

**FEDERAL RESERVE BANK  
OF NEW YORK**

Fiscal Agent of the United States

[ Circular No. 3631 ]  
[ December 20, 1950 ]

**CHANGE IN GROUPING OF TREASURY TAX AND LOAN DEPOSITARIES**

*To all Treasury tax and loan depositaries  
in the Second Federal Reserve District:*

Effective December 21, 1950, all Treasury tax and loan depositaries will be divided into two groups, as follows:

Group A—All depositaries having Treasury Tax and Loan Account balances of \$100,000 or less at the close of business December 20, 1950.

Group B—All depositaries having Treasury Tax and Loan Account balances of more than \$100,000 at the close of business December 20, 1950.

This grouping of depositaries will be continued until further notice, notwithstanding any subsequent changes in the size of the Treasury Tax and Loan Account balance of any such depositary.

Calls upon depositaries in Group B will continue to be made from time to time on relatively short notice in accordance with the Treasury's requirements for funds, and calls upon depositaries in Group A will in general be made less frequently.

ALLAN SPROUL,  
*President.*

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**FEDERAL RESERVE BANK  
OF NEW YORK**

**CONSUMER CREDIT**

Summary of Interpretations Issued by  
the Board of Governors of the Federal  
Reserve System Before June 30, 1949,  
Which Are Applicable Under Regula-  
tion W As Issued Effective September  
18, 1950, and As Amended

December 1950

FEDERAL RESERVE BANK  
OF NEW YORK

December 21, 1950

*To Lenders and Certain Others Concerned with Regulation W  
in the Second Federal Reserve District:*

In view of the fact that Regulation W, which became effective September 18, 1950, is similar in many respects to Regulation W which was in effect until June 30, 1949, a number of the interpretations which were issued by the Board of Governors of the Federal Reserve System before the latter date are applicable under the present regulation, as amended. This pamphlet contains a summary of those interpretations issued by the Board of Governors of the Federal Reserve System, printed in such form as to facilitate your keeping it with your copy of the present regulation.

These summaries, however, must be treated merely as examples which demonstrate certain principles, and they should be used only as aids in studying the application of the regulation. Since the complete facts involved in the administrative interpretations upon which the summaries are based are not set forth in full in the summaries, there can be no assurance that the facts in new situations will be identical with those of the interpretations as condensed in the summaries. Therefore, caution should be exercised against reaching a conclusion in a given case solely on the basis of similarity to any one of the summaries.

References to sections of the regulation in the summaries refer to sections of the present regulation which, in some cases, carry different numbers than the earlier regulation. Without altering the principles expressed in the underlying interpretations, some of the summaries refer to other differences between the present regulation and the earlier regulation.

The summaries are arranged in approximately the same order as the provisions of the regulation to which they relate.

Additional copies of this pamphlet will be furnished upon request.

ALLAN SPROUL,  
*President.*

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**REGULATION W**  
**CONSUMER CREDIT**

**Summary of Interpretations\***

1. **Registrants may not purchase, discount, or lend upon nonconforming paper.**—An obligation arising out of a bona fide transaction between two individuals not “engaged in the business” as described in section 2(a) of the regulation, and consequently not subject to its requirements, may not subsequently be purchased or discounted or accepted as collateral by any Registrant if it shows on its face any failure to comply with the requirements of the regulation or if the Registrant knows of any fact by reason of which it fails to comply.

2. **Isolated transaction.**—Although an automobile salesman may sell his demonstrator as an isolated transaction on terms which do not comply with the regulation, the dealer-employer, if a Registrant, may not purchase the resulting obligation unless it complies with the requirements of the regulation. Of course, if the relation of the salesman and the dealer is such that the automobile is in effect the property of the dealer rather than of the salesman, the sale would be subject to the regulation.

An organization which purchases substantial numbers of automobiles for cash and sells them to its salesmen on a monthly payment plan is “engaged in the business” described in section 2(a) of the regulation and the sales must comply with the down payment and other requirements of the regulation.

