

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 3586]
[September 11, 1950]

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 Credit," which will become effective on September 18, 1950.

For release in morning papers
of Saturday, September 9, 1950.

September 8, 1950

Under the authority of the Defense Production Act of 1950, the Board of Governors today reinstated regulation of consumer instalment credit through Regulation W effective at the opening of business September 18, 1950.

The regulation covers automobile instalment credits of \$5,000 and less and other instalment credits of \$2,500 and less. Except that home improvement credits are now covered and terms are generally tightened, the regulation is in much the same form as the regulation which expired June 30, 1949.

The limitations initially established are:

Down payments of at least one-third, and maximum maturities of 21 months for automobiles.

Down payments of at least 15 per cent, and maximum maturities of 18 months for appliances: refrigerators, food freezers, radio or television sets, phonographs, cooking stoves, ranges, dishwashers, ironers, washing machines, clothes driers, sewing machines, suction cleaners, air conditioners and de-humidifiers.

Down payments of at least 10 per cent, and 18 months maximum maturity for furniture and rugs.

Down payments of at least 10 per cent, and 30 months maximum maturity for home repairs, alterations or improvements.

Following the past policy of placing fewer restrictions on small credits, the new regulation does not contain down payment requirements for articles costing less than \$100 although, unlike the former regulation, maturities are limited.

Instalment loans for the purchase of any listed article carry the same limitations that apply to the instalment sale of the article; other instalment loans are limited to a maximum maturity of 18 months.

In establishing the initial terms the Board took into account the prevailing practices and terms in the trades affected. There has been a material relaxation of instalment credit terms during the past year or more, and the requirements of the regulation are substantially tighter than the terms now widely offered.

In the automobile field the great majority of recent instalment sales of new cars and late model used cars are reported as having been financed on substantially easier terms, either as to down payments or maturities or both, than permitted by the new regulation.

(OVER)

Similarly, many instalment sales of appliances and furniture are reported as having been made with down payments of 10 per cent or less; in many cases only token or no down payments have been required. Maturities of 24 months on instalment sales of such articles have been reported as widely prevalent with longer maturities offered in some cases.

Consumer credit has undergone an unprecedented expansion, particularly in recent months. Under present conditions continued excessive growth of consumer instalment credit adds materially to inflationary pressures.

The regulation of consumer credit is one of the fiscal, monetary and credit measures designed to restrain the inflationary pressures that result in higher prices and to facilitate diversion of critical material and manpower to production of defense needs as such diversion is required.

As the Board has frequently emphasized, the regulation is a useful supplementary instrument to combat inflation. It applies to an important part, but only to one part, of the credit structure and therefore cannot by itself effectively control inflationary forces.

The regulation is being published in the Federal Register and copies of the regulation will be made available through all Federal Reserve Banks and Branches as soon as possible. The regulation 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.

Regulation W was first put into effect under Executive Order September 1, 1941. It expired November 1, 1947. It was reinstated September 20, 1948 under statutory authority which expired June 30, 1949. The business community and the buying public, the Board and the Federal Reserve Banks have thus had extensive experience with this type of credit regulation.

Through the 12 Federal Reserve Banks and their 24 Branches, and the more than 250 directors of the Reserve Banks and Branches, the Board has the advantage of immediate and close contact with all segments of commerce, trade and industry, and with consumers affected by the regulation. Because of this advantage, a regulation of this kind can be promptly adapted in the future, as it has in the past, to changing conditions as reported on the basis of experience in all parts of the nation.

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.

Section 2(b) of the regulation requires 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, to file a registration statement with this Bank not later than sixty days after September 18, 1950. This should be done whether or not the person had filed a registration statement under Regulation W as in effect prior to June 30, 1949. The new registration forms will be mailed to you shortly.

Any inquiries you may have concerning Regulation W should be addressed to this Bank at the Federal Reserve P. O. Station, New York 45, N. Y.

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

ALLAN SPROUL,
President.

BOARD OF GOVERNORS
of the
FEDERAL RESERVE SYSTEM

CONSUMER CREDIT



REGULATION W

Effective September 18, 1950



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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REGULATION W
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, U.S.C., title 50, App., section 5(b); Executive Order No. 8843, dated August 9, 1941 (hereinafter called the "Executive Order"); and the "Defense Production Act of 1950," particularly section 601 thereof.

