

FEDERAL RESERVE BANK
OF DALLAS

Dallas, Texas, May 24, 1951

REGISTRATION REQUIREMENTS
UNDER REGULATION X

*To All Real Estate License Holders and Others Concerned
in the Eleventh Federal Reserve District:*

Regulation X (Real Estate Credit), which was issued pursuant to the Defense Production Act of 1950, makes it incumbent upon all persons engaged in the business of extending real estate credit to file with the nearest Federal Reserve Bank or Branch a registration statement during the month of June 1951, on a form furnished by the Federal Reserve Bank.

Under the provisions of the regulation, a real estate agent, broker, or other person is deemed to be engaged in the business of extending real estate credit and is subject to the above-mentioned registration requirement if, either in the current or preceding calendar year, he makes or has made real estate loans—or as agent of lenders he has received fees from them for *arranging* such loans—more than three different times, or has handled transactions of either type involving an aggregate amount of credit in excess of \$50,000.

For your information we are enclosing the regulation and all amendments thereto, together with Registration Statement forms. If, after reading the instructions on the reverse side of the registration form, you find that your real estate activities have been such as to make it necessary for you to register, one copy of the registration statement form should be executed and filed with us not later than June 30, 1951.

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

FEDERAL RESERVE BANK
OF DALLAS

Dallas, Texas, March 3, 1951

REAL ESTATE CREDIT— REGULATION X
Amendment Relating to Defense Construction

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

There is quoted below a statement issued by the Board of Governors of the Federal Reserve System for release March 3, 1951, relating to an amendment to Regulation X (as amended February 15, 1951).

“The Board of Governors has amended Regulation X to permit terms different from those prescribed by the regulation to apply to specific new construction necessary to the national defense. The amendment, which becomes effective March 5, 1951, has been concurred in by the Housing and Home Finance Administrator.

The provisions of the amendment, to be known as section 6(p) of Regulation X, are as follows:

‘(p) **Defense Construction.**—Terms different from those prescribed by this regulation and the supplement thereto, to be applicable to specific new construction necessary to the national defense, may be authorized by the Board in areas designated by the Housing and Home Finance Administrator with the concurrence of the Board and after surveys have been made by the Administrator with respect to the needs for such necessary construction

within such areas. Such different terms when so authorized will be applicable only to such new construction as may be specified by the Administrator within such designated areas, and will be subject to such conditions as may be prescribed.'

At the same time the Board adopted this amendment to Regulation X, it concurred in the recommendation of Housing and Home Finance Administrator Foley that specific areas adjacent to new defense industry installations at Paducah, Kentucky, and Savannah River, South Carolina, be designated defense areas. Mr. Foley advised the Board that, because of the urgent need for housing workers at the Atomic Energy Commission installations, he had designated these two areas for special housing consideration with the approval of defense mobilization authorities. Any further designations, he said, would be based on criteria now being developed with the Office of Defense Mobilization and its related agencies.

The modified terms and method of handling applications for both non-government-aided and government insured or guaranteed loans in the Paducah and Savannah River areas will be announced by the Board and the Housing and Home Finance Agency in a few days."

This bank and its branches at El Paso, Houston and San Antonio will be glad to furnish any information which may be desired concerning the regulation.

Yours very truly,

R. R. GILBERT

President

REAL ESTATE CREDIT
AMENDMENT NO. 1 TO REGULATION X

Issued by the Board of Governors
of the Federal Reserve System
with the concurrence of the
Housing and Home Finance Administrator

Effective March 5, 1951, Section 6 of Regulation X is hereby amended by adding, at the end thereof after the present subsection (o), a new subsection (p) reading as follows:

(p) Defense Construction.—Terms different from those prescribed by this regulation and the supplement thereto, to be applicable to specific new construction necessary to the national defense, may be authorized by the Board in areas designated by the Housing and Home Finance Administrator with the concurrence of the Board and after surveys have been made by the Administrator with respect to the needs for such necessary construction within such areas. Such different terms when so authorized will be applicable only to such new construction as may be specified by the Administrator within such designated areas and will be subject to such conditions as may be prescribed.