3. **Advance by an organization to its agent.**—An advance made by an organization, such as an insurance company, to one of its agents which is repayable in instalments is subject to the regulation to the same extent as any other instalment loan. It would not be subject to the regulation if it is an isolated loan made by a company not “engaged in the business” of making instalment loans; or if it is exempt under section 7 as, for example, a loan to an agent to pay office rent or salaries of his employees (section 7(b)).

4. **Registration not required if all credits are exempt.**—A person need not register as required under section 2(b) of the regulation if every extension of consumer credit made by him is exempt from the provisions of the regulation by section 7.

5. **Re-registering not required upon removal of office.**—It is not necessary for a Registrant already registered to file another registration statement upon moving its principal office to another Federal Reserve district.

6. **Transfer of equity.**—Where the original instalment purchaser of a listed article transfers his equity to another purchaser by transferring the

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article subject to the original debt and lien, the transfer being arranged directly between the parties and not by or through any Registrant, the transfer may be made without restriction under the regulation provided the original purchaser (who is not a Registrant) remains liable on the contract and there is no change in the contract except the addition of the signature of the new purchaser. However, if the original purchaser is released, or the terms of the contract are altered, the same requirements would apply as if the Registrant were making an ordinary instalment sale of the listed article.

7. **Conversion of noninstalment credit.**—Where an entire credit in good faith originates as and is evidenced by an obligation payable in a lump sum, its later conversion to an instalment basis by the same Registrant does not make it subject to the regulation as an “instalment credit”. It is essential, of course, that the original transaction be in good faith and not a subterfuge.

8. **Free merchandise and rebates.**—An instalment vendor of a listed article is not prohibited by the regulation from making a bona fide “free” gift of other merchandise to the buyer of a listed article, provided the transaction is consummated on the basis of the “bona fide cash price” of the listed article. A cash price would not be bona fide if it were raised to permit the so-called “free” gift, and such a practice would be an evasive device to circumvent the down payment requirement. In the latter case the record required by section 3(b) should show the “bona fide cash price,” rather than the inflated price, on which the customer made the required down payment and the resulting time balance; and, if so handled, the “free” gift would not violate the regulation.

A bona fide discount or rebate on the sales price of a listed article is not prohibited by the regulation. In such a case the aforementioned record should show that an article selling at a particular price was reduced to a price net of discount upon which the required down payment was obtained.

9. **Insurance relating to listed article.**—When insurance relating to a listed article is sold or financed in connection with the listed article by the Registrant who sells or finances the listed article, the insurance can not be treated as a separate exempted sale of an unlisted article, but must be included in the “time balance” as required by sections 3(a) and 6(c), and must be scheduled for repayment within the applicable maximum maturity as specified in sections 3(a) and 3(b). The same treatment is required in the case of instalment loans.

10. **Service relating to listed article.**—When a service relating to a listed article is sold or financed in connection with the listed article by the Registrant who sells or finances the listed article, the service can not be treated as a separate exempted sale of an unlisted article, whether or not the service is covered by a separate contract. The service must be included

as a part of the "cash price" of the listed article in computing the maximum loan value or down payment, and must be scheduled for repayment in the manner applicable to the listed article. In the usual case, the amount charged for the service would be essentially a part of the selling price of the article, and section 8(j)(7) specifically includes "the *bona fide* charge for any services sold or financed in connection with the article". Section 6(h) regarding evasive agreements also might be relevant in the consideration of such matters.

11. **Agreement to convert charge account.**—The sale of a listed article in a charge account with an agreement or understanding that the credit will later be converted into an instalment contract violates sections 3(a) and 6(h).

12. **Delay in delivery.**—If in an instalment sale subject to the regulation the article sold is not going to be delivered until a date subsequent to the date of the contract, section 6(b) permits the maximum maturity to be calculated from the date of delivery; and, except as permitted by section 6(a), the first instalment shall be scheduled to fall due not later than one month after the date of delivery with, of course, the option under section 6(b) of making the 15-day adjustment permitted by that section with respect both to the maximum maturity and the date of the first instalment.

