

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 3157]
November 18, 1946]

CONSUMER CREDIT

REGULATION W OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

*To Registrants under Regulation W, and
Others Concerned, in the Second Federal Reserve District:*

For your information we quote below the text of a press statement issued by the Board of Governors of the Federal Reserve System and released for publication on November 16, 1946:

Effective December 1, 1946, the Board of Governors has today revised Regulation W by confining it to instalment credit and centering it on purchases of major durable goods. If regulation in the field of consumer credit is to be continued on a peacetime basis, the Board believes that the regulation should in general be in the form and scope of this revision in order to be an effective influence towards stability in this sector of the economy.

This regulation now rests on an Executive Order of August 9, 1941, which is revocable by the President or by action of Congress. The issue as to whether regulation should or should not be continued in any form is a subject of sharp controversy among various groups affected by it. The Board feels that the issue should be decided by the Congress and that the present revision is an appropriate means of bringing before the Congress the question of whether the Executive Order should be vacated or whether authority for such regulation should be continued by specific legislation.

In its Annual Report to Congress last June, the Board recommended that Congress give consideration to the question of whether regulation of consumer credit should be continued on a peacetime basis as a subordinate but contributory factor in the maintenance of economic stability. As the Report stated, "Over the past 30 years consumer instalment financing has come to occupy an important and strategic place in the national economy. Such financing is essential to the mass distribution and consequently to the mass production of consumers' durable goods. From time to time, however, the expansion and subsequent contraction of consumer credit have gone so far as to accentuate the upswings and downswings of the business cycle. There is no way of preventing such excessive expansion and contraction except governmental regulation of the terms on which consumer credit shall be made available, such as the down payment required on instalment sales or financing and the length of time permissible for instalment contracts."

The regulation is now revised in the light of the foregoing considerations. Under this revision, the regulation is focused on instalment credit, both instalment sales and instalment loans, including 12 major categories of durable consumers' goods, which constitute the great dollar bulk of credit subject to the widest expansion and contraction. Charge accounts and single-payment loans, in which fluctuations are comparatively small, are eliminated from the scope of the regulation. The revision effects a substantial simplification of the regulation's provisions and will make it administratively more workable.

This revision narrows the scope of the regulation to what the Board considers a minimum consistent with the exercise of a stabilizing influence in this area of the economy. In this form, the Board believes the regulation can be better understood and its merits and defects better appraised. When present inflationary pressures have subsided, the terms of the regulation would need to be modified further.

(OVER)

The principal changes made by the revision are as follows:

1. The list of consumers' durable goods to which down payment and maturity requirements apply is reduced from 36 categories to 12, the remaining items including automobiles, major household appliances, radios, phonographs, sewing machines, furniture, and soft-surfaced floor coverings, but with an exemption for any article costing less than \$50.00.

2. Restrictions on charge accounts and single-payment loans are eliminated.

3. A uniform maximum maturity of 15 months is established for all new instalment credits, whether they arise from sales or loans.

4. The provisions for refinancing, including consolidations with new credits, are simplified, and refinancing credits may have a maximum maturity of 15 months.

5. Except for floor coverings which are transferred to the category calling for a 20 per cent down payment, the items retained have the same down payment as presently prescribed: $33\frac{1}{3}$ per cent for all articles other than furniture which is in the 20 per cent category.

6. Procedural rules are simplified in such matters as the statement covering the transaction and the statement obtained from the borrower. It is no longer required that a statement of the transaction be given to the customer.

7. Minor changes reconcile the new provisions with such requirements as are retained and certain technical sections are simplified.

8. The list of articles to which down payment and maturity requirements apply is as follows:

$33\frac{1}{3}$ per cent down:

- Automobiles
- Refrigerators
- Cooking stoves and ranges
- Washing machines
- Ironers
- Dishwashers
- Air conditioners
- Radios and phonographs
- Sewing machines
- Suction cleaners

20 per cent down:

- Furniture
- Soft-surfaced floor coverings

A copy of the revised regulation will be forwarded to you as soon as a supply is available for distribution, which will be probably during the course of the next ten days.