REAL ESTATE CREDIT

AMENDMENT NO. 2 TO REGULATION X

Issued by the Board of Governors
of the Federal Reserve System
with the concurrence of the
Housing and Home Finance Administrator

Regulation X is hereby amended in the following respects, effective March 21, 1951:

1. By substituting the following subsection (*g*) in Section 5:

(g) Contemplated Construction.— Any builder or other person who had made substantial commitments or undertakings before (*a*) January 12, 1951, with a view to the building of new construction which is a multi-unit residence or a major addition or major improvement to a multi-unit residence, or (*b*) February 15, 1951, with a view to the building of new construction which is a nonresidential structure or a major addition or a major improvement to a nonresidential structure, and who asserts that his inability to obtain credit to finance such new construction on the basis contemplated by him and by a Registrant prior to January 12, 1951, or February 15, 1951, as the case may be, would cause him a clear and substantial financial hardship, may apply to the Federal Reserve Bank of the district in which the new construction is contemplated for an exemption from this regulation for such new construction, showing all the facts and submitting all necessary supporting documents with respect to his commitments or undertakings and why compliance with the regulation would cause him a clear and substantial financial hardship. If such Federal Reserve Bank after consideration of the application and supporting documents determines that substantial commitments or undertakings were made prior to January 12, 1951, or February 15, 1951, as the case may be, and that a clear and substantial financial hardship would result from the application of this regulation in such case, it may issue to such builder or such other person a certificate approving such application and thereupon any extension of credit to such builder or such other person by the Registrant named in such certificate with respect to the new construction that may be specified in such certificate shall be exempt from the prohibitions of subsections (*a*) and (*b*) of Section 4 of this regulation. Applications under this subsection must be sent to the Federal Reserve Bank prior to April 15, 1951.

2. By deleting "May 1, 1951," in subsection (*k*) of Section 5 and inserting therefor "a date 32 days after construction is completed."

FEDERAL RESERVE BANK

OF DALLAS

Dallas, Texas, March 20, 1951

REAL ESTATE CREDIT AMENDMENT TO REGULATION X

To all Persons Engaged in the Business of Extending Real Estate Credit in the Eleventh Federal Reserve District:

There is quoted below a statement issued today by the Board of Governors of the Federal Reserve System for release Wednesday, March 21, 1951, relating to an amendment to Regulation X (as amended February 15, 1951).

“An amendment affecting two sections of Regulation X was announced by the Board of Governors of the Federal Reserve System with the concurrence of the Housing and Home Finance Administrator, to become effective March 21, 1951.

“The new Section 5(*g*) provides that a limited number of builders or other persons who had made substantial commitments or undertakings with respect to certain contemplated multi-unit residential and nonresidential construction may apply, before April 15, 1951, to a Federal Reserve Bank for an exemption for the construction if they can show that inability to obtain credit to finance the construction on a basis previously contemplated with a lender would cause a clear and substantial financial hardship.

“Section 5(*k*) of the Regulation formerly provided that credit extended with respect to certain new construction would be exempt from the Regulation if extended prior to May 1, 1951. The amendment, however, will exempt such credit if it is extended prior to a date 32 days after the construction is completed.”

The text of the Amendment is set forth on the reverse side of this letter. This bank and its branches at El Paso, Houston, and San Antonio will be glad to furnish any information which may be desired concerning the Regulation.

Yours very truly,

R. R. GILBERT

President

REAL ESTATE CREDIT

AMENDMENT NO. 3 TO REGULATION X

Issued by the Board of Governors
of the Federal Reserve System

Regulation X is hereby amended in the following respects effective April 4, 1951:

1. In subsection (g) of Section 6, change the title to "State and Municipal Programs," and add at the end thereof the following new sentence: "Nothing in this regulation shall apply to extensions of credit by any state or political subdivision of a state or agencies of either with respect to any nonresidential property."

FEDERAL RESERVE BANK
OF DALLAS

Dallas, Texas, April 3, 1951

REAL ESTATE CREDIT
AMENDMENT TO REGULATION X

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

There is quoted below a statement issued by the Board of Governors of the Federal Reserve System relating to an amendment to Regulation X (as amended February 15, 1951).

“Amendment No. 3 to Regulation X, ‘Real Estate Credit,’ has been announced by the Board of Governors of the Federal Reserve System, to become effective April 4, 1951.

“The Amendment is for the purpose of exempting state and local governments from the terms of Regulation X where an extension of credit is contemplated on a basis which does not conform to the Regulation in connection with the construction of nonresidential facilities. According to the Board’s information, such credit extensions are uncommon, and the Amendment was adopted to eliminate the possibility that the Regulation might impede the construction of needed nonresidential facilities.”

The text of the Amendment is set forth on the reverse side of this letter. This bank and its branches at El Paso, Houston, and San Antonio will be glad to furnish any information which may be desired concerning the Regulation.

