

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For release in morning newspapers of
Monday, March 9, 1942

March 7, 1942

As a further step in restraining the expansion of instalment credit at this time, the Board of Governors of the Federal Reserve System has adopted Amendment No. 3 to Regulation W, effective March 23, 1942. The principal changes made by the amendment are as follows:

The standard maturity is reduced from 18 to 15 months for all credits subject to the Regulation, except credits for residential modernization, plumbing, furnaces, water heaters, water pumps, and pianos, all of which may still be for 18 months.

The down payments are increased from 20 per cent to 33-1/3 per cent on refrigerators, washing machines, ironers, vacuum cleaners, electric dishwashers, room unit air conditioners, sewing machines, radios and phonographs, and musical instruments. On home air conditioning systems and attic ventilating fans, the down payments are increased from 15 per cent to 33-1/3 per cent, and on furnaces, water heaters, water pumps and plumbing, from 15 per cent to 20 per cent.

The following articles are added to the list, with 33-1/3 per cent down payment required: bicycles, lawn mowers, silverware and photographic equipment. The following are added to the list, with 20 per cent down payment required: clocks, watches and floor coverings.

Any lender or vendor who becomes subject to the Regulation because of the addition of articles is given until June 1 to register with the Federal Reserve Bank in his district on forms obtainable at any Federal Reserve Bank or branch. These new registrants are granted a general license between March 23 and June 1.

After April 1 the credit value of a used automobile, instead of being based solely upon the purchase price, is to be based either upon the purchase price or upon the average retail value as stated in such automobile appraisal guides as may be designated by the Board, whichever is lower.

Attached is a copy of Amendment No. 3.

AMENDMENT NO. 3 TO REGULATION W

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Regulation W is hereby amended in the following respects, and these changes shall become effective March 23, 1942, except that the change in Part 3(b) of the Supplement shall not become effective until April 1, 1942.

1. Section 3(b) is amended to read as follows:

(b) **General License.**—Whenever this regulation is amended so that any person who was not formerly subject to section 3(a) becomes subject thereto, such person is hereby granted a general license; but such general license shall terminate at the end of the second full calendar month after the month in which the amendment becomes effective unless such person has registered, in the manner provided in section 3(c), before such termination. Any person whose license is not suspended may become licensed by registering in the manner provided in section 3(c).

2. Section 4(f) is amended by adding the following new paragraph at the end thereof:

The Registrant may disregard the requirements of this section 4(f) in the case of any article listed in Group A, B, C or D on which the down payment required by section 4(a) would be \$2.00 or less, or in the case of any article included in Group E of which the *bona fide* cash purchase price, as defined in the Supplement, does not exceed \$20.00.

3. Section 5(d) is amended by changing the words "On and after January 1, 1942, no Registrant" at the beginning of the section to "No Registrant", and by striking out the next to last sentence of the section.

4. Section 6(e) is amended so that clause (1) thereof will read as follows:

(1) to finance the purchase of aircraft for use in any activity in respect of which a preference rating of A-10 or higher is in force for deliveries of civil aircraft;

5. Section 6(j) is stricken out and the following new provision is substituted therefor:

(j) Any extension of instalment loan credit made by the Disaster Loan Corporation.

6. The first sentence of section 6(k) is amended to read as follows, and the number (2) in the second sentence of the section is changed to (3):

Any extension of instalment loan credit which is made to a person engaged in agriculture, or to a cooperative association of such persons, provided that the extension of instalment loan credit (1) is made by the Land Bank Commissioner on behalf of the Federal Farm Mortgage Corporation and is found, pursuant to regulations issued by the Commissioner, to be necessary to maintain or increase production of essential agricultural commodities, or (2) is approved by the Farm Security Administrator, or his authorized agent, as being necessary for the rehabilitation of a needy farm family, or (3) is for general agricultural purposes and is not for the purpose of purchasing any listed article and not secured by any listed article purchased within 45 days before the extension of credit.

7. The following footnote is added to section 8(a), and the footnote reference⁴ is inserted after the word "credit" immediately before the proviso of the section:

⁴If there should be any arrearage which does not arise out of any prearrangement or plan to evade this regulation, the arrearage may be divided equally among and added to the remaining payments scheduled for the liquidation of the credit to which such arrearage relates. This applies to any renewal, revision or consolidation effected in accordance with any provision of Section 8.

8. Option 1 in section 8(b) is amended to read as follows:

Option 1. The terms of the consolidated obligation shall be such as would have been necessary to meet the requirements of this regulation if the several obligations had not been consolidated: *Provided*, That, in order to schedule payments at approximately equal intervals, the consolidated obligation may combine payments that would otherwise have fallen due at different times within any monthly period, but the first of such combined payments shall fall due within one month after such consolidation; or

9. Section 8(d) is amended by striking out the last sentence thereof.

10. Section 9(d) is amended by adding the following new paragraph at the end thereof:

Whenever this regulation is amended to add any article to the listed articles specified in the Supplement, the amendment shall not apply with respect to the carrying out of any valid contract made prior to the effective date of the amendment; but any renewal, revision or consolidation of any such obligation shall be subject to the requirements of section 8, and for the purposes of section 8(a) the terms of repayment "permitted in the first instance" for such an obligation shall be deemed to be those applicable to such an extension of credit under such amendment.

11. The part of section 10 after the heading is amended to read as follows:

This regulation became effective in its original form September 1, 1941; Amendment No. 1 became effective September 20, 1941; Amendment No. 2 became effective December 1, 1941; and Amendment No. 3 shall become effective March 23, 1942, except that the change made in Part 3 of the Supplement by Amendment No. 3 shall not become effective until April 1, 1942.