13. **Instalments in decreasing amounts.**—Sections 3(b)(1) and 4(c)(1) are worded in the alternative. For example, a first instalment of, say, \$65 may be followed by the remaining permissible number of scheduled instalments of, say, \$25.

14. **Minimum monthly payments.**—The \$5 minimum monthly payment requirement of sections 3(b), 4(c), and 5(a) does not prevent the last scheduled instalment payment of a regulated obligation from being less than \$5.

15. **Waiver or skipping of instalment payments.**—A prearrangement in the form of a "side agreement" or understanding that the first instalment payment of the time balance arising from an instalment sale will be waived or paid by the Registrant, would contravene section 6(b) and, in effect, would constitute provision for refund of a part of the required down payment contrary to sections 3 and 6(h) of the regulation. In view of the pertinent sections of the regulation, any arrangement or understanding at the time the credit is extended providing for the skipping of any instalment payment, including the first, would be contrary to the regulation unless, of course, the case were such as might be covered under section 6(a).

16. **Record of Instalment Sale.**—The "record of an instalment credit" as described in section 6(c) need not be on a single sheet of paper and need

not use the terminology used in that section. The cash price may be shown as a total without itemizing taxes and accessories, but the accessories must be identified.

**17. Financing replacement article.**—Where any of the insurance proceeds received in settlement for an irreparably damaged listed article are used as a down payment on a replacement listed article rather than toward payment of the loan previously made to finance the purchase of the damaged article, it would be in violation of the regulation for a Registrant to make a new advance to the borrower to purchase a replacement article in an amount which, when added to the old loan balance, would exceed the maximum credit value of the replacement listed article.

**18. Obligation payable to seller or financial institution.**—If the seller of a listed article takes an instalment note in payment, the transaction is a sale subject to the regulation, whether the note is payable to the seller or to a bank or finance company. If the seller of an unlisted article takes a note payable to himself, the transaction is exempt from the regulation because the regulation does not apply to the sale of an unlisted article. However, if the seller of an unlisted article takes an instalment note payable to a bank or finance company, the transaction (depending, of course, upon the principal amount involved) is subject to the regulation as an instalment loan.

**19. Balloon note.**—A note evidencing an unclassified instalment loan, for example, which calls for 11 equal monthly payments followed by one larger payment meets the requirements of section 4(c) if, assuming the maximum permissible maturity to be 15 months, there is an express agreement that when the twelfth payment falls due, only one-fourth of it will be paid on that date and the rest will be refinanced into 3 monthly payments in such manner that the net result will be 15 substantially equal monthly payments.

**20. Statement of Borrower.**—Where there are several parties to a note, some of whom are accommodation makers, the Statement of the Borrower required by section 4(d) need be obtained only from the party who received the proceeds of the loan.

**21. Loan over \$2,500 or \$5,000.**—A loan over \$5,000 is not subject to the regulation even if a part of it is to be used to pay off an indebtedness which was subject to the regulation. The renewal or revision of a loan which was originally more than \$5,000 is not subject to the regulation even though the balance at the time of renewal or revision is less than \$5,000. If instead of renewing or revising such an obligation, the lender makes one instalment loan of less than \$5,000, part of the proceeds of which are to be used to pay off the old obligation, only the part of the loan representing new money is subject to the regulation. In such cases, however, it would ordinarily be better practice for the lending institution to keep the two credits separate.

Appropriate modification in the application of these principles are necessary, of course, in the light of the provisions of section 7(a) of the regulation.

22. **Add-on sale over \$2,500 or \$5,000.**—An add-on sale of a listed article having a cash price of \$900 which is consolidated with an existing obligation of \$4,200 resulting in a total credit of more than \$5,000, is not subject to the regulation, and therefore no down payment is required in connection with the add-on sale. However, if the total credit is less than \$5,000, the down payment is required. Appropriate modification in the application of these principles are necessary, of course, in the light of the provisions of section 7(a) of the regulation.