Yours very truly,

R. R. GILBERT

President

REAL ESTATE CREDIT

AMENDMENT NO. 4 TO REGULATION X

Issued by the Board of Governors
of the Federal Reserve System
with the concurrence of the
Housing and Home Finance Administrator

Regulation X is hereby amended in the following respects,
effective April 16, 1951:

In subsection (e) of Section 5, strike out the period at
the end of the section and add the following:

“or solely to finance the purchase or construction of a
residence, multi-unit residence, or nonresidential structure
to be used in substitution for a similar structure of which
the borrower has been deprived through or by reason of
eminent domain or condemnation proceedings.”

REAL ESTATE CREDIT

AMENDMENT NO. 5 TO REGULATION X

Issued by the Board of Governors
of the Federal Reserve System
with the concurrence of the
Housing and Home Finance Administrator

Regulation X is hereby amended in the following respects,
effective May 11, 1951:

In subsection (b) of Section 3, add reference ^{11a} after
the word "announcement" in the fifth line, and add this
footnote at the bottom of the page:

^{11a/} Pursuant to public announcement made by the Board on May 11, 1951, all persons so engaged in the business described above on May 31, 1951, must register with the nearest Federal Reserve Bank or Branch not later than June 30, 1951, on Form F. R. 269, which may be obtained at any such bank or branch. All persons who thereafter become so engaged in business must register within 30 days.

BOARD OF GOVERNORS
of the
FEDERAL RESERVE SYSTEM

REAL ESTATE CREDIT

▼

REGULATION X

As amended effective February 15, 1951



REGULATION NO. 17
1933
FEDERAL RESERVE BOARD

FEDERAL RESERVE ACT

SECTION 19

RESERVE REQUIREMENTS FOR BANKS

INQUIRIES REGARDING THIS REGULATION

Any inquiry relating to this regulation should be addressed to the Federal Reserve Bank or Federal Reserve branch bank of the district in which the inquiry arises.



FOREWORD

This regulation applies to real estate construction credit with respect to property on which a new residence, multi-unit residence, or non-residential structure, or a major addition or major improvement to an existing residence, multi-unit residence, or nonresidential structure is begun after 12 o'clock meridian, August 3, 1950. The regulation applies, in general, to banks, savings and loan associations, insurance companies, mortgage companies, loan companies, finance companies, real estate companies, or other institutions or individuals who are engaged in the business of extending real estate credit with respect to residences, residential property, multi-unit residential property, or nonresidential property. In order to determine whether a particular institution or individual or a particular transaction is subject to this regulation, reference should be made to the provisions of the regulation itself.

CONTENTS

	Page
SEC. 1. SCOPE AND APPLICATION OF REGULATION	1
SEC. 2. DEFINITIONS	1
(a) "Person"	
(b) "Registrant"	
(c) "Credit"	
(d) "Extending credit," "extension of credit" and "extends credit"	
(e) "Real estate construction credit"	
(f) "New construction"	
(g) "Major addition" or "major improvement"	
(h) "Real property"	
(i) "Maximum loan value"	
(j) "Bona fide sale price"	
(k) "Residence"	
(l) "Multi-unit residence"	
(m) "Family unit"	
(n) "Residential property"	
(o) "Farm property"	
(p) "Multi-unit residential property"	
(q) "Nonresidential property"	
(r) "Nonresidential structure"	
(s) "Public utility"	
Sec. 3. GENERAL REQUIREMENTS AND REGISTRATION	7
(a) General Requirements	
(b) Registration	
(c) Suspension of Registration	
SEC. 4. EXTENSION OF CREDIT	8
(a) Amount; Maturity; Amortization	
(b) Secondary Borrowing	
(c) Ascertaining Nature of Credit	
(d) Statement of the Borrower	
SEC. 5. EXEMPTIONS AND EXCEPTIONS	11
(a) Minimum Amount	
(b) Short-Term Residential Construction Credits	
(c) Other Short-Term Construction Credits	
(d) Medical Expenses, etc.	
(e) Casualties	
(f) Contracts to Sell	
(g) Contemplated Construction	
(h) Labor and Material	
(i) Credits Secured by Life Insurance Policies	
(j) Farm Property	
(k) Exemption for Certain New Construction	
(l) Materials, Articles and Services Used in New Construction	
SEC. 6. MISCELLANEOUS PROVISIONS	15
(a) Evasions	
(b) Outstanding Contracts and Obligations	
(c) Real Property Outside the United States	
(d) Preservation of Records; Inspections; Administrative Reports	
(e) Default and Foreclosure; Serviceman's Preinduction Debt	
(f) Veterans Programs under State Law	
(g) State Housing Programs	
(h) Extension of Credit for Mixed Purposes	
(i) Calculation of Maximum Maturity	
(j) Three- and Four-Unit Residences	
(k) Right of Registrant to Impose Stricter Requirements	
(l) Reliance upon Statement of the Borrower	
(m) False Statements	
(n) Statutory Penalties	
(o) Enforceability of Contracts	
SUPPLEMENT	20
Schedule I. One- to Four-Unit Residential Property and Farm Residences	
Schedule II. Multi-unit Residential Property	
Schedule III. Nonresidential Property	

