

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

S-376  
Reg. W-99

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 17, 1941



Dear Sir:

For your information, there are enclosed a copy of a letter from Mr. Henry D. Brite, Commercial Manager of the Electric Home and Farm Authority, and a copy of the Board's reply, regarding minor deficiencies in payments required by Regulation W.

Very truly yours,

A handwritten signature in black ink, appearing to read "L. P. Bethea". The signature is fluid and cursive, with a large initial "L" and "P".

L. P. Bethea,  
Assistant Secretary.

Enclosures 2

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

ELECTRIC HOME AND FARM AUTHORITY  
Washington

October 1, 1941.

Mr. Chester Morrill, Secretary,  
Board of Governors,  
Federal Reserve System,  
Washington, D. C.

Dear Mr. Morrill:

A ruling on the following question concerning Regulation W will be appreciated:

We interpret Regulation W to be specific in stating the "maximum credit value in per cent of basis price". In other words, the down payment on listed articles according to our understanding cannot be an approximate amount, but must be sufficiently large to leave an unpaid balance not in excess of the maximum credit value. In complying with this provision in its strictest sense, Electric Home and Farm Authority has returned a large number of customer contracts to dealers because down payments are a few cents short. In many cases shortages in the down payments are only 4¢, but even these contracts are returned to the dealers for correction.

It is our understanding now that the Federal Reserve Bank in Chicago has informed Sears-Roebuck and Montgomery-Ward that down payments which are short a reasonable amount may be accepted.

An official ruling on this point, including the exact definition of a "reasonable amount" will be appreciated.

It would seem that if additional concessions are being made to the mail-order houses, other Registrants should be given the same privileges. It is our recommendation, however, that the Board permit no exceptions whatever in down payments inasmuch as our own experience indicates that where certain exceptions are made, it is difficult to avoid making exceptions to the exception.

Very truly yours,

(Signed) Henry D. Brite

Henry D. Brite,  
Commercial Manager.

October 14, 1941

Mr. Henry D. Brite, Commercial Manager,  
Electric Home and Farm Authority,  
Washington, D. C.

Dear Mr. Brite:

Receipt is acknowledged of your letter of October 1 regarding the question whether the phrase "maximum credit value in per cent of basis price" in the Supplement to Regulation W should be interpreted literally or whether down payments which are short a reasonable amount are permissible. You state that in view of this provision, Electric Home and Farm Authority has returned a large number of customer contracts to dealers because down payments are short a few cents, in some cases only four cents, but that it is your recommendation that the Board permit no exceptions whatever in down payments inasmuch as your experience indicates that where certain exceptions are made it is difficult to avoid making exceptions to exceptions.

The Board agrees that the "maximum credit value" provided in the Supplement is a figure which should be calculated mathematically and not be arrived at by approximation, and therefore, the Board does not believe that the Regulation authorizes an extension of credit which is even a few cents in excess of the maximum provided by the Regulation. The Board has, however, been impressed by the evident desire on the part of those affected by the Regulation to comply with it in spirit as well as its letter, and the Board believes that, at least during the initial few weeks after the effective date of the Regulation, it is proper to assume, in the absence of facts which would create the opposite presumption, that most apparent violations, as well as minute technical violations of the kind to which you refer, are the result of inadvertence or of a misapprehension as to the meaning of the provisions of the Regulation. Accordingly, the Board has sent a letter to all Federal Reserve Banks, a copy of which is enclosed (S-368), and it is hoped that the letter may be of some assistance to you in handling matters of this kind.

A copy of your letter and of this reply have been sent to the Federal Reserve Bank of Chicago for its information.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,  
Assistant Secretary.