In the event you have filed a registration statement with us in accordance with the provisions of the regulation and there has been issued to you a registration certificate, we should appreciate your cooperation in the following respect. If you believe, after you have reviewed the revised regulation, that none of your activities will be subject to any of the new requirements thereof, will you please inform us in writing to this effect, including the necessary facts which you consider will support such a conclusion.

Additional copies of this circular, and of the revised regulation when available, will be furnished upon request.

ALLAN SPROUL,
President.

**BOARD OF GOVERNORS
of the
FEDERAL RESERVE SYSTEM**

CONSUMER CREDIT



REGULATION W

As Revised Effective December 1, 1946



INQUIRIES REGARDING THIS REGULATION

**Any inquiry relating to this regulation should be addressed
to the Federal Reserve Bank or Federal
Reserve branch bank of the district
in which the inquiry arises.**

REGULATION W

CONSUMER CREDIT

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and in the following manner: The first of these is the fact that the amount of the loan is not fixed, but is determined by the amount of the deposit.

The second of these is the fact that the loan is not made for a fixed period, but is made for a period of six months.

The third of these is the fact that the loan is not made for a fixed purpose, but is made for a purpose of six months.

The fourth of these is the fact that the loan is not made for a fixed interest rate, but is made for an interest rate of six months.

The fifth of these is the fact that the loan is not made for a fixed amount, but is made for an amount of six months.

The sixth of these is the fact that the loan is not made for a fixed period, but is made for a period of six months.

The seventh of these is the fact that the loan is not made for a fixed purpose, but is made for a purpose of six months.

The eighth of these is the fact that the loan is not made for a fixed interest rate, but is made for an interest rate of six months.

The ninth of these is the fact that the loan is not made for a fixed amount, but is made for an amount of six months.

The tenth of these is the fact that the loan is not made for a fixed period, but is made for a period of six months.

REGULATION W

As revised effective December 1, 1946*

CONSUMER CREDIT

SECTION 1. SCOPE AND APPLICATION OF REGULATION

This regulation is issued by the Board of Governors of the Federal Reserve System (hereinafter called the "Board") under authority of section 5(b) of the Act of October 6, 1917, as amended, and Executive Order No. 8843, dated August 9, 1941 (hereinafter called the "Executive Order").

The regulation applies, in general, to any person who is engaged in the business of making extensions of instalment credit in amounts of \$2,000 or less, or discounting or purchasing obligations arising out of such extensions of credit. It applies whether the person is a bank, loan company, or finance company, or a person who is so engaged in connection with any other business, such as by making such extensions of credit as a dealer, retailer, or other person in connection with the selling of consumers' durable goods.

SECTION 2. GENERAL REQUIREMENTS AND REGISTRATION

(a) **General Requirements.**—No person engaged in the business of making instalment sales¹ or instalment loans,² or engaged in the business of lending on the security of or discounting or purchasing obligations arising out of such extensions of credit, shall make or receive any payment which constitutes or arises directly or indirectly out of any such extension of credit made by him or out of any such obligation lent on or discounted or purchased by him, except on the following conditions:

(1) He must be licensed pursuant to this section (any person so licensed being hereinafter called a "Registrant"); and

(2) The extension of credit made, renewed, revised or consolidated by him, or giving rise to the obligation discounted or purchased by him or acquired by him as collateral, must comply with the applicable requirements of this regulation.

* This revised regulation shall apply to transactions effected on or after December 1, 1946, and the revision shall not affect any transaction prior to such date.

¹ It is to be noted that "instalment sale" is defined to include only instalment credit arising out of the sale of an article listed in the Supplement, hereinafter called a "listed article."

² Both "instalment sale" and "instalment loan" are defined to exclude credits in a principal amount exceeding \$2,000.

(b) **Registration and General License.**—Any person whose license is not suspended under section 8(b) may become licensed by filing, with the Federal Reserve Bank or any branch thereof in the district in which the main office of the Registrant is located, a registration statement on forms obtainable from any Federal Reserve Bank or branch. Whenever any person who was not formerly subject to section 2(a) becomes subject thereto, such person is hereby granted a general license for 60 days.

