

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 3365]
August 26, 1948

**REGULATION W
CONSUMER INSTALMENT CREDIT CONTROL**

*To all Persons in the Second Federal Reserve District
Concerned with Regulation W:*

There is set forth below the text of a statement issued by the Board of Governors of the Federal Reserve System, regarding the issuance by the Board of its Regulation W, entitled "Consumer Instalment Credit", which will become effective on September 20, 1948; and announcing that the Board of Governors is considering the advisability of certain amendments to the regulation.

**BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM**

Statement for the Press

For release in morning papers of Friday, August 20, 1948

August 19, 1948

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:

<i>Article</i>	<i>Down Payment</i>
1. Automobiles	33⅓%
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:

<i>Credit</i>	<i>Maximum maturity</i>
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 W is enclosed, so that you may acquaint yourself with its provisions, and determine whether or not your business is such that you will be subject to the regulation.

Special attention is called at this time to the provision for registration set forth in section 2(b) of the regulation. Any person whose principal place of business is within the Second Federal Reserve District, and who is engaged in any business making him subject to the regulation, should file a registration statement with us not later than sixty days after September 20, 1948. This should be done whether or not the person had filed a registration statement under Regulation W as in effect prior to November 1, 1947. The new registration forms, which will be somewhat different from those formerly used, will be distributed by us shortly.

The proposals for the amendment of the new Regulation W, referred to in the above statement of the Board of Governors, have been published in the Federal Register, and are set forth on page 3 of this circular.

Any inquiries concerning Regulation W should be addressed to us.

Additional copies of this circular and of the regulation will be furnished on request.

ALLAN SPROUL,
President.

FEDERAL RESERVE SYSTEM

[12 CFR, Part 222]

[Regulation W]

CONSUMER INSTALMENT CREDIT

NOTICE OF PROPOSED CHANGES

The Board of Governors of the Federal Reserve System has adopted, and has had published in the FEDERAL REGISTER, Part 222 (relating to Consumer Instalment Credit) to become effective September 20, 1948. That part is also called Regulation W. The Board has under consideration, with a view to possible future adoption, certain proposed amendments to the part. These proposed amendments may be described in general terms as follows:

1. *Modernization and repair credits.* Amendments which would bring under this part so-called modernization and repair credits, that is, credit for repairs, alterations or improvements upon real property in connection with existing structures. Such amendments would involve several changes in the provisions of this part. One such change might be the elimination of the exemption of these credits which is now contained in clause (2) of § 222.7 (g) of this part. Another necessary change might be to add to § 222.9 of this part a provision subjecting such credits to such down payment (and maximum loan value) requirements, maximum maturities, or both, as the Board might prescribe.

2. *Enforceability of contracts.* Amendments to this part which would have the effect of making unenforceable contracts (and related liens) which violate this part, or which violate certain provisions thereof, such as those relating to down payments and maximum maturities. Such amendments would involve the deletion or amendment of § 222.8 (c) of this part, and might also involve changes in other provisions of this part, including § 222.8 (e) relating to non-compliance due to facts outside the Registrant's knowledge.

This notice is published pursuant to section 4 of the Administrative Procedure Act and section 2 of the rules of procedure of the Board of Governors of the Federal Reserve System (12 CFR 1946 Supp. 262.2). The proposed changes are authorized by section 5 (b) of the Act of October 6, 1917, as amended (40 Stat. 415; 12 U. S. C. 95a), Executive Order No. 8843, dated August 9, 1941, and Public Law 905, approved August 16, 1948.

Interested persons may submit data, views or arguments with respect to these matters; and any such material should be submitted in writing. Although submittals or requests may be sent directly to the Board, it is preferable that they be sent to the Federal Reserve Bank of the district in which the interested person resides or maintains his business, which will forward them to the Board. To be considered, all material must be received not later than September 20, 1948.

Approved this 17th day of August 1948.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM,

[SEAL] S. R. CARPENTER,

Secretary.

[F. R. Doc. 48-7580; Filed, Aug. 20, 1948; 8:45 a. m.]

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

CONSUMER INSTALMENT CREDIT



REGULATION W

Effective September 20, 1948



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 INSTALMENT CREDIT

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REGULATION W

Effective September 20, 1948*

CONSUMER INSTALMENT 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, Executive Order No. 8843, dated August 9, 1941 (hereinafter called the "Executive Order"), and Public Law 905, approved August 16, 1948.

The regulation applies, in general, to any person who is engaged in the business of making extensions of instalment credit in amounts of \$5,000 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.**—Each 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, is referred to in this regulation as a "Registrant"; and no Registrant 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 have a license, and each Registrant is hereby granted such a license, but such license of a Registrant may be

* This regulation shall apply to extensions of credit made, renewed, revised or consolidated on or after the effective 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 \$5,000.

suspended in the manner and on the grounds stated in section 8(b); 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.

