

S-323  
Reg. W-49INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

TELEGRAM

September 10, 1941

Young - Boston	Leach - Richmond	Peyton - Minneapolis
Sproul - New York	McLarin - Atlanta	Leedy - Kansas City
Williams - Philadelphia	Young - Chicago	Gilbert - Dallas
Fleming - Cleveland	Davis - St. Louis	Day - San Francisco

The Board has received a question under Regulation W which may be stated as follows:

"If an extension of credit which was originally made as a 3 months' credit conforming to section 6(f) is renewed or revised, must it be limited to a maturity of 3 months from the date of the renewal or revision, or may it have a maturity of as much as 18 months from the date of the renewal or revision as in the case of a credit which was not originally under section 6(f)? If the renewal or revision of such a credit occurs on or after November 1, does it require a statement of necessity as specified in section 8(a)?"

1. A renewal or revision of a 6(f) credit is not limited to a maturity of three months from the date of the renewal or revision, and is limited only to a maximum maturity of 18 months from the date of the renewal or revision as in the case of renewals or revisions of other credits under the regulation. If the renewal or revision occurs on or after November 1, and alters the terms of repayment to terms which would not have complied with section 6(f) in the first instance, the renewal or revision may not be made unless a statement of necessity is accepted in good faith as specified in section 8(a).

2. The preceding paragraph would not apply in the case of the first renewal or revision on or after September 1 of a credit which was originally extended before September 1. As indicated in W-19 and W-28 in discussing other pre-September credits, any pre-September credit may be renewed or revised once without the statement of necessity and on any terms which the Registrant would have granted in good faith in the absence of the regulation.

3. It is important to note, as pointed out in W-19, that section 8(g) prohibits any extension of instalment credit in connection with which there is any evasive side agreement for the subsequent renewing or revising of the credit. Any renewal or revision beyond the period originally permissible for the credit must be the bona fide result of some development coming after the making of the original extension of credit. Unless it is such a bona fide result of a subsequent development, it is prohibited by section 8(g).

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