SECTION 3. INSTALMENT SALES: GENERAL RULES

Except as otherwise permitted by this regulation, each instalment sale shall comply with the following requirements:

(a) **Down Payment and Maturity.**—There shall be a down payment not less than that specified for the listed article in the Supplement, such down payment to be calculated as therein specified; and the maturity shall not exceed that specified for the listed article in the Supplement.

(b) **Amounts and Intervals of Instalments.**—Except as permitted by section 6(a) for seasonal incomes, the time balance shall be payable in instalments which shall be (1) substantially equal in amount or so arranged that no instalment is substantially greater than any preceding instalment, (2) payable at approximately equal intervals not exceeding one month, and (3) not less than \$5.00 per month or \$1.25 per week on the aggregate instalment indebtedness of one debtor to the same creditor.

(c) **Statement of Transaction.**—The instalment sale shall be evidenced by a written instrument or record which shall set forth the information specified in section 6(c).

SECTION 4. INSTALMENT LOANS: GENERAL RULES

Except as otherwise permitted by this regulation, each instalment loan shall comply with the following requirements:

(a) **Instalment Loans to Purchase Listed Articles.**—If the Registrant knows or has reason to know that the proceeds of an instalment loan are to be used to purchase any listed article:

(1) The principal amount lent (excluding any interest or finance charges and the cost of any insurance) shall not exceed the maximum loan value specified for the article in the Supplement, such loan value to be calculated as therein specified; and

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

(b) **Unclassified Instalment Loans.**—In the case of an instalment loan which is not subject to section 4(a), the maximum maturity shall not exceed the maximum maturity specified therefor in the Supplement.

(c) **Amounts and Intervals of Instalments; Record.**—Whether subject to section 4(a) or section 4(b), the instalment loan, except as permitted by section 6(a) for seasonal incomes, shall be payable in instalments which shall be (1) substantially equal in amount or so arranged that no instalment is substantially greater in amount than any preceding instalment, (2) payable at approximately equal intervals not exceeding one month, and (3) not less than \$5.00 per month or \$1.25 per week on the aggregate instalment indebtedness of one debtor to the same creditor. It shall be evidenced by a written instrument or record which shall set forth the terms of payment.

(d) **Statement of the Borrower.**—No Registrant shall make any instalment loan subject to section 4(a) or 4(b) 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, and if any of the proceeds of the loan are to be used for the latter purpose 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.

(e) **Loans to Make Down Payments Prohibited.**—A Registrant shall not make any instalment loan if he knows or has reason to know that any part of the proceeds thereof is to be used to make a down payment on the purchase price of any listed article.

SECTION 5. RENEWALS, REVISIONS AND ADDITIONS

(a) **General Requirements.**—In the case of an instalment sale or instalment loan which results from a renewal or revision of any such credit already outstanding, or which results from the combination of any such outstanding credit with an additional extension of instalment credit, the renewed, revised or consolidated obligation shall comply with all the requirements of this regulation as if it were a new extension of credit except that:

- (1) The requirements as to Statement of Borrower and down

payment or maximum loan value, if any, shall not apply to the outstanding credit already held by the Registrant; and

(2) The renewed, revised or consolidated obligation may, in so far as the maturity and instalment requirements are concerned, be treated as if it were a new credit with the maximum maturity calculated from the date of the renewal, revision or consolidation. The payments on such renewed, revised, or consolidated obligation shall not be less than \$5.00 per month or \$1.25 per week on the aggregate instalment indebtedness of one debtor to the same creditor.

(b) **Statement of Changed Conditions.**—Notwithstanding any other provision of this regulation, if a Registrant accepts in good faith a *Statement of Changed Conditions* as provided in the following paragraph, an extension of instalment credit that refinances any outstanding obligation (whether or not such obligation is held by the Registrant or is itself payable in instalments) may have a maturity not exceeding that specified in the Supplement for refinancing pursuant to such Statements, but such maturity shall be applicable only to the credit refinanced. The payments on the credit refinanced need not be as large as \$5.00 per month or \$1.25 per week.