REGULATION X

As amended effective February 15, 1951

REAL ESTATE CREDIT

SECTION 1. SCOPE AND APPLICATION OF REGULATION

This regulation is issued by the Board of Governors of the Federal Reserve System (hereinafter called the "Board"), with the concurrence of the Housing and Home Finance Administrator with respect to provisions relating to real estate construction credit involving residential property and multi-unit residential property, under authority of the "Defense Production Act of 1950," approved September 8, 1950 (hereinafter called the "Act"), and Executive Order No. 10161, dated September 9, 1950.

This regulation applies to any person who is engaged in the business of extending real estate credit with respect to residences, residential property, multi-unit residential property, or nonresidential property, including any person who acts as agent in arranging for such credit. For the purposes of this regulation, a person shall be deemed to be engaged in the business of extending such real estate credit if, in his own right or as agent or fiduciary, he either (1) extends or has extended such real estate credit more than three different times during the current calendar year or during the preceding calendar year, or (2) extends or has extended such real estate credit in an amount or amounts aggregating more than \$50,000 during the current calendar year or during the preceding calendar year. For the purposes of this section, such real estate credit shall be deemed to include credit with respect to any residence, residential property, multi-unit residential property, or nonresidential property, whether or not there is any new construction thereon, and whether or not such credit is extended, insured, or guaranteed by the Federal Housing Administration, the Veterans' Administration, or any other department, independent establishment or agency of the United States, and whether or not such credit is exempt from this regulation.

SECTION 2. DEFINITIONS

For the purposes of this regulation, unless the context otherwise requires:

(a) "*Person*" has the meaning given it in section 702(a) of the Act.¹

¹Section 702(a) of the Act provides: "The word 'person' includes an individual, corporation, partnership, association, or any other organized group of persons, or

(b) "*Registrant*" means a person who is registered pursuant to section 3 of this regulation.

(c) "*Credit*" has the meaning given it in section 602(d)(2) of the Act.²

(d) "*Extending credit*," "*extension of credit*" and "*extends credit*" shall include extending or maintaining any credit, or renewing, revising, consolidating, refinancing, purchasing, selling, discounting, or lending or borrowing on, any obligation arising out of any credit, or arranging as agent for any of the foregoing, and also shall include a sale of, or other transfer of title to, real property if the vendee or transferee assumes, or takes such property subject to, indebtedness secured by a mortgage or other lien upon such property.

(e) "*Real estate construction credit*" means any credit³ which

- (1) is wholly or partly secured by, or
- (2) is for the purpose of purchasing or carrying, or
- (3) is for the purpose of financing, or
- (4) involves a right to acquire or use,

new construction on real property or real property on which there is new construction, if such new construction is a residence, multi-unit residence, or nonresidential structure, or a major addition or major improvement to a residence, multi-unit residence, or nonresidential structure, whether such credit is extended before or after such new construction is begun; but the term "real estate construction credit"

legal successor or representative of the foregoing, and includes the United States or any agency thereof, or any other government, or any of its political subdivisions, or any agency of any of the foregoing: *Provided*, That no punishment provided by this Act shall apply to the United States, or to any such government, political subdivision, or government agency."

²Section 602(d)(2) of the Act provides: "'Credit' means any loan, mortgage, deed of trust, advance, or discount; any conditional sale contract; any contract to sell or sale or contract of sale, of property or services, either for present or future delivery, under which part or all of the price is payable subsequent to the making of such sale or contract; any rental-purchase contract, or any contract for the bailment, leasing, or other use of property under which the bailee, lessee, or user has the option of becoming the owner thereof, obligates himself to pay as compensation a sum substantially equivalent to or in excess of the value thereof, or has the right to have all or part of the payments required by such contract applied to the purchase price of such property or similar property; any option, demand, lien, pledge, or similar claim against, or for the delivery of property or money; any purchase, discount, or other acquisition of, or any credit under the security of, any obligation or claim arising out of any of the foregoing; and any transaction or series of transactions having a similar purpose or effect."