The regulation applies, in general, to any person who is engaged in the business of extending instalment credit in amounts of \$5,000 or less, or discounting, purchasing or lending on, obligations arising out of such 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 extending such 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 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 credit extended 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 suspended in the manner and on the grounds stated in section 8(b); and

¹ "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. Certain instalment sales and instalment loans, including some that are in a principal amount exceeding \$2,500, are exempted from the regulation by section 7.

(2) The credit extended, 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 at any time prior to the effective date of this regulation.*

SECTION 3. INSTALMENT SALES: GENERAL RULES

Except as otherwise provided by this regulation, each instalment sale shall comply with the following requirements:³

(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 time balance specified in section 6(c) shall have a maturity not exceeding the maximum maturity specified for the listed article in the Supplement.

(b) Amounts and Intervals of Instalments; Record.—Except as permitted by section 6(a) for seasonal incomes, etc., 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 per month or \$1.25 per week on the aggregate instalment indebtedness of one debtor to the same creditor. The information specified in section 6(c) shall be set forth in a *bona fide* record of any transaction subject to this section.

(c) Time of Down Payment.—The down payment shall be obtained at or before the time of delivery of the listed article; except that in the case of an article listed in Group D, the down

³ Certain instalment sales, including some that are in a principal amount exceeding \$2,500, are exempted from the regulation by section 7.

payment shall be obtained at or before the time of beginning the agreed upon repairs, alterations, or improvements.

SECTION 4. INSTALMENT LOANS: GENERAL RULES

Except as otherwise provided by this regulation, each instalment loan shall comply with the following requirements:⁴

(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 amount of any insurance premium) 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 of the instalment credit (including any interest or finance charges, and the amount of any insurance premium and of any items included in the cash price of the article) 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 maturity of the instalment credit (including any interest or finance charges and the amount of any insurance premium) shall not exceed the maximum maturity specified for unclassified instalment loans in the Supplement.

(c) Amounts and Intervals of Instalments; Record.—Whether subject to section 4(a) or section 4(b), the instalment credit, except as permitted by section 6(a) for seasonal incomes, etc., 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 per month or \$1.25 per week on the aggregate instalment indebtedness of one debtor to the same creditor. The terms of payment shall be set forth in a *bona fide* record of any instalment credit subject to this section.

(d) Statement of the Borrower.—No Registrant shall make any instalment loan subject to section 4(a) or 4(b) unless he

⁴ Certain instalment loans, including some that are in a principal amount exceeding \$2,500, are exempted from the regulation by section 7.

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 price⁵ 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 in connection with the purchase 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 instalment credit already outstanding, or which results from the combination of any such outstanding credit with an additional 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 credit except that:

(1) The requirements as to Statement of the 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 per month or \$1.25 per week on the aggregate instalment indebtedness of one debtor to the same creditor.

⁵ Part 5 of the Supplement permits the use of a *bona fide* estimated cash price in certain cases.

(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 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 the maximum maturity specified in the Supplement for refinancing pursuant to such Statements, but such maximum maturity shall be applicable only to the credit refinanced. The payments on the credit refinanced need not be as large as \$5 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 credit or which were beyond his control, which statement also sets forth briefly the principal facts and circumstances (1) with respect to the original 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; Serviceman'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 and assignment to active duty: Provided, that the instalment sale of any repossessed article must comply with the applicable requirements of this regulation.

SECTION 6. CERTAIN TECHNICAL PROVISIONS

(a) **Payment Schedules for Seasonal Incomes, etc.**—The schedule of instalment payments otherwise specified by this regulation may be modified, within the applicable maximum maturity, as follows:

(1) If the income received by the obligor from the main sources of his income customarily fluctuates materially from month to month or from season to season and the Registrant has a record of the facts relied upon by him in good faith in that connection, such schedule may be adapted to such customary flow of income provided (i) at least half of the credit is to be repaid within the first half of the applicable maximum maturity or at least two-thirds of the credit is to be repaid within the first two-thirds of the applicable maximum maturity, or (ii) payments are reduced or omitted in not more than 4 months of any calendar year but are otherwise in equal monthly amounts; or

(2) The Registrant may require terms of payment which (i) provide a final or other instalment payment which, as a result of rounding off preceding instalments by amounts less than \$1, is not more than 50 per cent greater in amount than the amount of any preceding instalment, or (ii) provide during the first 4 months of the maturity of the obligation additional instalment payments which are in substantially equal amounts and at approximately equal intervals if, as a result, no instalment is more than twice as large as any preceding instalment.