The requirements of a *Statement of Changed Conditions* will be complied with only if the Registrant accepts in good faith a written statement signed by the obligor that the contemplated refinancing is necessary in order to avoid undue hardship upon the obligor or his dependents resulting from contingencies that were unforeseen by him at the time of obtaining the original extension of credit or which were beyond his control, which statement also sets forth briefly the principal facts and circumstances (1) with respect to the original extension of credit and (2) with respect to such contingencies, and specifically states in addition that the contemplated refinancing is not pursuant to a preconceived plan or an intention to evade or circumvent the requirements of this regulation.

(c) **Bona Fide Collection Effort; Servicemen's Pre-induction Debt.**—Nothing in this regulation shall be construed to prevent any Registrant from making any renewal or revision, or taking any action that he shall deem necessary in good faith (1) for the Registrant's own protection in connection with any obligation which is in default and is the subject of *bona fide* collection effort by the Registrant, or (2) 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.

SECTION 6. CERTAIN TECHNICAL PROVISIONS

(a) **Special Payment Schedules for Seasonal Incomes.**—If the income received by an obligor from the main sources of his income customarily fluctuates materially from month to month or from season to season, the payment schedule may be adapted, within the applicable maximum maturity, to such customary flow of income, provided the obligation complies with one or the other of the following requirements: (1) at least half of the credit is to be repaid within the first half of the applicable maximum maturity; or (2) payments are reduced or omitted in not more than 4 months of any calendar year but are otherwise in equal monthly amounts. In all such cases, a statement of the facts relied upon shall be preserved in the Registrant's files for the life of the obligation.

(b) **Calculating Maximum Maturity of Contract.**—In calculating the maximum maturity of an instalment sale or instalment loan, a Registrant may, at his option, use any date not more than 15 days subsequent to the actual date of the sale or loan.

(c) **Record of Instalment Sale.**—The instrument or record evidencing an instalment sale pursuant to section 3(c) shall set forth (in any order) the following information:

- (1) A brief description identifying the article purchased;
- (2) The cash price of the article;
- (3) The amount of the purchaser's down payment (i) in cash and (ii) in goods accepted in trade, together with a brief description identifying such goods and stating the monetary value assigned thereto in good faith;
- (4) The amount of any insurance premium for which credit is extended and of any finance charges or interest by way of discount included in the principal amount of the obligation, or the sum of these amounts;
- (5) The time balance owed by the purchaser, which is the sum of items (2) and (4) *minus* item (3); and
- (6) The terms of payment.

The instrument or record 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. The instrument or record need not include the information called for by items (2) and (4) if the Registrant is one who quotes to the public a *time price* for the article which includes the finance charge if any, provided he sets forth such time price in such instrument or record, and provided he obtains a

cash down payment which is at least as large as would be required if the percentage specified for the article in the Supplement were applicable to the time price.

(d) **Extension of Credit for Mixed Purposes.**—In case an extension of credit is partly subject to one section of this regulation and partly subject to another section, the amount and terms of such extension of credit shall be such as would result if the credit were divided into two or more parts and each part were treated as if it stood alone. In case an extension of credit is partly subject to this regulation and partly not subject to the regulation, the amount and terms of such extension of credit shall be such as would result if the credit were divided and the part subject to the regulation were treated according to the applicable provisions of the regulation; the part not subject to the regulation may be treated as if the regulation did not exist.

(e) **“Lay-away” Plans.**—With respect to any extension of credit involving a *bona fide* “lay-away” plan, or other similar plan by which a purchaser makes one or more payments on an article before receiving delivery thereof, the Registrant may, for the purposes of this regulation, treat the extension of credit as not having been made until the date of the delivery of the article to the purchaser.

(f) **Mail Orders.**—An instalment sale shall not be deemed to be in violation of the down payment requirement of section 3(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.

(g) **Delivery in Anticipation of Instalment Sale.**—In case a listed article is delivered in anticipation of an instalment sale of that article or a similar article(such as a delivery “on approval”, “on trial”, or as a “demonstrator”), the Registrant shall require, at or before the time of such delivery, a deposit equal to the down payment that would be required on such an instalment sale.