23. **Reduction in interest rate.**—A good faith reduction in the interest on a pre-September 18, 1950 instalment loan which would be effected simply by a letter from the lender to the borrower and which, except for a pro rata scaling down of instalment payments, would not otherwise change or modify the obligation, would not constitute a “revision” of the loan under section 5(a) of the regulation so as to require compliance with that section. However, if an instalment loan were one subject to the regulation, a reduction of interest should not result in scheduled payments below the minimum amounts required by sections 4(c) and 5(a)(2).

24. **Defaulted obligations.**—Section 5(c)(1) permits a Registrant to renew or revise an obligation on such terms as he deems necessary in good faith, where the obligation is in default and the subject of bona fide collection effort by him and the action is for his own protection. Only the Registrant holding the obligation is permitted to make such renewals or revisions. Another Registrant, however, may discount and receive payments upon an obligation which prior to discount has been renewed or revised as permitted by this section. The section also permits a Registrant who has purchased a delinquent instalment obligation and who has exercised a bona fide collection effort, to revise the obligation on terms not initially permissible. Any renewal or revision pursuant to this section must be the last resort (except, of course, litigation) and a measure to be taken only after other means of collection have been exhausted.

25. **Resale of repossessed listed article.**—The fact that an automobile or other listed article has been repossessed does not in any way authorize the resale by a Registrant contrary to the requirements of the regulation, including the down payment or maximum loan value and instalment payment and maturity requirements. This rule is contained in the proviso at the end of section 5(c). It is immaterial that the repossession and sale to a new purchaser follow a “bona fide collection effort” rather than an ordinary or other repossession of the car.

26. **Listed article installed in house.**—Section 7(h)(1) exempts a loan to purchase a house even if the house is one in which certain listed articles

had previously been incorporated. However, this section does not exempt a mortgage loan to be used to purchase a listed article.

In view of section 6(*d*), an extension of credit which combines an exempt credit such as one to construct a detached garage and a credit subject to the regulation such as one to finance a listed article can not exceed in amount the cost of the garage plus the cost of the listed article minus the down payment required thereon by the regulation, and the instalments in which the credit is payable must be sufficiently large to repay the balance of the cost of the listed article within the maturity specified for the listed article in Part 2 of the Supplement to the regulation.

**27. Credit for mixed purposes.**—Where an extension of instalment credit arises out of the sale of a listed article, for example, repairs to a dwelling, and the conversion of a part of the dwelling into an office, section 6(*d*) relating to mixed credits applies. The sale of the repairs would be subject to the regulation, while the conversion project would be exempt.

**28. Sale or delivery on trial.**—A present instalment sale of a listed article is subject to the regulation in the usual manner without regard to section 6(*f*). This is true even though a part of the sales agreement gives the buyer an option to return the article, instead of paying the price, and thereby revest in the vendor complete ownership or property in the article. If an agreement of the kind specified in the second paragraph of section 6(*f*) is executed and delivered in connection with an agreement evidencing a present instalment sale, as for example, a conditional sales contract, and collection by the Registrant of the required deposit or down payment is delayed, such an arrangement would not fall within or comply with section 6(*f*), nor would it comply with the requirements of section 3(*a*) of the regulation. However, where a listed article or listed-article “demonstrator” is delivered to a prospective instalment buyer and he must subsequently in some way manifest his acceptance or willingness to buy before ownership or property in the article or a similar article passes to him, then the original delivery in such a transaction would be of the type covered by section 6(*f*).

**29. Delivery prior to down payment.**—Where pursuant to a sales promotion arrangement a Registrant sets aside a listed article for a customer pending the accumulation of the required down payment but delivers for the customer’s use in the meanwhile a similar listed article, the transaction would not comply with the requirements of Regulation W and would be contrary to section 6(*f*) and section 6(*h*).

