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

Following is the text of a notice which was published in the Federal Register, December 14, 1950:

**Title 12—Banks and Banking**

Chapter II—Federal Reserve System

Subchapter A—Board of Governors of the Federal Reserve System

**Part 222—Consumer Credit**

*(Regulation W)*

**NOTICE**

Since the amendment to Part 222 (Regulation W) adopted effective October 16, 1950 (15 F. R. 6118, 6931), the Federal Reserve Banks and the Board of Governors of the Federal Reserve System have received a number of inquiries concerning the applicability of Part 222 to various proposed arrangements for leasing automobiles or other listed articles.

Many of these inquiries seem to reflect a failure to appreciate the fact that Part 222 and the legislation under which it is issued extend to a great many transactions besides the ordinary conditional or instalment sale.

Leasing arrangements, other than those limited to a single payment, in general are subject to Part 222 and the legislation in the same manner as instalment sales. They are not exempt, and they are not a privileged class of transactions.

In the past when Part 222 was not in effect, there have been certain highly specialized operations which have been found somewhat more suited to leasing or rental arrangements than to other methods of financing. That fact does not exclude them from the operation of Part 222 and the legislation. Of course, a lessor could comply with Part 222 by obtaining the required down payment and monthly payments (or deposits in equal amounts), and later could return to the customer any portion of such payments or deposits when the article is returned and the lease terminated. The lease might even provide in advance for such refunds.

However, the Board is examining further into the characteristics of the various proposed arrangements for leasing automobiles or other listed articles and will consider whether or not any of them are of such a special character as to make it desirable or feasible to relax any of the provisions of Part 222 to any extent for their benefit.

To aid in such consideration, the Board will be glad to receive any relevant explanations, data, or other information; and any such material should be submitted in writing. Although such material may be sent directly to the Board, it is preferable that it be sent to the Federal Reserve Bank of the district, which will forward it to the Board to be considered. All such material should be received not later than January 2, 1951.

Approved this 11th day of December, 1950.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

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S. R. Carpenter, Secretary.

We shall be pleased to receive any written material that you may care to submit pursuant to the above notice. Our address is Federal Reserve P. O. Station, New York 45, N. Y.

Additional copies of this circular will be furnished upon request.

Allan Sproul,
President.