(h) **Sets and Groups of Articles.**—In determining whether an article is a “listed article”, the word “article” shall be deemed to include any set, group or assembly commonly considered, sold or used as a single unit, if the component parts thereof are sold or delivered at substantially the same time.

(i) **Evasive Side Agreements.**—No extension of credit complies with the requirements of this regulation if at the time it is made there is any agreement, arrangement, or understanding (1) by which the obligation is to be renewed or revised on terms which would permit

final payment to be deferred beyond the date permitted by this regulation for such credit at its inception, or (2) by which the obligor is to be enabled to make repayment on conditions inconsistent in any other respect with those required by this regulation, or (3) by which there is to be any evasion or circumvention, or any concealment of any evasion or circumvention, of any requirement of this regulation.

(j) **Side Loan to Make Down Payment.**—A Registrant shall not make an extension of instalment credit to finance the purchase of any listed article if he knows or has reason to know that there is, or that there is to be, any other extension of credit of any kind in connection with the purchase of the listed article which would bring the *total amount* of credit extended in connection with such purchase beyond the amount of instalment credit permitted by this regulation; but, if the Registrant accepts in good faith a written statement signed by the obligor that no such other extension exists or is to be made, such statement shall be deemed to be correct for the purposes of the Registrant.

(k) **Purchase of Article in Lieu of Trade-in.**—Anything which the seller of a listed article buys, or arranges to have bought, from the purchaser at or about the time of the purchase of the listed article shall be regarded as a trade-in for the purposes of this regulation.

(l) **Misuse of Coupon Plans.**—No coupon, ticket or similar medium of credit, whether paid for in instalments or otherwise, shall be accepted by any Registrant in payment, in whole or in part, for any listed article if such acceptance, in effect, would permit the article to be sold on terms not complying with the requirements of this regulation.

SECTION 7. EXEMPT CREDITS

This regulation shall not apply to any of the following:

(a) **Business or Agricultural Loans.**—Any loan for business purposes to a business enterprise or for agricultural purposes to a person engaged in agriculture, provided the loan is not for the purpose of purchasing a listed article.

(b) **Credit to Dealers and Certain Salesmen.**—Any extension of credit to a wholesaler or retailer to finance the purchase of any article for resale, or any extension of credit which is made to a *bona fide* salesman of automobiles in order to finance the purchase of a new automobile to be used by him principally as a demonstrator.

(c) **Credit to Governmental Agencies, Religious Institutions, etc.**—Any extension of credit to the Federal Government, any State government, any political subdivision, or any department, agency or establishment thereof, or to any church, hospital, clinic, sanitarium,

school, college, or other religious, educational, charitable, or eleemosynary institution.

(d) **Credits Under Government Rehabilitation and Readjustment Programs.**—Any extension of credit (1) made by the Land Bank Commissioner on behalf of the Federal Farm Mortgage Corporation or by any Federal land bank and found, pursuant to regulations issued by the Commissioner, to be necessary to maintain or increase production of essential agricultural commodities, (2) made or insured by the Farmers' Home Administration, (3) made in accordance with the regulations of the Secretary of the Interior for the economic development or rehabilitation of Indians, (4) made by the Disaster Loan Corporation, or (5) made, guaranteed or insured in whole or in part by the Administrator of Veterans' Affairs pursuant to the provisions of Title III of the Servicemen's Readjustment Act of 1944, or by any State agency pursuant to similar State legislation.

(e) **Loans to Pay Fire and Casualty Insurance Premiums.**—Any loan to finance a premium in excess of one year on a fire or casualty insurance policy, if the loan is fully secured by the unearned portion of such premium.

(f) **Credit for Purchasing Securities.**—Any extension of credit which is subject to the Board's regulations under the Securities Exchange Act of 1934 or which is otherwise for the purpose of purchasing or carrying stocks, bonds, or other investment securities.

(g) **Real Estate and Home Improvement Loans.**—Any extension of credit which is for the purpose of financing or refinancing (1) the construction or purchase of an entire residential building or other entire structure or (2) repairs, alterations, or improvements upon urban, suburban or rural real property in connection with existing structures, *except* to the extent that such repairs, alterations, or improvements incorporate any listed article.