³Extended on or after October 12, 1950, with respect to farm residences, residential property, and major additions and major improvements to residences; or on or after January 12, 1951, with respect to multi-unit residential property and major additions and major improvements to multi-unit residences; or on or after February 15, 1951, with respect to nonresidential property and major additions and major improvements to nonresidential structures.

shall not include any loan or loans made, insured, or guaranteed, in whole or in part, by the Federal Housing Administration, the Veterans' Administration, or any other department, independent establishment or agency in the executive branch of the United States, or by any wholly owned Government corporation, or by any mixed-ownership Government corporation as defined in the Government Corporation Control Act, as amended (including any loan evidenced by obligations of any local public agency or public housing agency which national banks may purchase pursuant to the provisions of section 602(a) of the Housing Act of 1949).

(f) "*New construction*" means any structure, or any major addition or major improvement to a structure, which is or has been begun after 12 o'clock meridian, August 3, 1950. Construction will be deemed to have been "begun" when any essential materials which are to be an integral part of the structure have been affixed to or incorporated on the site in a permanent form.

(g) "*Major addition*" or "*major improvement*" means any enlargement, reconstruction, alteration, or repair of an existing structure,⁴ or any other addition or improvement which becomes or is to become physically attached to and a part of the structure,⁴ if the cost or estimated cost of such addition or improvement exceeds \$2,500, and also exceeds (1) if the structure is a residence or multi-unit residence, an amount determined by multiplying \$1,500 by the number of family units in such residence or multi-unit residence prior to such addition or improvement, or (2) if the structure is a nonresidential structure, an amount equal to 15 per cent of the appraised value of the nonresidential structure⁵ as determined in good faith by the Registrant who extends the credit.⁶

⁴ Notwithstanding this definition or any other provision of this regulation, an addition or improvement to any existing structure which will become a "residence," "multi-unit residence," or "nonresidential structure" by reason of such addition or improvement shall be treated as an addition or improvement to an existing "residence," "multi-unit residence," or "nonresidential structure," respectively; and, in determining whether the cost or estimated cost of an addition or improvement to an existing structure which will become a "residence" or "multi-unit residence" is such that it would be a major addition or major improvement within the meaning of section 2(g), and in determining what the maximum loan value is, the determination shall be according to the number of family units which will be in the structure after the addition or improvement has been completed.

⁵ For this purpose, the value of the land upon which the nonresidential structure is located is not taken into consideration; and the appraised value is the appraised value of the structure before the major addition or major improvement is made.

⁶ It should be noted that section 2(f) defines "new construction" as including "any major addition or major improvement" and that section 2(e) defines "real estate construction credit" as including certain credit with respect to "real property on which there is new construction." Accordingly, if a major addition or

(h) "Real property" includes leaseholds and other interest in such property.

(i) The "maximum loan value" of any property ⁷ shall be the amount which is computed in the manner prescribed in the Supplement to this regulation. In making such computations:

(1) For a major addition or major improvement to a residence, multi-unit residence, or nonresidential structure, "value" shall be the cost or estimated cost ⁸ of such major addition or major improvement;

(2) For residential property, other than major additions or major improvements:

(A) In the case of an extension of credit in connection with a *bona fide* sale of residential property, "value" shall be the *bona fide* sale price;

(B) In the case of any other extension of credit with respect to residential property:

(i) If the entire cost of the property to the borrower has been incurred by him not more than 12 months prior to the extension of credit or is to be incurred by him after such extension of credit, "value" shall be the *bona fide* cost of the property to the borrower, including a *bona fide* estimate of the cost of completing new construction on such property when the extension of credit is for the purpose of financing such new construction;

(ii) If any part of the cost of the property to the borrower has been incurred by him more than 12 months prior to the extension of credit, or if any part of such property has been acquired by gift, exchange, or inheritance, "value" shall be the appraised value as determined in good faith by the Registrant who extends the credit;

major improvement is made to an existing structure, even though such structure was erected or begun prior to August 3, 1950, any subsequent extension of credit with respect to such structure or the property on which it is located is "real estate construction credit." However, in determining whether property has become "real property on which there is new construction" by reason of a major addition or major improvement having been made to an existing structure, there shall be considered only such costs as are or have been incurred during any period of 12 consecutive months (or during a period not exceeding 12 months beginning January 12, 1951, if the structure is a residence or multi-unit residence, or beginning February 15, 1951, if the structure is a nonresidential structure).

