

FEDERAL RESERVE BANK  
OF DALLAS

Dallas, Texas, April 13, 1951

REGULATION X  
STATUS OF REAL ESTATE AND MORTGAGE BROKERS

*To Certain Registrants Engaged in the Business of Extending Real Estate Credit  
in the Eleventh Federal Reserve District:*

This letter is issued for the information of real estate brokers and mortgage brokers who may be uncertain as to their responsibilities under Regulation X. A copy of the Regulation, as reprinted February 15, 1951, is enclosed, together with Amendments 1, 2, and 3. The Regulation controls credit terms of loans made to finance certain kinds of new construction, but, for the purposes of registration, every broker who is engaged in the business of extending real estate credit, even though he extends no such credit with respect to new construction, is deemed to be a "Registrant" under the Regulation.

A person is deemed to be engaged in the business of extending real estate credit if, during the current or preceding calendar year, in his own right or as agent or fiduciary, he extends or has extended such credit more than three different times, or in an amount or amounts aggregating more than \$50,000. Certain kinds of nonresidential properties (as well as residential properties) are now covered by Regulation X.

If a broker regularly makes real estate loans in his own right or as a fiduciary, or as an official representative of some lending organization, or if he accepts fees from lenders for his services in arranging real estate loans, each such transaction is deemed to be an extension of real estate credit. The Regulation does not apply to a broker, however, who, in connection with any such transaction, acts solely as agent for a borrower, even though he receives a fee from the borrower.

In a typical sale of real estate, where the real estate broker acts as sales agent for the vendor, the broker may also arrange the financing for the sale. In such cases, if the broker receives a fee from a lender for his services in arranging the financing, whether the lender is the vendor or a third party, the broker ordinarily would be considered an agent for the lender. However, if the broker does not receive such a fee, but merely contacts or otherwise negotiates with the lender on behalf of the vendor or vendee, he ordinarily would not be considered an agent for the lender.

All brokers and others who are subject to the Regulation are automatically registered until such time as the Board of Governors of the Federal Reserve System, by public announcement, may require formal registration. It is not necessary, therefore, to register with the Federal Reserve Bank at this time.

*It is necessary*, however, that certain records be maintained which, upon inspection, will indicate compliance with Regulation X. In many cases this means that a Statement of the Borrower should be taken when arrangements for a loan are made. Sample forms for these statements are enclosed. When a mortgage is transferred or assigned to another

lender, the broker may transfer the papers and records pertaining to it. However, the broker should keep in his office a record of the fact that he arranged the loan originally; and this record should show the identity of the person or institution to whom he has transferred it and the date of the transfer.

For his own protection and to facilitate compliance examinations, it might be well for the broker to maintain a record of all loans placed, which could include the following information:

1. Date of application.
2. Amount of loan.
3. Location of property.
4. Sale price of property (or valuation if there is no sale).
5. Indication of whether or not loan is subject to Regulation X (FHA and VA loans are not subject).
6. Name and address of borrower.
7. Name and address of lender.
8. Date of transfer of mortgage papers.

The discussion presented in this letter is intended for your general guidance. It is hoped that it will be helpful as such. All persons engaged in the real estate business should refer to Regulation X itself for information on specific problems. This bank and its branches at El Paso, Houston, and San Antonio will be glad to furnish any further information which may be desired concerning the Regulation.

Yours very truly,

R. R. GILBERT

President