(b) Calculating Date of First Instalment and Maximum Maturity.—In calculating the maximum maturity of an instalment obligation, a Registrant may, at his option, use any date not more than 15 days subsequent to the actual date of the loan or delivery of the listed article sold; and except as permitted by section 6(a), the first instalment shall be scheduled for payment not later than one month or, in accordance with such option, one month and 15 days subsequent to the actual date of the loan or delivery of the listed article sold.

(c) Record of Instalment Sale.—The record of an instalment credit arising from the sale of a listed article and required by section 3(b) 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 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 record need not include the information called for by items (2) and (4) if the Registrant is one who, with respect to the article, customarily quotes to the public a *time price* only which includes the finance or other charges if any, provided he sets forth such time price in such 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) Credit for Mixed Purposes.—In case a credit is partly subject to one section of this regulation and partly subject to another section, the amount and terms of such 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; except that the maturity of any such credit may be the maximum maturity applicable to the listed article giving rise to the major part of the credit. In case a credit is partly subject to this regulation (whether for a listed article or because otherwise required to be scheduled for payment within any maximum maturity specified by the regulation) and partly not subject to the regulation, the amount and terms of such credit will comply with the requirements of this regulation if they satisfy the requirements of this regulation applicable to the regulated portion.

(e) 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 no more than \$1 to equal the sum of the down payments required by this regulation for all of the articles included in the order.

(f) Delivery in Anticipation of Instalment Sale.—Except as provided in the following paragraph, in case any listed article is delivered in anticipation of, or under any arrangement whereby delivery of a listed article precedes, an instalment sale of that article or a similar article (such as, but not limited to, 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 or in Group C, the delivery must be exclusively for the purpose of a *bona fide* trial, approval, or demonstration, and the Registrant must, within 10 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 the time of or before the delivery of the article, and such written agreement shall state clearly and prominently 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 10 days after delivery of the article for trial, approval, or demonstration or will return or release the article within such 10-day period.

(g) Sets and Groups of Articles.—In determining whether the down payment and maximum loan value requirements of this regulation are applicable, any set, group, or assembly commonly considered, sold or used as a single unit shall be deemed to be a single listed article if the component parts thereof are sold or delivered at substantially the same time.

(h) Evasive Side Agreements.—No credit complies with the requirements of this regulation if at the time the obligation arises 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.

(i) Side Loan to Make Down Payment.—A Registrant shall not extend any credit for financing 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 credit of any kind extended 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 credit exists or is to be extended, such statement shall be deemed to be correct for the purposes of the Registrant.

(j) 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.

(k) 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

The provisions of this regulation, other than section 8(a), do not apply to any of the following:

(a) Credits over \$2,500 Not Involving Automobiles.—Any credit in a principal amount exceeding \$2,500, unless it is (1) an instalment sale of an article listed in Group A, or (2) an instalment loan the proceeds of which are to be used to purchase an article listed in Group A.

(b) 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.

(c) Credit to Dealers and Certain Salesmen.—Any credit extended to a wholesaler or retailer to finance the purchase of

any article for resale, or any credit extended 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.

(d) Credit to Governmental Agencies, Religious Institutions, etc.—Any credit extended 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.

(e) Credits Under Government Rehabilitation and Readjustment Programs.—Any credit (1) extended 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) extended or insured by the Farmers' Home Administration, (3) extended in accordance with the regulations of the Secretary of the Interior for the economic development or rehabilitation of Indians, (4) extended under section 4(a) (4) of the Reconstruction Finance Corporation Act, as amended, because of floods or other catastrophes, or (5) extended, 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, as amended, or by any State agency pursuant to similar State legislation.

(f) 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 and the policy is not related to any listed article sold to the borrower, or financed for him, by the Registrant.

(g) Credit for Purchasing Securities.—Any credit which is subjected to the Board's regulations issued under the Securities Exchange Act of 1934, as amended, or which is otherwise for the purpose of purchasing or carrying stocks, bonds, or other investment securities.

(h) Real Estate Credit.—Any credit extended for the purpose of financing or refinancing (1) the construction or purchase of an entire residential building or other entire structure, (2) the construction or purchase of any other entire unit designed

for residential occupancy if such unit does not result from repairs, alterations, or improvements upon an existing structure, or (3) any credit subjected to regulations issued under the Defense Production Act of 1950 concerning real estate construction credit.

(i) **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.

(j) **Disaster Credits.**—Any credit extended 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 credit is extended prior to the end of the sixth calendar month following the month in which the disaster occurred and the Registrant has a record of the facts relied upon by him in good faith describing the damage or loss.