⁷ As used here, "property" means residential property, multi-unit residential property, nonresidential property, a residence on farm property, or a major addition or major improvement to a residence, a multi-unit residence, or nonresidential structure, as the case may be.

⁸ Based on such evidence and supporting data as normally would be required by a prudent lender.

(3) For an extension of credit which is for the purpose of financing the construction of a residence on farm property, "value" shall be the total of (A) the cost or estimated cost of such new construction, and (B) 5 per cent of such cost or estimated cost.⁹

(4) For multi-unit residential property and nonresidential property, other than major additions or major improvements:

(A) In the case of an extension of credit in connection with a *bona fide* sale of multi-unit residential property or nonresidential property, "value" shall be the *bona fide* sale price;

(B) In the case of any other extension of credit with respect to multi-unit residential property or nonresidential property, "value" shall be the appraised value as determined in good faith by the Registrant who extends the credit. Appraisals pursuant to this provision and other provisions of this regulation will be subject to inspection by the Board and the Federal Reserve Banks in accordance with section 6(d) of this regulation, and appraisals found to be in excess of those dictated by sound and established practice in the community shall be deemed sufficient ground for the suspension of the Registrant pursuant to section 3 (c) of this regulation.

(j) "*Bona fide sale price*" means the amount paid or to be paid by the vendee in money or its equivalent. It includes, in addition to cash, (1) the value of any property accepted in part payment, (2) the unpaid principal amount of any indebtedness incurred or assumed by the vendee or to which the property remains subject, (3) the amount of any liens for taxes or special assessments which are in default or currently due and payable, (4) the amount of any mechanics' liens or other liens which the vendee is required to discharge, (5) the amount which the vendee agrees to pay for any alteration or other modification made or to be made to the property as an incident to the sale thereof, and (6) any amounts paid by the vendee for closing costs. It does not include any prepaid charges, or any accrued rents which will be paid to the vendee.

(k) "*Residence*"¹⁰ means any structure which is used or designed for permanent or transient dwelling purposes, and which include at

⁹ The 5 per cent is added when the extension of credit is for the purpose of financing the construction of a residence on farm property in order to take account of the value of the land upon which the residence is to be constructed.

¹⁰ Structures such as hotels, motels, rooming houses, club houses, fraternity or sorority houses, rest homes, and the like, in which more than one-half of the floor space consists of units which do not contain kitchen facilities or space designed for kitchen facilities shall not be deemed to be residences or multi-unit residences. See section 2(r).

least one but not more than four family units, if the floor space contained in such family units comprises at least one-half of the floor space of such structure. Houses connected by common walls and commonly known as "row houses" or "semidetached houses" shall be considered separate structures.

(l) "*Multi-unit residence*"¹⁰ means any structure such as an apartment house or apartment hotel (whether owned cooperatively or otherwise) which is used or designed for permanent or transient dwelling purposes, and which includes more than four family units, if the floor space contained in such family units comprises at least one-half of the floor space of such structure.

(m) "*Family unit*" means space which is used or designed for dwelling purposes and which contains one or more rooms with kitchen facilities (or space designed for kitchen facilities) in or appurtenant to such rooms.

(n) "*Residential property*" means any real property, other than farm property, on which there is or is to be a residence or residences.

(o) "*Farm property*" means any real property, other than multi-unit residential property or nonresidential property, located outside of urban areas, which is principally used for the production of crops, livestock or other agricultural commodities.

(p) "*Multi-unit residential property*" means any real property on which there is or is to be a multi-unit residence or multi-unit residences.

(q) "*Nonresidential property*" means any real property on which there is or is to be a nonresidential structure or structures.

(r) "*Nonresidential structure*"¹¹ means any structure other than

- (1) a residence,
- (2) a multi-unit residence,
- (3) a school, hospital, or church,
- (4) a structure exclusively used or designed for use
 - (i) by a public utility,
 - (ii) by any Government or political subdivision, or

(5) a structure more than 80 per cent of the floor space of which is used or designed for use

- (i) in processing materials, goods, or articles into finished or partly finished manufactured products,
- (ii) in mining or otherwise extracting raw materials, or

¹⁰ For footnote, see preceding page.

¹¹ Nonresidential structures ordinarily subject to this regulation include, among others, the following: Office buildings, warehouses, stores (including sales display and service facilities, whether wholesale or retail), banks, hotels, motels, motor courts, garages, automobile service stations, restaurants, and clubs.

(iii) on farm property in the production, shelter, or storage incidental thereto, of crops, livestock or other agricultural commodities.