**30. Side loan to make down payment.**—The words “any other extension of credit” in section 6(*i*) include but are not confined to other extensions of *instalment* credit.

Section 6(*i*) refers to the down payment required by the regulation. Accordingly, if a seller asks for a larger down payment than is required by

the regulation, this subsection (i) would not prevent the lender from lending the difference between the down payment required by the regulation and the down payment required by the seller.

**31. Additional credit and release of collateral.**—A Registrant holding an unpaid, unclassified instalment loan secured by a listed article may release such article for the borrower's use as a trade-in on a new or different listed article and make an instalment loan to the borrower for the purpose of purchasing the new or different article, in the amount of the maximum loan value thereof, assuming that the parties act in good faith and that the unclassified loan is not otherwise changed or modified. If, however, the earlier unpaid instalment loan had been for the purpose of purchasing a listed article then, under section 6(i) of the regulation, neither the same nor another Registrant properly could make the second loan since, to do so, would constitute an extension of credit in connection with the purchase of a listed article in excess of that permitted by the regulation.

**32. Automobile demonstrator exemption.**—In order for the exemption under section 7(c) to apply to credit extended to an automobile salesman to finance the purchase of a new automobile for use principally as a demonstrator: (a) the salesman must be a bona fide salesman of new automobiles of the same make and year as the automobile purchased as a demonstrator—the exemption is not applicable to salesmen whose sales are confined to used cars nor to persons who are not employed principally as salesmen, such as mechanics, parts clerks, office workers, etc.; (b) the phrase “used by him principally as a demonstrator” is not intended to require that the automobile be used principally for the transportation of his prospective purchasers, since the phrase may also include the salesman's use of the automobile for other bona fide demonstration practices.

Because of section 8(a), in all such cases the Registrant, whether the dealer or a financing institution, must have in his or its records a statement or other record of the facts establishing the exemption of any such paper.

**33. Sale of “demonstrator” automobile.**—The sale of an automobile which has been used and driven as a “demonstrator” by an automobile dealer or salesman constitutes the sale of a used automobile, even though the the automobile has not been previously sold and regardless of whether such sale occurred before or after the next successive model change for that make of automobile.

**34. Loans to carry securities.**—The word “carrying” in section 7(g) means the refinancing of any indebtedness originally incurred for the purpose of purchasing investment securities.

Section 7(g) would not exempt a loan made by a credit union secured by its shares to enable the borrower to purchase such shares if there were an agreement that the borrower would be permitted to withdraw any portion

of the share account at any time if the credit union felt that the loan was otherwise adequately secured, because such a loan would have a dual purpose and not the single purpose mentioned in section 7(*g*) and, in addition, the loan would not be fully secured within the meaning of section 7(*k*).

**35. Loans to purchase building and loan shares.**—Loans for purposes of purchasing or carrying building and loan shares are exempt from the requirements of the regulation under the last clause of section 7(*g*).

**36. Investment securities.**—Savings passbooks are not “investment securities” under section 7(*g*).

**37. Orthopedic and related devices exempted.**—Loans to finance purchases of artificial limbs, hearing aids, contact lenses, other such corrective appliances, and wheelchairs would qualify for exemption under section 7(*i*) if the statement required by that section clearly indicates in addition to the other information the use to which the proceeds are to be put.

**38. Preservation of records.**—The requirement of section 8(*a*) of Regulation W that the Registrant preserve relevant documents for the “life of the obligation to which they relate,” includes the “Statement of the Borrower” required under section 4(*d*).

The term “obligation” as used in section 8(*a*) means the original obligation with respect to which the Statement of Borrower was procured and, therefore, does not require the preservation of the Statement executed in connection with such original obligation after a new obligation has arisen by virtue of a revision of the old credit.

**39. Consumer-violator.**—A consumer who knowingly violates or induces violations of the regulation may subject himself to criminal penalties.

**40. Bank discounting obligation.**—A bank which purchases or discounts an obligation is not required to ascertain whether the seller is licensed under the regulation.