(k) **Certain Loans on Savings Shares or Accounts.**—Any loan which is made by a bank, savings and loan association, or similar institution, and is fully secured by withdrawable shares issued by or savings accounts held with the lender.

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 or agreements required by or obtained pursuant to this regulation) as are relevant to establishing whether or not a credit qualifies for exemption under section 7, or whether or not it is otherwise in conformity with the requirements of this regulation, provided, however, that the Registrant may preserve photographic reproductions in lieu of such books of account, records, or other 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 ^a.—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.

^a In addition, section 604 of the Defense Production Act of 1950 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, section 603 of such Act provides that “Any person who willfully violates any provision of section 601 [of the Act] * * * or any regulation or order issued thereunder, upon conviction thereof, shall be fined not more than \$5,000 or imprisoned not more than one year or both.”

(d) Clerical Errors.—Any failure to comply with this regulation resulting from a mistake in determining, calculating, or recording any price, down payment, or 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) Noncompliance 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) a credit extended by him if, at the time thereof, he did not know or have reason to know any fact by reason of which such credit 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 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 a 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 credit extended 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) Contracts Outstanding on Effective Date of Regulation.—Nothing in this regulation shall prevent the performance of any valid contract or obligation entered into prior to the effective date of this regulation; but, when any obligation arising out of any credit extended prior to such date is combined with any

credit extended on or after such date or is the subject of any renewal or revision made on or after such date, such credit shall be treated for the purposes of this regulation as having been extended on the date of such consolidation, renewal, or revision.

(i) **Transactions Subjected to Regulation by Amendment.**—Whenever this regulation is amended to add any article to the list of articles in the Supplement or so as to apply to any additional class of transactions, the amendment shall not prevent the performance of any valid contract made prior to the effective date of the amendment; but any renewal, revision, or consolidation of any obligation arising from a credit covering such newly added article or class of transactions shall be subject to the applicable requirements of this regulation.

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

(1) “*Person*” has the meaning given it in subsection (a) of section 702 of the Defense Production Act of 1950.⁷

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

(3) “*Credit*” means “*Extension of credit*” as defined in the Executive Order.⁸

(4) “*Instalment Credit*” means a 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.

⁷ Such Act provides that “The word ‘person’ includes an individual, corporation, partnership, association, or any other organized group of persons, or legal successor or representative of the foregoing, and includes the United States or any agency thereof, or any other government, or any of its political subdivisions, or any agency of the foregoing: Provided, That no punishment provided by this Act shall apply to the United States, or to any such government, political subdivision, or government agency.”

⁸ 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.

(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 article 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 arrangement for the use of property, or any 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 (net of any rebate or sales discount), including the *bona fide* cash purchase price of any accessories, the *bona fide* charge for any services sold or financed in connection with the article, any *bona fide* charges for delivery or installation, and any applicable sales taxes, but excluding any charges for interest, finance, or insurance.

^a Certain instalment sales and instalment loans, including some that are in a principal amount exceeding \$2,500, are exempted from the regulation by section 7.

SUPPLEMENT TO REGULATION W

Part I. Listed Articles, Down Payments, Loan Values.—For the purposes 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 such *down payment and loan value requirements* shall not apply in the case of a listed article having a cash price of less than \$100, exclusive of any applicable sales tax:¹⁰

Group A—33⅓ per cent minimum down payment, 66⅔ per cent maximum loan value:

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

Group B—15 per cent minimum down payment, 85 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 and food freezers, mechanical, designed for household use.
5. Washing machines or clothes drying 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; dehumidifiers, mechanical.
8. Radio or television receiving sets, phonographs, or combinations.
9. Sewing machines designed for household use.
10. Suction cleaners designed for household use.

Group C—10 per cent minimum down payment, 90 per cent maximum loan value:

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

¹⁰ The exclusion of sales taxes in this part of the Supplement does not affect the use of the term “Cash Price” elsewhere in the regulation. “Cash Price” as defined in section 8(j) (7) generally includes applicable sales taxes.

Group D—10 per cent minimum down payment, 90 per cent maximum loan value:

Residential repairs, alterations, or improvements.—Materials, articles, and services (other than articles listed elsewhere in the Supplement) in connection with repairs, alterations, or improvements upon urban, suburban, or rural real property in connection with existing structures. This does not relate to structures, or distinct parts thereof, which as so repaired, altered, or improved are designed exclusively for nonresidential use.

