

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 3390]
October 28, 1948]

CONSUMER INSTALMENT CREDIT CONTROL

**Amendment No. 1 to Regulation W of the Board of Governors of the
Federal Reserve System**

*To Financial Institutions and Certain Other Persons in the
Second Federal Reserve District Concerned with Regulation W:*

The Board of Governors of the Federal Reserve System has adopted Amendment No. 1 to Regulation W, effective November 1, 1948. For your information we quote below from a press statement issued by the Board of Governors relating to this amendment, and released for publication on October 28, 1948:

The Board of Governors of the Federal Reserve System has adopted an amendment to Regulation W—Consumer Instalment Credit—which will permit customer trials of appliances without prior down payment under certain specified conditions. The amendment, which becomes effective November 1, 1948, is designed to reduce certain technical difficulties experienced by instalment dealers subject to the regulation, and is not intended to result in any relaxing of the credit restrictions.

It has been the custom for some dealers to deliver appliances and other articles subject to the customer's approval or for demonstration purposes. When such deliveries were made in anticipation of an instalment sale, the regulation has heretofore required a down payment at or before the time of delivery. The amendment provides that if certain specified conditions are followed the seller may allow a trial period of not more than ten days without previously obtaining the down payment.

A printed copy of Amendment No. 1 to Regulation W is enclosed. Additional copies may be obtained upon request.

ALLAN SPROUL,
President.

AMENDMENT NO. 1 TO REGULATION W

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Effective November 1, 1948, section 6(g) of Regulation W is amended to read as follows:

“(g) **Delivery in Anticipation of Instalment Sale.**— Except as provided in the following paragraph, 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.

“In order to qualify as an exception to the preceding paragraph the article must be an article listed in Group B, the delivery must be exclusively for the purpose of a *bona fide* trial, approval, or demonstration, and the Registrant must, within ten days after such delivery, obtain the down payment referred to in the preceding paragraph or the return of the article. Every such case shall be evidenced by a written agreement signed by the respective parties, of which a copy shall be given the prospective purchaser at or before the delivery of the article, and such written agreement shall clearly and prominently state that (1) the delivery is exclusively for the purpose of a *bona fide* trial, approval, or demonstration, and (2) the prospective purchaser will make the required down payment (the amount of which shall be stated in the agreement) within ten days after delivery of the article for trial, approval, or demonstration or will return or release the article within such ten day period.

“In calculating the maximum maturity in connection with transactions under either of the two preceding paragraphs, the date of delivery of the article sold shall be considered the date of the sale.”