

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

TELEGRAM

September 11, 1941

Young - Boston	Leach - Richmond	Peyton - Minneapolis
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A question has been received under Regulation W concerning a sum of \$50 to \$100, sometimes called a "pack", which a dealer may at times include in the price of an automobile as quoted to customers. When the automobile is sold, all or part of this sum may be eliminated from the price actually paid by the purchaser, either by an increase in trade-in allowance or by way of discount on cash purchases. The question is whether, in determining the maximum credit that can be extended to the customer, such an extra sum of \$50 to \$100 may be included, either as part of the "bona fide cash purchase price" of the automobile and accessories or, in the case of a new automobile, as part of Item 1 or Item 4 of Part 3(a) of the Supplement.

In determining what is the "bona fide cash purchase price" of a given automobile to be used in determining the maximum amount of credit under Part 3, padding of any kind--such as the "pack" referred to in the question if it is to be eliminated from the price actually paid by the customer by an increase in trade-in allowance or by some other device--must be excluded. In the specific case of a new automobile the maximum credit value can in no event exceed 66-2/3 per cent of the sum of Items 1 through 4 of Part 3(a) of the Supplement, and a \$50 to \$100 sum such as that described in the present question could not be included in any of these four items.

Morrill