(b) **Registration.**—Within 60 days after the effective date of this regulation, or 60 days after he becomes subject to section 2(a), whichever is later, each Registrant shall file, 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 a form obtainable from any Federal Reserve Bank or branch. *Such statement shall be filed regardless of whether or not the Registrant had filed such a statement under Regulation W as in effect prior to November 1, 1947.*

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 article¹ 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 (regardless of when the outstanding credit originated) 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 dis-

count 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 there has been made a cash down payment at least as great as the highest down payment required by this regulation on any article sold by the Registrant. 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, education, 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 under section 4(a) (4) of the Reconstruction Finance Corporation Act, as amended, because of floods or other catastrophes, 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 Registrant 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 Registrant shall furnish, under oath or otherwise, such information relative to any transaction within the scope of the authority cited in section 1 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, because of 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

³ In addition, the authority cited in section 1 authorizes the Board to institute court proceedings to restrain violations and to compel compliance with the regulation or any order of the Board made in pursuance thereof. Furthermore, 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.”

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*” has the meaning given it in section 2(a).

(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

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.

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 \$5,000 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 \$5,000 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.

(8) "*Principal Amount*" in the case of an instalment sale means the total amount to be paid under the obligation *minus* the finance charge, and in the case of an instalment loan means the amount lent exclusive of interest (whether or not such interest is deducted in advance).

SUPPLEMENT TO REGULATION W

Effective September 20, 1948

Part 1. Listed Articles, Down Payments, Loan Values.—For the purpose of Regulation W, the following articles, whether new or used, are “listed articles”, and the following 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—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—20 per cent minimum down payment, 80 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 or television receiving sets, phonographs, or combinations.
9. Sewing machines designed for household use.
10. Suction cleaners designed for household use.
11. Furniture, household, (including ice refrigerators, bed springs, mattresses and lamps); and floor coverings, soft surface.

Part 2. Maturities.—The maximum maturity for all listed articles and for unclassified instalment loans is 15 months in case the extension of credit is in a principal amount of \$1,000 or less and 18 months in case the extension of credit is in a principal amount of more than \$1,000, except that when such principal amount is more than \$1,000 the instalment payments shall not be less than \$70 per month.

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 20 months.

Part 4. Calculation of Down Payments for Automobiles.—The maximum loan value of any automobile 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. Such required down payment in the case of an automobile may be obtained in the form of cash, trade-in, or both.

"Appraisal guide value" means the estimated average retail value as stated in the current edition of any regularly published automobile appraisal guide that the Board designates for this purpose for use in the territory in which such 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.—If any article is traded in by the purchaser on an article listed in Group B, 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

FEDERAL RESERVE SYSTEM

BOUNDARIES OF FEDERAL RESERVE DISTRICTS
AND THEIR BRANCH TERRITORIES



OCTOBER 1, 1946

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

**Outline of the Principal Provisions
of
Regulation W
of the
Board of Governors of the Federal Reserve System
Pertaining to
Consumer Instalment Credit**

Effective September 20, 1948

NOTE. This outline does not replace or affect in any respect the provisions of Regulation W. It is intended to serve merely as a quick reference guide to the principal provisions of the regulation and was prepared solely for the use of Bank Examiners and other enforcement agents.

FEDERAL RESERVE BANK OF NEW YORK

OUTLINE OF THE PRINCIPAL PROVISIONS OF REGULATION W OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM PERTAINING TO CONSUMER INSTALMENT CREDIT

TRANSACTIONS SUBJECT

The regulation is applicable to all instalment sale contracts, or notes, and instalment loans, of \$5,000. or less, principal amount arising in connection with the sale of "listed articles". It is also applicable to all other instalment loans in the aforesaid principal amount unless specifically exempted by the regulation. Instalment sale contracts pertaining to non "listed articles" are not subject to the regulation.

Bona fide single payment obligations whether or not to finance the sale of "listed articles" are not subject to the regulation, provided there is no prior oral or written agreement or understanding requiring the obligor to make partial payments in reduction of any such obligation or providing for the renewal on terms inconsistent with the regulation.

REQUIREMENTS FOR INSTALMENT SALE CONTRACTS (OR NOTES) AND INSTALMENT LOANS.

	GROUP A	GROUP B	UNCLASSIFIED GROUP
MAXIMUM LOAN VALUE	66 $\frac{2}{3}$ % of the lower of the cash price or designated appraisal guide value if used cars of 1938 through 1948 models. 66 $\frac{2}{3}$ % of cash price for new cars, used 1949, 1937 and prior models.	80% of cash price net of trade in value, if any.	Not applicable.
DOWN PAYMENT	Difference between maximum loan value and cash price, payable in cash, trade in, or both.	20% of cash price net of trade in value, if any.	Not applicable.
MAXIMUM MATURITY \$1,000 or less Principal Amount	15 months, except payments shall be not less than \$5.00 per month, or \$1.25 per week.	Same as Group A.	Same as Group A and B.
MAXIMUM MATURITY over \$1,000 through \$5,000 Principal Amount	18 months, except payments shall be not less than \$70.00 per month.	Same as Group A.	Same as Group A and B.

GROUPS OF CREDIT SUBJECT TO THE REGULATION.