Part 2. Maturities.—The maximum maturities for listed articles and for unclassified instalment loans are:

Group A	21 months
Group B	18 months
Group C	18 months
Group D	30 months
Unclassified Instalment Loans	18 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) is 24 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,” for any given period, means the estimated average retail value as stated in the edition and issue designated by the Board for that period of any regularly published automobile appraisal guide designated by the Board for this purpose, as to guide, edition, and issue, for use in the territory in which such automobile is sold, plus any applicable sales taxes. Information as to the guide or guides, and editions and issues thereof, designated for any given territory may be obtained from any Federal Reserve Bank or branch.

Part 5. Calculation of Down Payments for Articles in Groups B, C, and D.—In the case of any article listed in Group B, Group C, or Group D, the required down payment and the maximum loan value shall be (1) the specified percentage of the cash price of the article, or (2), in the event of a trade-in by the purchaser, the specified percentage of the *net price* of the listed article after deducting from the cash price of that article the amount allowed for the trade-in. Such down payment shall be obtained in cash in addition to any trade-in.

If the cash price of an article listed in Group D cannot be determined at the time the required down payment must be obtained or at the time of the loan, (1) the Registrant may substitute for the cash price in calculating such down payment a *bona fide* estimated cash price, or (2) the borrower may substitute for the cash price, and in calculating the maximum loan value the Registrant may rely in good faith on, a *bona fide* estimated cash price as so stated in the Statement of the Borrower.

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 Buffalo Branch	33 Liberty Street, New York 45, New York 270-276 Main Street, Buffalo 5, New York
PHILADELPHIA	925 Chestnut Street, Philadelphia 1, Pennsylvania
CLEVELAND Cincinnati Branch Pittsburgh Branch	East 6th Street and Superior Avenue, Cleveland 1, Ohio 4th and Race Streets, Cincinnati 1, Ohio 1717 Grant Street, Pittsburgh 19, Pennsylvania
RICHMOND Baltimore Branch Charlotte Branch	9th and Franklin Streets, Richmond 13, Virginia Calvert and Lexington Streets, Baltimore 3, Maryland South Tryon and 2nd Streets, Charlotte 1, North Carolina
ATLANTA Birmingham Branch Jacksonville Branch Nashville Branch New Orleans Branch	104 Marietta Street, Atlanta 3, Georgia 18th Street and 5th Avenue, North, Birmingham 2, Alabama Church and Hogan Streets, Jacksonville 1, Florida 228 3rd Avenue, North, Nashville 3, Tennessee Carondelet and Common Streets, New Orleans 11, Louisiana
CHICAGO Detroit Branch	230 South LaSalle Street, Chicago 90, Illinois 160 Fort Street, West, Detroit 31, Michigan
ST. LOUIS Little Rock Branch Louisville Branch Memphis Branch	411 Locust Street, St. Louis 2, Missouri 121 West 3rd Street, Little Rock, Arkansas 5th and Market Streets, Louisville 1, Kentucky 3rd and Jefferson Streets, Memphis 1, Tennessee
MINNEAPOLIS Helena Branch	73 South 5th Street, Minneapolis 2, Minnesota Park Avenue and Lawrence Street, Helena, Montana
KANSAS CITY Denver Branch Oklahoma City Branch Omaha Branch	10th Street and Grand Avenue, Kansas City 18, Missouri 17th and Arapahoe, Denver 17, Colorado 226 West 3rd Street, Oklahoma City 1, Oklahoma 1701-5 Dodge Street, Omaha 2, Nebraska
DALLAS El Paso Branch Houston Branch San Antonio Branch	Wood and Akard Streets, Dallas 13, Texas 351 Myrtle Avenue, El Paso, Texas 1301 Texas Avenue, Houston 1, Texas Navarro and Villita Streets, San Antonio 6, Texas
SAN FRANCISCO Los Angeles Branch Portland Branch Salt Lake City Branch Seattle Branch	Sacramento and Sansome Streets, San Francisco 20, California 409 West Olympic Boulevard, Los Angeles 54, California 6th and Oak Streets, Portland 8, Oregon 70 East South Temple Street, Salt Lake City 9, Utah 2nd Avenue and Spring Street, Seattle 14, Washington

FEDERAL RESERVE SYSTEM

BOUNDARIES OF FEDERAL RESERVE DISTRICTS
AND THEIR BRANCH TERRITORIES



- BOUNDARIES OF FEDERAL RESERVE DISTRICTS
- BOUNDARIES OF FEDERAL RESERVE BRANCH TERRITORIES
- ★** BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
- FEDERAL RESERVE BANK CITIES
- FEDERAL RESERVE BRANCH CITIES

OCTOBER 1, 1938

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM