down payment would be required for said sum is less than $50.

Case 3.—Circumstances are the same as those outlined in Case 2 above, except that the group price at which the items are offered for sale equals the total sum of the separate prices of each item.

Example: A sofa, a lounge chair and ottoman, an occasional chair, two end tables, and two table lamps, are offered for sale as a group at a group price of $167.75. Each of these items is
also separately priced and is offered for sale and will be sold separately, so that a customer may, at his election, buy one or more or less than all at their respective prices of $79.50 for the sofa, $49.50 for the lounge chair and ottoman, $18.95 for the occasional chair, $6.95 for each of the end tables, and $2.95 for each of the table lamps.

Comment: Although it is not necessarily true that all these items are functionally related, nevertheless, because of the method of offering, it is clear that they are being merchandised by the seller as a single unit. Accordingly, where all such items are sold to a customer at substantially the same time under an instalment payment arrangement, such sale is to be treated as a sale of a single listed article. Hence, the seller must obtain a down payment of 15 percent of the group price of $167.75.

Should the customer choose to purchase two or more but less than all of the items, the case may be different. The facts stated do not assume that the seller is offering to sell, or is merchandising, less than all of the items as a single unit. Accordingly, the question of whether a sale of less than all at one time is a sale of a single listed article will depend upon whether there is a functional relationship between the pieces. If the customer buys a sofa and a matching lounge chair and ottoman, such articles would be considered as functionally related, and the sale must be treated as a sale of a single listed article. As a result, the seller must obtain a down payment of 15 percent of $129, the total sum of the separate prices of the articles. Of course, the same would necessarily be true if the separate price of the lounge chair and ottoman were $59.50 instead of $49.50, for in such case the separate prices of each of the items would be in excess of $50.

On the other hand, the lounge chair and ottoman and an end table and a table lamp are not functionally related, and as there is no offering to sell these items as a unit, an instalment sale thereof to one customer at the same time would not be subject to Section 6(g); and no down payment need be obtained by the seller even though the total amount of the sale would be $59.40 for none of the items has a cash price of $50 or more.

Case 4.—Articles are separately priced and are offered for sale and will be sold separately. The items are not offered for sale as a group, and no group price is advertised for or assigned to them.

Example 4(a): A mattress and bedspring are separately priced at $49.50 and $39.50, respectively, and are offered for sale separately so that a customer may, at his option, buy one or both.

Comment: Although the seller is not offering these items as a group or merchandising them as a unit, the items are func-
tionally related. Hence, when both items are the subject of an instalment sale to one customer at substantially the same time, the seller must obtain a down payment of 15 percent of the total sum of their separate prices, namely, 15 percent of $89.

In some instances a mattress and bedspring may be offered for sale at a group price, which may be either less than or equal to the total sum of the separate prices of each. This fact would not, however, relieve the seller from the necessity of obtaining a down payment of 15 percent of such group price in cases where both articles are sold to one customer under an instalment contract at such price.

**Example 4(b):** A four-piece bedroom suite, consisting of a bed, a chest, a vanity, and a vanity bench, is offered for sale at a group price of $120. The items composing this set are not separately priced and will not be sold separately. At the same time the customer buys this set, he also buys an innerspring mattress and a box spring, which items are separately priced and are offered for sale and will be sold separately for $49.50 each. The total amount of the sale is thus $219.

**Comment:** The mattress and the box spring are functionally related to each other (see Example 4(a) above), and together are functionally related to the bedroom suite. Accordingly, the seller must obtain a down payment of 15 percent of the total price of $219. This is true even though the separate cash prices of the mattress and box spring are less than $50.

**Example 4(c):** A chifforobe and a wing chair are priced separately at $49.50 and $37.50, respectively, and are offered for sale separately so that a customer may, at his election, buy one or both.

**Comment:** These items are not functionally related, nor are they offered for sale or merchandised as a single unit. Hence, an instalment sale of both items to a customer at the same time would not constitute a sale of a single listed article within the purview of Section 6(g). Accordingly, as neither item has a cash price of $50 or more, no down payment is required even though the total amount of the sale is $87.

The same would be true if the customer also bought under the same instalment contract a rug having a separate cash price of $47.50, a lamp having a separate cash price of $19.95, and an occasional table having a separate cash price of $23.50, or any one or two of such items.

Of course, if any one of the items has a cash price of $50 or more, the seller must obtain a down payment of 15 percent of the cash price of such item. Such would be the case if the chifforobe were priced at $69.50 instead of $49.50, or if the rug were priced at $99.95 instead of $47.95.
Example 4(d): The various items listed below are offered for sale and will be sold separately at the separate prices shown.

<table>
<thead>
<tr>
<th>Item</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wood arm couch</td>
<td>$49.95</td>
</tr>
<tr>
<td>2 matching wood arm lounge chairs, each</td>
<td>29.50</td>
</tr>
<tr>
<td>Occasional chair</td>
<td>6.95</td>
</tr>
<tr>
<td>2 end tables, each</td>
<td>7.95</td>
</tr>
<tr>
<td>2 table lamps, each</td>
<td>1.95</td>
</tr>
<tr>
<td>Coffee table</td>
<td>7.95</td>
</tr>
<tr>
<td>Standing lamp</td>
<td>7.95</td>
</tr>
<tr>
<td>Smoking stand</td>
<td>2.95</td>
</tr>
<tr>
<td>2 sofa pillows, each</td>
<td>1.25</td>
</tr>
<tr>
<td>Mirror</td>
<td>2.00</td>
</tr>
</tbody>
</table>

Comment: The couch and the two matching lounge chairs are functionally related and an instalment sale thereof to a customer at the same time would be a sale of a single listed article for the purposes of the Regulation. It does not appear, however, that the other items are functionally related to each other or to the couch and the lounge chairs. Accordingly, where all of the items are sold to a customer under an instalment arrangement at the same time for a total price of $159.05, the seller would be required to obtain a down payment of 15 percent of the total sum of the separate prices of the couch and lounge chairs, namely, 15 percent of $108.95.

Example 4(e): The various articles listed below are offered for sale and will be sold separately at the separate prices shown. The customer may at his option buy any one or more of them, or any combination of them, at their respective separate prices.

<table>
<thead>
<tr>
<th>Item</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooking stove, coal or wood</td>
<td>$39.95</td>
</tr>
<tr>
<td>Cotton mattress</td>
<td>12.95</td>
</tr>
<tr>
<td>Coil spring</td>
<td>10.95</td>
</tr>
<tr>
<td>Metal bed</td>
<td>17.50</td>
</tr>
<tr>
<td>5 piece breakfast set</td>
<td>29.50</td>
</tr>
<tr>
<td>Rug</td>
<td>9.95</td>
</tr>
<tr>
<td>Kitchen cabinet</td>
<td>49.95</td>
</tr>
<tr>
<td>Set of dishes</td>
<td>6.95</td>
</tr>
</tbody>
</table>

Comment: When all of the above articles are the subject of an instalment sale to a customer at the same time, it is not necessary that the seller obtain any down payment, even though the total sum of the separate prices of such articles is $177.70.

Although the mattress, the coil spring, and the metal bed are functionally related, and the sale thereof would otherwise constitute a sale of a single listed article, the total sum of the
separate prices of these three articles is less than $50, and hence no down payment is required. Further, none of the other articles has a cash price of $50 or more.

Of course, if the breakfast set were group priced at $59.50 instead of $29.50, the seller would have to obtain a down payment of 15 percent of such group price. Also, if the total sum of the separate prices of the mattress, coil spring, and metal bed were $50 or more, the seller would have to obtain a down payment of 15 percent of such sum.