(s) "*Public utility*" means any transportation company, electric light or power company, gas company, water company, pipe line company, telephone company, telegraph company, or other similar business which is operated for the convenience, service or accommodation of the public if (1) the operations of such company are supervised by a Federal or State agency, or (2) the members of the public as such are entitled as of right to demand and use its facilities or services.

SECTION 3. GENERAL REQUIREMENTS AND REGISTRATION

(a) **General Requirements.**—No person engaged in the business of extending real estate credit with respect to residences, residential property, multi-unit residential property or nonresidential property shall extend real estate construction credit unless (1) he is registered pursuant to this section, and (2) he has no knowledge of, and has no reason to know, any fact by reason of which such credit fails to comply with any applicable provision of this regulation.

(b) **Registration.**—Every person engaged in the business of extending real estate credit with respect to residences, residential property, multi-unit residential property or nonresidential property shall be deemed to be registered pursuant to this regulation until such time as the Board, by public announcement, may require registration statements to be filed by all, or any specified classes of, such persons. Should the Board require such registration statements, a person shall continue to be registered after the time such statements are required only if he shall have complied with the requirements of the Board's announcement. Every person who is registered in accordance with the provisions of this subsection is referred to in this regulation as a "Registrant."

(c) **Suspension of Registration.**—Any Registrant may, after reasonable notice and opportunity for a hearing, be suspended by the Board, as to all or as to particular activities or particular offices and for specified or indefinite periods, because of any willful or negligent failure to comply with any provision of this regulation.

A suspension for a specified period will terminate upon the expiration of such period. A suspension for an indefinite period may be terminated by the Board, in its discretion, if the Board is satisfied that its action would not lead to further violations of this regulation

by the suspended Registrant and would not be otherwise incompatible with the public interest.

SECTION 4. EXTENSION OF CREDIT

(a) **Amount; Maturity; Amortization.**—Except as otherwise permitted by this regulation, no Registrant shall, either in connection with a sale or otherwise:

(1) Extend real estate construction credit with respect to residential property, multi-unit residential property, or nonresidential property (other than major additions or major improvements) if the amount of credit outstanding with respect to the property (including any credit exempt from, or not subject to the prohibitions of, this regulation) exceeds, or as a result of such extension of credit would exceed, the applicable maximum loan value of such property;

(2) Extend real estate construction credit for the purpose of financing a major addition or major improvement to a residence, multi-unit residence or nonresidential structure if the amount of credit outstanding for the purpose of financing the major addition or major improvement (including any credit exempt from, or not subject to the prohibitions of, this regulation) exceeds, or as a result of such extension of credit would exceed, the applicable maximum loan value of such major addition or major improvement;

(3) Extend real estate construction credit for the purpose of financing the construction of a residence on farm property if the amount of credit outstanding for the purpose of financing the construction of the residence (including any credit exempt from, or not subject to the prohibitions of, this regulation) exceeds, or as a result of such extension of credit would exceed, the applicable maximum loan value of such residence;

(4) Extend real estate construction credit if such credit would have a maturity which exceeds the applicable maximum maturity provisions, or would be repaid in any manner which does not conform with the applicable amortization provisions, set forth in the Supplement to this regulation;

(5) Purchase, discount or lend on any credit instrument evidencing real estate construction credit which is subject to and not exempt from this regulation, unless the terms of such credit conformed with the provisions of the Supplement to this regulation when such credit was originally extended or conform with the provisions of the Supplement at the time of such purchase, discount or loan; but for the purposes of this paragraph credit shall be con-

sidered to be subject to the regulation even though extended by a person other than a Registrant;

(6) If the Registrant is acting as principal—sell, or transfer title to, residential property, multi-unit residential property or non-residential property on which there is new construction (which is a residence, multi-unit residence or nonresidential structure, or a major addition or major improvement to a residence, multi-unit residence or nonresidential structure) and with respect to which the vendee or transferee assumes, or takes such property subject to, indebtedness secured by a mortgage or other lien upon such property, if the amount of outstanding credit (including any credit exempt from, or not subject to the prohibitions of, this regulation) which was extended after October 12, 1950, (or after January 12, 1951, if it is a sale or transfer of multi-unit residential property or after February 15, 1951, if it is a sale or transfer of nonresidential property) with respect to the property exceeds, or as a result of such sale or transfer would exceed, the applicable maximum loan value of such property, or if any outstanding real estate construction credit (subject to and not exempt from this regulation) with respect to such property does not conform with the provisions of this regulation and the Supplement thereto.¹²

(b) **Secondary Borrowing.**—Except as otherwise permitted by this regulation, no Registrant shall extend real estate construction credit if he knows or has reason to know that there is, or that there is to be, any other credit extended with respect to the property¹³ (1) which, when added to the credit proposed to be extended by the Registrant, would cause the total amount of credit outstanding with respect to the property¹³ (including any credit exempt from, or not subject to the prohibitions of, this regulation) to exceed the applicable maximum loan value of such property, or (2) which, if it is real estate construction credit subject to and not exempt from this regulation, does not or would not comply with the applicable maximum maturity and amortization provisions set forth in the Supplement to this regulation.

