

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 2949]
May 23, 1945

CONSUMER CREDIT

AMENDMENT NO. 16 TO REGULATION W OF THE BOARD OF GOVERNORS
OF THE FEDERAL RESERVE SYSTEM

*To all Financial Institutions, Contractors Subject to Regulation W,
and Others Concerned, in the Second Federal Reserve District:*

The Board of Governors of the Federal Reserve System issued the following statement for the press for release on May 23, 1945.

The Board of Governors of the Federal Reserve System has adopted Amendment No. 16 to its Regulation W, relating to consumer credit. The changes take effect June 11, 1945. They do not affect the regulation as a whole but relate almost exclusively to transactions for financing the purchase of materials, articles, and services used in repairs or improvements of residential property.

The purpose of this amendment, notwithstanding the fact that it makes certain changes of detail in down-payment and maturity requirements is essentially administrative. It reflects no change in the Board's consumer credit policy or in the place of consumer credit regulation in the Government's anti-inflation program.

Under the amendment no credit transaction in the home-improvement field is any longer exempted from the regulation by reason of the way in which it may be secured, the area in which it may be located, or the type of job to which it may relate. For all such credit transactions, if they relate to residential property and are not over \$1,500, a length-of-contract requirement is prescribed, but no down-payment requirement is prescribed for any of them. The maximum maturity may not hereafter exceed 18 months, except that for certain "fuel conservation credits" extended during the next five months the maximum maturity may be 24 months. Heretofore some such transactions have been altogether exempt, some have been subject to a maturity limitation of 12 months, and others have been subject to both a down-payment requirement of one-third and a maturity limitation of 12 months.

The amendment also contains some technical provisions which relate to so-called "summer plans" for specified home-improvement items and others which relate to the exemption for "disaster credits".

The text of Amendment No. 16 to Regulation W is printed on the reverse side. Additional copies may be obtained upon request.

ALLAN SPROUL,
President.

FEDERAL RESERVE BANK
AMENDMENT NO. 16 TO REGULATION W

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Regulation W is hereby amended in the following respects, effective June 11, 1945.

1. By changing section 4(b) to read as follows:

(b) **Maximum Maturity.**—The maturity shall not exceed the maximum maturity specified for the listed article in section 13(a).

2. By changing section 6(a) (2) to read as follows:

(2) The maturity shall not exceed the maximum maturity specified for the listed article in section 13(a).

3. By striking out of section 8(a) entitled "Real Estate Loans" the words "which is secured by a bona fide first lien on improved real estate duly recorded or".

4. By striking out section 8(e) entitled "Defense Housing" and section 8(m) entitled "Fuel Conservation Credits" and by relettering the remaining subsections of section 8 accordingly.

5. By amending section 8(h), relettered as section 8(g), so that it will read as follows:

(g) **Disaster Credits.**—Any extension of credit made by the Disaster Loan Corporation; or any extension of credit to finance the repair or replacement of real or personal property damaged or lost as a result of a flood or other similar disaster which the Federal Reserve Bank of the district in which the disaster occurs finds has created an emergency affecting a substantial number of the inhabitants of the stricken area, provided such extension is made prior to the end of the sixth calendar month following the month in which the disaster is found to have occurred and a statement describing the damage or loss is preserved in the registrant's files.

6. By adding to section 12 the following new subsection (o):

(o) **Summer Plans.**—Notwithstanding sections 4(c) and 6(c) (2), the payment schedule of an instalment credit made for any of the purposes specified in section 13(f) may reduce or omit payments during the period from the extension of the credit to October 31, 1945, if the other payments are increased in such manner as to meet all the other requirements of the regulation applicable to such credit.

7. By striking out the names of the articles listed as items 2, 16, 22, 27, 38, and 39 in Group A of section 13(a) and inserting after each such number the following parenthesis: "(Deleted—see Group C)".

8. By changing Group C in section 13(a) to read as follows:

Group C—18 months' maximum maturity:

1. Materials, articles 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 \$1,500.¹¹

9. By adding to section 13 a new subsection (f) to read as follows:

(f) **Fuel Conservation Credits.**—Notwithstanding the provisions of Group C of Section 13(a), any extension of instalment credit made prior to November 1, 1945, to finance the purchase or installation of materials or articles included in Group C that are to be used in (1) the replacement of heating equipment that is worn out, damaged beyond repair, or destroyed, (2) the installation of loose-fill, blanket or batt-type insulation, or insulating board, within existing structures, or (3) the installation of storm doors, storm windows, or weather stripping, may have a maturity of not more than 24 months if such extension of credit is otherwise in conformity with the requirements of this regulation.

¹¹Effective June 11, 1945, the following articles were added to this group: air conditioning systems, furnaces and heating units for furnaces (including oil burners, gas conversion burners, and stokers), lighting fixtures, plumbing and sanitary fixtures, water heaters, and water pumps so installed, whether or not designed for household use.