

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

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S-455

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 27, 1942.

Dear Sir:

Questions have been received regarding the effect of Amendment No. 3 to Regulation W, effective March 23, 1942, on a bona fide commitment made before that date to make a sale or loan after that date on terms that were permitted at the time of the commitment but are not permitted under the terms of the amendment.

This may be illustrated by a bona fide commitment made before March 23 to install a particular furnace on a 15% down payment. After that date the requirement is 20%, but if there is a valid contract, made before March 23, to grant the credit on a 15% down payment, this contract may be carried out. The same principle applies if the commitment relates to an article added to the list by the amendment.

However, as indicated in W-12 which discussed commitments made before September 1, 1941, in any such case there must actually be a valid contract and not merely the form or appearance of a contract. The principles stated in that interpretation should be consulted in this connection. If the requirements stated in W-12 are met, it would not alter the case that the commitment is accompanied by a form of "lay-away" or partial prepayment plan.

Very truly yours,

A handwritten signature in dark ink, appearing to read "L. P. Bethea", written over a horizontal line.

L. P. Bethea,
Assistant Secretary.

FOR VICTORY



BUY TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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STATES
DEFENSE
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