

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

August 30, 1941

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A case has been presented to the Board in which a dealer selling a listed article in Group D does not take a note from the purchaser payable to the dealer, but instead, according to arrangements with a bank, takes from the purchaser a note payable to the bank. Since the note is not secured by the listed article, the question has been presented whether the transaction is an extension of instalment sale credit subject to section 4, in which case a down payment would be required, or whether the transaction is an extension of unsecured instalment loan credit subject to section 5(b), in which case the down payment would not be required.

The question is covered by section 2(d) of the regulation. That section defines an "extension of instalment sale credit" as an extension of instalment credit which is made "by any seller" and "arises out of the sale of such listed article", and it specifically states that the definition applies whether the seller is acting "as principal, agent or broker".

It is accordingly clear that the extension of credit here in question is an extension of instalment sale credit, and as such is subject to the down payment requirement.

(Signed) Chester Morrill

Morrill