

S-528

TELEGRAM

July 6, 1942

(Addressed to the Presidents of all Federal Reserve Banks)

Board has been asked whether under Regulation W a Registrant may make an instalment loan with a maturity of twelve months to retire a charge account arising in whole or in part from the sale of a listed article, if the Registrant accepts a Statement of Necessity in accordance with the provisions of section 10(d). The answer to this question is that the loan may have a maximum maturity of twelve months from the date of the loan whether or not the charge account was in default under the provisions of section 5(c).

Board has also received an inquiry as to the maximum maturity of a single-payment loan to retire a charge account. Such a loan must of course have a maturity not in excess of 90 days, but, if a Statement of Necessity is taken from the obligor when the loan matures, the Registrant may renew the entire amount on an instalment basis under section 7(c)(1) for as long as twelve months from the date of renewal, or the Registrant may make extensions in the manner provided in section 7(c)(2) if the maturity of the last single-payment obligation is not later than twelve months from the date of the first one. See footnote 5.

(Signed) L. P. Bethea