If a bank lends to a finance company on the security of instalment obligations arising from sales of listed articles, there could be no violation of the regulation in making such a loan or receiving payments on the loan from the finance company so long as the payments do not arise directly from the underlying obligations held as collateral. However, if and when the bank wishes to resort to the collateral and to obtain payments directly out of the underlying obligations, it may not do so unless the requirements of section 8(*e*)(2) were met.

**41. Verification of loan value.**—A bank or finance company purchasing or discounting automobile instalment paper is not required by section 8(*e*)(2) of the regulation to check appropriate appraisal guides to verify that the instalment credit extended does not exceed two-thirds of the appraisal guide value in cases where the appraisal guide value is lower than

the "cash price." Of course, if it appeared from the face of the obligation or accompanying papers, or if the Registrant knew from any other source, that the maximum credit value was exceeded, then the Registrant would not be entitled to the benefits of section 8(e)(2) with respect to such obligation.

**42. Effective date—pre-September 18, 1950, contract.**—The delivery of a new, more expensive listed article to replace a defective less expensive listed article which was purchased on an instalment basis prior to September 18, 1950, is a new instalment sale and is subject to the provisions of the regulation, but any payments already made on the defective article may be credited against the down payment required by the regulation on the new article.

**43. Single payment or instalment credit.**—An extension of credit, which upon its face is repayable in only one scheduled payment, is an extension of instalment credit if at the time it is made the lender and the borrower have an understanding that the borrower will be required to make only a partial payment at maturity and that the balance will be renewed.

This would be true also where the single payment obligation was created prior to September 18, 1950, and the agreed instalment arrangements were not completed until after that date and involved the substitution of new or different paper for the original evidence of debt. Here, of course, the original obligation, including the instalment arrangements, would constitute a pre-September 18, 1950, contract.

However, if a Registrant makes a sale on credit under an agreement which does not expressly provide for instalment payments by the customer, the transaction need not be treated as an "instalment sale" even though the customer has previously made partial, divided, or serial payments in his account, or, regardless of previous practice, indicates an intention to do so in this instance, provided there is no bilateral understanding between the customer and the seller that the customer is required to make payments in such manner. Likewise, an ordinary bank loan evidenced by a promissory note payable in full at maturity is not an "instalment" loan subject to the regulation even though the bank may anticipate that at the maturity of the note it may accept partial payment and a renewal note, provided the bank makes no commitment to do so and the transaction is entered into in good faith and not as a means of evading the regulation.

**44. Joint instalment sale to several purchasers.**—An arrangement, which may be described for the sake of illustration as follows, would be subject to Regulation W. An automobile dealer would sell three automobiles to three different purchasers with payment to be made in instalments, the three purchasers would become jointly and severally liable for the entire amount of credit involved in the three sales, and each one of the purchasers would be indemnified by a surety bond against defaults by his joint obligors.

The total credit would exceed \$5,000, but the amount involved with respect to each automobile would be less than \$5,000.

Viewed in its entirety, the transaction would really involve three instalment credits, each less than \$5,000, and could not properly be regarded as a single credit of more than \$5,000.

**45. Accessories sold with automobiles.**—Where a new automobile is sold equipped with accessories, such as radio and heater, the cost of the accessories is part of the “cash price” of the automobile under section 8(j) (7), and the maximum loan value is limited to two-thirds of the total cash price.

**46. “Cash price” established by instalment seller.**—Where a Registrant offers an article at either a cash price or a time price, the cash price being below the dollar amount specified in Part 1 of the Supplement to the regulation and the time price above that amount, a down payment would not be necessary if the article is in fact offered for sale for cash at the “cash price” under such circumstances as to give each customer reasonable notice of the offer and reasonable opportunity to accept it.

**47. Repairs and replacement parts.**—Repairs and replacement parts for automobiles, refrigerators, and other articles listed in Groups A, B, or C are not themselves listed articles.

**48. Automobiles.**—The classification “automobiles” includes station wagons and the “Jeep Station Wagon” (trade name). It does not include trailers, ambulances, hearses, or jeeps.