(h) **Loans to Meet Medical Expenses, etc.**—Any loan as to which the Registrant accepts in good faith a written statement signed by the borrower certifying that the proceeds are to be used for *bona fide* educational, medical, hospital, dental, or funeral expenses, or to pay debts incurred for such expenses, and that such proceeds (unless they are to be used exclusively for educational expenses) are to be paid over in amounts specified in such statement to persons whose names, addresses, and occupations are stated therein.

(i) **Disaster Credits.**—Any extension of credit to finance the repair or replacement of 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 occurred 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 occurred and a statement describing the damage or loss is preserved in the Registrant's files.

SECTION 8. MISCELLANEOUS PROVISIONS; DEFINITIONS

(a) **Preservation of Records; Inspections.**—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 Registrant may preserve photographic reproductions in lieu of such books of account, records or papers.

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 2(a) 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.

(b) **Suspension of License.**³—The license of any Registrant may, after reasonable notice and opportunity for hearing, be suspended by the Board, in its entirety or as to particular activities or particular offices or for specified periods, on any of the following grounds:

- (1) Any material misstatement or omission willfully or negligently made in the registration statement;

³ In addition, any Registrant who willfully violates or knowingly participates in a violation of this regulation is subject to the penalties prescribed in section 5(b) of the Act of October 6, 1917, as amended, which reads in part as follows: "Whoever willfully violates any of the provisions of this subdivision or of any license, order, rule, or regulation issued thereunder, shall, upon conviction, be fined not more than \$10,000, or, if a natural person, may be imprisoned for not more than ten years, or both; and any officer, director, or agent of any corporation who knowingly participates in such violation may be punished by a like fine, imprisonment, or both."

(2) Any willful or negligent failure to comply with any provision of this regulation or any requirement of the Board pursuant thereto.

A license which is suspended for a specified period will again become effective upon the expiration of such period. A license which is suspended indefinitely may be restored by the Board, in its discretion, if the Board is satisfied that its restoration would not lead to further violations of this regulation and would not be otherwise incompatible with the public interest.

(c) **Enforceability of Contracts.**—Except as may subsequently be otherwise provided, all provisions of this regulation are designated, pursuant to section 2(d) of the Executive Order, as being “for administrative purposes” within the meaning of said section 2(d), which provides that noncompliance with provisions of the regulation so designated shall not affect the right to enforce contracts.

(d) **Clerical Errors.**—Any failure to comply with this regulation resulting from a mistake in determining, calculating, or recording any price, down payment, or extension of credit, or other similar matter, shall not be construed to be a violation of this regulation if the Registrant establishes that such failure to comply was the result of excusable error and was not occasioned by a regular course of dealing.

(e) **Non-Compliance Due to Facts Outside Registrant's Knowledge.**—The prohibitions of this regulation shall not apply to a Registrant with respect to any failure to comply with this regulation in connection with (1) an extension of credit made by him if, at the time he made it, he did not know or have reason to know any fact by reason of which such extension failed to comply; (2) an obligation purchased, discounted or acquired as collateral by him if, when he purchased or discounted the obligation or acquired it as collateral, the obligation did not show on its face any failure to comply and he did not know any fact by reason of which the extension of credit giving rise to the obligation failed to comply; or (3) an obligation renewed, revised, or consolidated by him if, at the time when he renewed, revised or consolidated it, he did not know or have reason to know any fact by reason of which such renewal, revision or consolidation failed to comply. With respect to any loan *on the security of* an obligation which arises out of an extension of credit subject to this regulation, the prohibitions of this regulation shall be deemed to apply only to payments arising out of the obligation rather than to payments arising out of the loan.

(f) **Transactions Outside United States.**—Nothing in this regulation shall apply with respect to any extension of credit made in Alaska,

the Panama Canal Zone, or any territory or possession outside the continental United States.

(g) **Right of Registrant to Impose Stricter Requirements.**—Any Registrant has the right to refuse to extend credit, or to extend less credit than the amount permitted by this regulation, or to require that repayment be made within a shorter period than the maximum permitted by this regulation.

