

S-374, 375  
Reg. W.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INTERPRETATION OF LAW OR REGULATION

October 13, 1941

W-96. The phrase "bona fide cash purchase price" in section 5(a)(1) and section 5(c)(1) means the bona fide cash purchase price of the article and accessories purchased, including any sales taxes thereon and any bona fide delivery and installation charges.

October 14, 1941

W-97. A Registrant makes an extension of instalment sale credit arising out of the sale of materials and services (including certain Group D articles) in connection with repairs, alterations or improvements upon urban, suburban or rural real property in connection with an existing structure. The bona fide cash purchase price of all the materials and services is \$1500 and the bona fide cash purchase price of the Group D articles is \$700. The purchaser makes a cash payment of \$150 and remains indebted to the seller in the amount of \$1350. Is the transaction exempt under section 6(b) of the regulation?

The exemption in 6(b) does not apply since the \$700 purchase price of the Group D articles is more than 50 per cent of the over-all deferred balance of \$1350.

W-98. Facts similar to W-97, but the bona fide cash purchase price of all the materials and services is \$3000 and the bona fide cash purchase price of the Group D articles is \$1400. The purchaser does not make any down-payment and remains indebted in the full amount of \$3000. Inasmuch as \$2500 is the maximum amount of a loan which may be insured by the Federal Housing Administration under Title I of the National Housing Act, the customer's obligation totaling \$3000 is divided into two parts, one in the amount of \$2500 which is insured by the Federal Housing Administration, and the other in the amount of \$500 which is not insured. The \$1400 of Group D items exceeds 50 per cent of the \$2500 but is less than 50 per cent of the \$3000. Is the transaction exempt under section 6(b)?

Since the \$3000 represents a single transaction and is divided into two parts merely for convenient treatment under the National Housing Act, it is permissible to treat the \$3000 as a unit, and hence as an exempt transaction under Section 6(b).