

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 3720]
June 14, 1951

**REGULATION W
CONSUMER CREDIT**

Free Merchandise and Rebates

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

The subject of "free" merchandise and rebates under Regulation W has been re-examined, especially as it relates to paragraph (8) of the summaries published at 222.118, 15 FEDERAL REGISTER 7827, November 17, 1950, 1950 FEDERAL RESERVE BULLETIN 1615, and at page 2 (Summary No. 8) of the pamphlet which was issued by this Bank on December 21, 1950. The Board has concluded that the summary in paragraph (8), while of course remaining subject to the qualifications indicated for such summaries, should be revised to read as follows:

(8) Free merchandise and rebates. — An instalment vendor of a listed article is not prohibited by the regulation from giving a discount or rebate on the sales price of a listed article or from making a *bona fide* "free" gift of other merchandise to the buyer of a listed article. However, in the case of a cash discount or rebate, and also in the case of a "free" gift which allows the customer to make a selection among a variety of merchandise or which is otherwise similar or equivalent to cash, the down payment to be obtained on the article must be net of the amount received by the purchaser from the vendor. In the case of other "free" gifts, the down payment must be obtained on the gross price of the listed article without any deduction for the "free" gift.

Additional copies of this circular will be furnished upon request.

ALLAN SPROUL,
President.