(h) **Definitions.**—For the purposes of this regulation, unless the context otherwise requires:

(1) “*Person*” means an individual, partnership, association, or corporation.

(2) “*Registrant*” means a person who is licensed pursuant to section 2(b).

(3) “*Extension of Credit*” has the meaning given it in the Executive Order.⁴

(4) “*Instalment Credit*” means an extension of credit which the obligor undertakes to repay in two or more scheduled payments or as to which the obligor undertakes to make two or more scheduled payments or deposits usable to liquidate the credit, or which has a similar purpose or effect.

(5) “*Instalment Sale*” means an instalment credit in a principal amount of \$2,000 or less which is made as principal, agent or broker, by any seller of any consumers’ durable good listed in the Supplement to this regulation (herein called a “listed article”) and which arises out of a sale of such listed article. For this purpose, “sale” includes a lease, bailment, or other transaction which is similar in purpose or effect to a sale.

(6) “*Instalment Loan*” means an instalment credit, other than an instalment sale, in the form of a loan which is in a principal amount of \$2,000 or less; but the definition does not include any loan upon the security of any obligation which arises out of any instalment sale or instalment loan.

(7) “*Cash Price*” means the *bona fide* cash purchase price of an article, including the *bona fide* cash purchase price of any accessories, any *bona fide* delivery, installation and service charges (other than interest, finance or insurance charges), and any applicable sales taxes.

⁴ The pertinent part of the Executive Order reads as follows: “Extension of credit” means any loan or mortgage; any instalment purchase contract, any conditional sales contract, or any sale or contract of sale under which part or all of the price is payable subsequent to the making of such sale or contract; any rental-purchase contract, or any contract for the bailment or leasing of property under which the bailee or lessee either has the option of becoming the owner thereof or obligates himself to pay as compensation a sum substantially equivalent to or in excess of the value thereof; any contract creating any lien or similar claim or property to be discharged by the payment of money; any purchase, discount, or other acquisition of or any extension of credit upon the security of, any obligation or claim arising out of any of the foregoing; and any transaction or series of transactions having a similar purpose or effect.

SUPPLEMENT TO REGULATION W

Effective December 1, 1946

Part 1. Listed Articles, Maturities, Down Payments, Loan Values.

—For the purposes of Regulation W, the following articles, whether new or used, are “listed articles”, and the following maximum maturities, required down payments and maximum loan values are prescribed (such down payments and loan values to be calculated as specified in Parts 4 and 5 of this Supplement); but *no article having a cash price of less than \$50.00 shall be considered a listed article:*

Group A—15 months maximum maturity, 33 $\frac{1}{3}$ per cent minimum down payment, 66 $\frac{2}{3}$ per cent maximum loan value:

1. Automobiles (passenger cars designed for the purpose of transporting less than 10 passengers, including taxicabs).

Group B—15 months maximum maturity, 33 $\frac{1}{3}$ per cent minimum down payment, 66 $\frac{2}{3}$ per cent maximum loan value:

1. Cooking stoves and ranges, designed for household use.
2. Dishwashers, mechanical, designed for household use.
3. Ironers designed for household use.
4. Refrigerators, mechanical, of less than 12 cubic feet rated storage capacity (including food freezers).
5. Washing machines designed for household use.
6. Combination units incorporating any listed article in the foregoing classifications of this Group B.
7. Air conditioners, room unit.
8. Radio receiving sets, phonographs, or combinations.
9. Sewing machines designed for household use.
10. Suction cleaners designed for household use.

Group C—15 months maximum maturity, 20 per cent minimum down payment, 80 per cent maximum loan value:

1. Furniture, household, (including ice refrigerators, bed springs, mattresses and lamps); and floor coverings, soft surface.

Part 2. Unclassified Instalment Loans.—The maximum maturity of any instalment loan subject to section 4(b) shall be 15 months.

Part 3. Refinancing Pursuant to Statement of Changed Conditions.—The maximum maturity of any refinancing pursuant to a Statement of Changed Conditions as specified in section 5(b) shall be 18 months.