The classification “automobiles” includes the Chevrolet “Carry-all Suburban,” the Willys-Overland “‘Jeep’ Utility Wagon,” the GMC “Suburban” and other similar automobiles even though they are used or registered commercially or have certain heavy-duty or truck features or removable seats, since they are designed for the purpose of transporting less than 10 passengers.

**49. Cooking stoves and ranges.**—The classification “Cooking stoves and ranges” includes table model roasters and cookers. It does not include cooking and baking equipment designed for commercial use in restaurants and hotels, or a deep fat fryer designed for such use.

**50. Ironers.**—The classification “Ironers designed for household use” does not include hand irons.

**51. Refrigerators.**—The classification “Refrigerators and food freezers, mechanical,” includes a system consisting of one or more cabinets with a separate mechanical refrigeration unit serving these cabinets. It does not include a locker in a locker plant; nor cabinets to hold or display ice cream or other products for sale; nor water coolers; nor milk coolers not designed

for household use; nor automatic vending machines which cool as well as dispense soft drinks.

**52. Washing machines.**—A “Commercial model” automatic washer incorporating certain “heavy duty” features and equipped with a coin-operating device is a listed article within the meaning of Regulation W if it is of a type readily adaptable for household use and is not designed exclusively for commercial use.

**53. Radios, television sets, phonographs.**—The classification “Radio \* \* \* receiving sets” does not include radio transmitting sets or combination radio transmitting and receiving sets.

The classification “Phonographs or combinations” includes an automatic record player designed to play more than the usual number of records without repeating or changing and incorporating other unusual technical features but readily adaptable for household use and not designed exclusively for commercial use.

The classification “television receiving sets” includes sets suitable for private or home use even though they may be commonly used commercially. This is true, in the absence of other facts, even though they may have exceptionally large screens or cabinets and may be equipped with a coin-operating device.

**54. Furniture.**—The classification “Furniture” includes an ice refrigerator regardless of the use to which it is to be put, unless its design and construction are such that it is clearly usable only for commercial purposes; it includes mirrors, unpainted furniture, kitchen or breakfast room sets, swings, and a prefabricated decorative fireplace not suitable for heating purposes. The classification “Furniture” does not include kitchen cabinets, pictures, chinaware, cooking utensils, or silver-plated flatware. Furniture of the type used in households is subject to the regulation even though the particular piece may be sold for use in an office, hospital, store, or other commercial building.

**55. Small deficiencies in down payments.**—Deficiencies in down payments, even in small amounts, are not permissible, except as permitted by section 6(e) of the regulation.

**56. Excess down payment.**—A purchaser who has made a down payment in excess of the amount required by the regulation may not later have the excess applied as part of the down payment on another listed article.

**57. Calculating down payment on automobiles.**—The equity in a used car may be used as a down payment on another car, and for this purpose the dealer may accept the first car and pay off the contract on it. However, if the owner obtains a loan to pay off the contract on his old car, and in addition uses the car as a trade-in, the loan would violate section 6(i).

Where a fictitious amount is added to the price of an automobile and is later eliminated from the price actually paid by the purchaser (either by an increase in trade-in allowance or by way of discount or otherwise) the "cash price" of the automobile under section 8(j)(7) and Part 4 of the Supplement, does not include the fictitious amount thus added.

58. **Calculating down payment on Group B listed articles.**—When an article is traded in on a listed article other than an automobile, Part 5 of the Supplement requires that the value of the article traded in (or the value of the purchaser's equity in it) be deducted in order to ascertain the *net price* to be used in calculating the down payment or loan value of the article being purchased. However, Part 5 of the Supplement does not prohibit the seller from taking back an article which is unsatisfactory to the purchaser if the seller allows the full purchase price as a credit against the price of the new article. Of course, if the price of the new article in such a case is inflated in order to offset depreciation in the original article, the transaction would violate Part 5 of the Supplement and section 6(h).