

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-485

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 23, 1942



Dear Sir:

Enclosed for your information and
files is a copy of a letter with reference
to sales in charge accounts under Regulation
W.

Very truly yours,

A handwritten signature in dark ink, appearing to read "L. P. Bethea".

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS



S-435-a

May 20, 1942

____ Company,
____ Street,
____, ____.

Gentlemen:

In your letter of May 11, 1942, you asked whether in the case of sales in charge accounts it would be proper for the customer to (1) make occasional payments rather than full payment on the due date, and (2) make some payment, regardless of amount, at the time a purchase in a charge account is made.

Under the Board's Regulation W relating to Consumer Credit, it is not of itself objectionable for a customer making a purchase in a charge account to choose to make occasional payments before the due date or to make some payment, regardless of amount, at the time of the purchase. Such payments would not be contrary to section 5 of the regulation relating to charge accounts. However, if there is an understanding, agreement, or other arrangement indicating that partial payments are to be made so that the transaction would involve "instalment credit" as defined in section 2(c) of the regulation, then the transaction would have to comply with section 4 of the regulation covering instalment sales. For your information, a copy of the regulation is enclosed herewith.

The administration of Regulation W has been decentralized, and, therefore, it is suggested that further inquiries which you may have be addressed to the Federal Reserve Bank of _____.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.