Part 4. Calculation of Down Payments for Automobiles.—In the case of a *new* automobile, the required down payment and maximum loan value shall be the specified percentage of the *cash price*; and such

down payment may be obtained in the form of cash, trade-in, or both.

The same rule shall apply in the case of a *used* automobile, except that after January 1, 1947, the maximum loan value shall be the specified percentage of the cash price or of the "*appraisal guide value*", whichever is lower, and the required down payment shall be the difference between the cash price and the maximum loan value as so calculated.

"Appraisal guide value" means the estimated average retail value as stated in such edition of any regularly published automobile appraisal guide as the Board may designate for this purpose for use in the territory in which such used automobile is sold, *plus* any applicable sales taxes. Information as to the guide or guides designated for any given territory may be obtained from any Federal Reserve Bank or branch.

Part 5. Calculation of Down Payments for Articles in Group B or Group C.—If any article is traded in by the purchaser on an article listed in Group B or Group C, the required down payment and the maximum loan value shall be the specified percentage of the *net price* of the article after deducting from the cash price the amount allowed for the trade-in; and such down payment shall be obtained in cash in addition to the trade-in.

LIST OF FEDERAL RESERVE BANKS AND BRANCHES

<i>Federal Reserve Bank of</i>	<i>Address</i>
BOSTON	30 Pearl Street. Boston 6, Massachusetts
NEW YORK	33 Liberty Street. New York 7, New York
Buffalo Branch	270-276 Main Street, Buffalo 5, New York
PHILADELPHIA	925 Chestnut Street. Philadelphia 1, Pennsylvania
CLEVELAND	East 6th Street and Superior Avenue. Cleveland 1, Ohio
Cincinnati Branch	4th and Race Streets. Cincinnati 1, Ohio
Pittsburgh Branch	717 Grant Street. Pittsburgh 19, Pennsylvania
RICHMOND	9th and Franklin Streets, Richmond 13, Virginia
Baltimore Branch	Calvert and Lexington Streets, Baltimore 3, Maryland
Charlotte Branch	South Tryon and 2nd Streets, Charlotte 1, North Carolina
ATLANTA	104 Marietta Street. Atlanta 3, Georgia
Birmingham Branch	18th Street and 5th Avenue, North, Birmingham 2, Alabama
Jacksonville Branch	Church and Hogan Streets, Jacksonville 1, Florida
Nashville Branch	228 3rd Avenue, North, Nashville 3, Tennessee
New Orleans Branch	Carondelet and Common Streets, New Orleans 11, Louisiana
CHICAGO	230 South LaSalle Street, Chicago 90, Illinois
Detroit Branch	160 Fort Street, West, Detroit 31, Michigan
ST. LOUIS	411 Locust Street, St. Louis 2, Missouri
Little Rock Branch	121 West 3rd Street, Little Rock, Arkansas
Louisville Branch	5th and Market Streets, Louisville 1, Kentucky
Memphis Branch	3rd and Jefferson Streets, Memphis 1, Tennessee
MINNEAPOLIS	73 South 5th Street, Minneapolis 2, Minnesota
Helena Branch	Park Avenue and Lawrence Street, Helena, Montana
KANSAS CITY	10th Street and Grand Avenue, Kansas City 18, Missouri
Denver Branch	17th and Arapahoe, Denver 17, Colorado
Oklahoma City Branch	226 West 3rd Street, Oklahoma City 1, Oklahoma
Omaha Branch	1701-5 Dodge Street, Omaha 2, Nebraska
DALLAS	Wood and Akard Streets, Dallas 13, Texas
El Paso Branch	351 Myrtle Avenue, El Paso, Texas
Houston Branch	1301 Texas Avenue, Houston 1, Texas
San Antonio Branch	Navarro and Villita Streets, San Antonio 6, Texas
SAN FRANCISCO	Sacramento and Sansome Streets, San Francisco 20, California
Los Angeles Branch	409 West Olympic Boulevard, Los Angeles 54, California
Portland Branch	6th and Oak Streets, Portland 8, Oregon
Salt Lake City Branch	70 East South Temple Street, Salt Lake City 9, Utah
Seattle Branch	2nd Avenue and Spring Street, Seattle 14, Washington