- GROUP A—Automobiles (passenger cars designed to transport less than 10 passengers, including taxicabs and station wagons).
- GROUP B—
- (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 foregoing listed article in Group B.
 - (7) Air conditioners, room unit.
 - (8) Radio or television receiving sets, phonograph or combination.
 - (9) Sewing machines designed for household use.
 - (10) Suction cleaners designed for household use.
 - (11) Household furniture, including ice refrigerators, bed springs, mattresses, lamps and soft surface floor coverings.

UNCLASSIFIED GROUP—Instalment loans for purposes not exempted by the regulation, and not arising out of the sale of one or more of the above listed articles.

STATEMENTS REQUIRED—

In connection with transactions subject to the regulation there shall be:

On Instalment Sales—a Statement of Transaction in accordance with section 6(c) of the regulation.

On Instalment Loans—a Statement of the Borrower in accordance with section 4(d) of the regulation.

RENEWALS, REVISIONS AND CONSOLIDATIONS—of outstanding instalment obligations are to be treated as though they were new extensions of credit and the maturity calculated from the date of such renewal, revision or consolidation in accordance with the maximum maturity requirements set forth in the above table; the requirements pertaining to maximum loan values and Statement of the Borrower and Statement of Transaction shall apply only with respect to any new extension of credit included in such renewal, revision or consolidation. With a *Statement of Changed Conditions* accepted in good faith the maximum maturity of a renewed or refinanced credit may be 20 months from the date of the renewal or refinancing.

MIXED CREDITS—

partly subject to one section and partly subject to another, or partly subject and partly not subject, are to be treated as though they were two separate and distinct extensions of credit.

RESPONSIBILITY OF BANK OR FINANCE COMPANY IN CONNECTION WITH

PURCHASE OR DISCOUNT OF INSTALMENT PAPER SUBJECT TO THE REGULATION.

- (1) Paper shall not show on its face failure to comply with regulation.
- (2) Bank or Finance Company shall not know of any condition or circumstance by which the paper fails to comply even though it may not be revealed on face of paper.
- (3) Bank or Finance Company shall not make or receive payments on paper which does not comply with the regulation.

EXEMPT CREDITS—

See section 7 of the regulation for exceptions relating to the following:

- (a) Business or Agricultural Loans (not to purchase listed articles).
- (b) Credit to Dealers and certain Salesmen.
- (c) Credits to Governmental Agencies, Religious Institutions, etc.
- (d) Credits under Government Rehabilitation and Readjustment Programs (including insured or guaranteed loans to veterans).
- (e) Loans to pay Fire and Casualty Insurance Premiums.
- (f) Credit for Purchasing Securities.
- (g) Real Estate and Home Improvement Loans, (exclusive of purchase of listed articles in connection with improvement loans).
- (h) Loans to meet Medical Expenses, etc.
- (i) Disaster Credits.

94 3365

**FEDERAL RESERVE BANK
OF NEW YORK**

NEW YORK 45, N.Y.

Dear Sir:

As you no doubt know, Regulation W of the Board of Governors of the Federal Reserve System pertaining to "Consumer Instalment Credit", pursuant to Public Law 905, became effective September 20, 1948, and is administered in the field by the twelve Federal Reserve Banks and their twenty-four branches located throughout the country.

The Regulation is in much the same form as the former Regulation W which terminated on November 1, 1947. Generally speaking, the Regulation is applicable to extensions of instalment credit in the principal amount of \$5,000 or less, arising out of the sale of twelve kinds of consumers' durable goods, providing the cost of each item of merchandise is more than \$50.00, and also instalment loans in the principal amount of \$5,000 or less arranged to finance the purchase of such goods, or for any other purpose, unless specifically exempted by the Regulation.

Every person who, on September 20, 1948, was engaged in a business subject to the Regulation, is required to file with the Federal Reserve Bank or branch in which territory he is located, a registration statement not later than November 19, 1948. Further, every person who on the effective date of the Regulation was not engaged in a business which was subject to the Regulation, but who thereafter engages in such a business, is required to file a registration statement within sixty days after he has become subject to the Regulation. Such statement must be filed whether or not the person had filed a registration statement under the former Regulation W which was in effect prior to November 1, 1947.

The Regulation provides that certain penalties may be imposed against any person, after hearing and conviction, because of his willful or negligent failure to comply with any provisions of the Regulation. Such penalties may be in the form of a suspension, in whole or in part, by the Board of Governors, of the license to transact business involving

the extension of credit subject to the Regulation, or may even take the form of a fine of not more than \$10,000 or, if a natural person, imprisonment of not more than ten years, or both. The matter of registration is a specific requirement of the Regulation and failure to register is a violation of the Regulation.

We are anxious that all persons who are required to register under Regulation W know that they are required to do so. We would appreciate very much your calling to the attention of your readers the need for registration by November 19, 1948, of those persons who are engaged in businesses subject to the Regulation, and also to the requirement that any person who is not so engaged at this time will be required to register within sixty days from the date he does become engaged in such business. Your cooperation with us in this connection will be of assistance in our administrative and enforcement work under the Regulation.

There is enclosed herewith a copy of Regulation W, together with Circulars numbered 3365 and 3380 of this bank, which may be helpful to you in preparing any item which you may feel you can publish with respect to this matter.

Very truly yours,

A. Phelan,
Vice President.

Encs.