12. The Supplement is amended to read as follows:

SUPPLEMENT TO REGULATION W

Part 1. Listed Articles, Maximum Maturities, and Maximum Credit Values.—For the purposes of the regulation the following maximum maturities and maximum credit values shall apply to the following list of articles:

<i>Articles of Consumers' Durable Goods (Whether New or Used)</i>	<i>Maximum Maturity in Months</i>	<i>Maximum Credit Value in per cent of Basis Price</i>
<i>Group A</i>		
1. Automobiles (passenger cars designed for the purpose of transporting less than 10 passengers, including taxicabs).....	15	(See Part 3 of this Supplement)
2. Motorcycles (two or three-wheel motor vehicles, including motor bicycles).....	15	

<i>Articles of Consumers' Durable Goods (Whether New or Used)</i>	<i>Maximum Maturity in Months</i>	<i>Maximum Credit Value in per cent of Basis Price</i>
<i>Group B</i>		
1. Aircraft (including gliders)	15	66-2/3
2. Power driven boats, and motors designed for use therein, other than boats or motors designed specifically for commer- cial use	15	66-2/3
3. Outboard boat motors	15	66-2/3
*4. Bicycles	15	66-2/3
<i>Group C</i>		
1. Mechanical refrigerators of less than 12 cubic feet rated capacity	15	66-2/3
2. Washing machines designed for household use	15	66-2/3
3. Ironers designed for household use	15	66-2/3
4. Suction cleaners designed for household use	15	66-2/3
5. Cooking stoves and ranges designed for household use	15	80
6. Heating stoves and space heaters designed for household use	15	80
7. Electric dishwashers designed for house- hold use	15	66-2/3
8. Room-unit air conditioners	15	66-2/3
9. Sewing machines designed for household use	15	66-2/3
10. Radio receiving sets, phonographs, or com- binations	15	66-2/3
11. Musical instruments composed principally of metals	15	66-2/3
*12. Lawn mowers, mower-type edgers and trim- mers (whether or not power-driven)	15	66-2/3
*13. Silverware (flatware and hollow ware, whether solid or plated)	15	66-2/3
*14. Clocks, electric or other, designed for household or personal use, and watches	15	80
*15. Motion picture cameras, projectors, and lenses, designed for film gauges less than 35 mm.; still cameras, projectors, lenses and shutters, and enlargers	15	66-2/3
<i>Group D</i>		
1. Household furnaces and heating units for furnaces (including oil burners, gas con- version burners, and stokers)	18	80
2. Water heaters designed for household use	18	80
3. Water pumps designed for household use	18	80
4. Plumbing and sanitary fixtures designed for household use	18	80
5. Home air conditioning systems	15	66-2/3
6. Attic ventilating fans	15	66-2/3
7. New household furniture (including ice re- frigerators, bed springs, and mattresses but excluding floor coverings, wall cover- ings, draperies, and bed coverings) ¹	15	90
8. Pianos and household electric organs	18	90
*9. Floor coverings (including fabric and lino- leum type rugs, carpets, mats, and other floor covering materials, whether or not designed to be affixed to the floor)	15	80

¹ An article is not new if it has been used by a consumer.

* Added by Amendment No. 3, effective March 23, 1942.

<i>Articles of Consumers' Durable Goods (Whether New or Used)</i>	<i>Maximum Maturity in Months</i>	<i>Maximum Credit Value in per cent of Basis Price</i>
<i>Group E</i>		
1. Materials and services (other than materials, whether or not designed for household use, which are of the kinds listed in Group C or D) in connection with repairs, alterations, or improvements upon urban, suburban or rural real property in connection with existing structures (other than a structure, or a distinct part thereof, which, as so repaired, altered or improved, is designed exclusively for <i>non-residential</i> use), provided the deferred balance does not exceed \$1,000.....	18	No limitation

Part 2. Basis Price of Listed Articles Other Than Those in Group A.—The *basis price* of any listed article, other than an automobile or other article listed in Group A, shall be the *bona fide* cash purchase price of the article and accessories purchased *minus* the amount of any allowance made by the seller for any article traded in by the purchaser (including as such a trade-in anything which the seller buys or arranges to have bought from the purchaser at or about the time of the purchase of the listed article).

Part 3. Maximum Credit Value of Automobiles and Motorcycles.—For the purpose of the regulation:

(a) The maximum credit value of a new automobile or a new or used motorcycle shall be 66⅔ per cent of the *bona fide* cash purchase price.

(b) † The maximum credit value of a used automobile shall be 66⅔ per cent of whichever is the lower of the following two figures:

- (1) the *bona fide* cash purchase price; or
- (2) the "appraisal guide value" plus any applicable sales taxes.

"Appraisal guide value" means the estimated average retail value as stated in such edition of any regularly published automobile appraisal guide as the Board may designate for this purpose for use in the territory in which such used automobile is sold. Information as to the guide or guides designated for any given territory may be obtained from any Federal Reserve Bank or branch.

Part 4. Cash Purchase Price.—For the purposes of the Supplement:

(a) The *bona fide* cash purchase price of an article includes that of any accessories, and it also includes any applicable sales taxes and any *bona fide* delivery and installation charges; and

(b) In the case of any article or accessory for which the Federal price authorities have prescribed a maximum retail price, the maximum credit value shall in no event exceed that resulting from a *bona fide* cash purchase price equal to the total of such maximum retail price and any applicable sales taxes not included therein.

Part 5. Instalment Loan Credit Subject to Section 5(b) of the Regulation.—The maximum maturity of any extension of instalment loan credit of \$1,500 or less subject to section 5(b) of the Regulation shall be 15 months.

† This provision is effective on and after April 1, 1942. Prior to that date the maximum credit value of a used automobile shall be 66% per cent of the *bona fide* cash purchase price.