(c) **Ascertaining Nature of Credit.**—No Registrant shall extend any credit unless he is satisfied, and maintains records which reasonably demonstrate on their face, whether such credit is or is not real

¹² For application to three- and four-unit residences, see section 6(j).

¹³ As used here, "property" means residential property, multi-unit residential property, nonresidential property, a residence on farm property, or a major addition or major improvement to a residence, a multi-unit residence or nonresidential structure, as the case may be.

estate construction credit; provided, however, unless the Registrant has actual knowledge that the credit is real estate construction credit, the requirements of this sentence shall not apply (1) to any extension of credit which is made by a bank, savings and loan association, or similar institution and which is to be repaid within six months and is fully secured by withdrawable shares issued by or savings accounts held with the lender, or (2) to any extension of credit in the ordinary course of business for a commercial, agricultural, or business purpose where the Registrant, because of a previous course of dealings or correspondence between himself and the borrower, has no reason to believe that the credit is or will be real estate construction credit. The preceding sentence does not require that a Registrant obtain a signed statement from each borrower, and if the Registrant is satisfied that credit is not real estate construction credit, other kinds of records may be used to demonstrate this fact. Such records may include, among others, (1) any correspondence, memoranda, loan applications or other documents of any kind, whether or not originating in connection with the credit in question, which on the basis of a reasonable interpretation show that the credit is not real estate construction credit; or (2) a written endorsement or rubber stamp legend, placed upon the credit instrument or upon other papers in connection with the credit and signed by the Registrant or a responsible officer of the Registrant, stating that he is satisfied that the credit in question is not real estate construction credit. If, however, a Registrant desires to obtain, and accepts in good faith, a signed Statement of the Borrower stating that the credit is not wholly or partly secured by, or for the purpose of purchasing or carrying, or for the purpose of financing, or one which involves the right to acquire or use, new construction on real property or real property on which there is new construction (or that such new construction, if any, is not a residence, multi-unit residence or nonresidential structure, or a major addition or major improvement to a residence, multi-unit residence or nonresidential structure), such Statement shall be deemed to be compliance with the requirements of this subsection.

(d) **Statement of the Borrower.**—No Registrant shall extend real estate construction credit unless he has accepted in good faith a signed Statement of the Borrower (1) stating whether the credit is with respect to property¹⁴ subject to the regulation, and (2) stating,

¹⁴ As used here, "property" means residential property, multi-unit residential property, nonresidential property, a residence on farm property, or a major addition or major improvement to a residence, multi-unit residence, or nonresidential structure, as the case may be.

if the Registrant claims that such credit is exempt from this regulation, the reason for such exemption; and, if the credit is not exempt, (3) stating the amount of credit previously extended and outstanding, and the amount of any other credit to be extended, with respect to the property,¹⁴ (4) stating, if the Registrant in computing "value" relies upon cost or estimated cost to the borrower (where such cost or estimated cost may be used for this purpose), the *bona fide* amount of such cost or estimated cost to the borrower, and (5) stating, if the extension of credit is in connection with a sale, the sale price, that the sale price was *bona fide*, and the value and a brief description of any property accepted in part payment. If the extension of credit is in connection with a sale, such Statement shall state that the vendor of the property has or will have no financial interest in such property or in the proceeds of any subsequent disposition thereof, except such interest as may be fully disclosed to the Registrant. The amount of any such financial interest of the vendor retained in the property or any proceeds of the disposition thereof shall be deemed to be real estate construction credit extended with respect to such property. The Statement of the Borrower may be made, if desired, on a form a sample of which is obtainable at any Federal Reserve Bank or branch.

SECTION 5. EXEMPTIONS AND EXCEPTIONS

(a) **Minimum Amount.**—The prohibitions of subsections (a) and (b) of section 4 of this regulation shall not apply to any extension of credit if the total amount thereof, including all outstanding credit which was granted after October 12, 1950, with respect to the same property,¹⁵ is not in excess of \$2,500.

(b) **Short-Term Residential Construction Credits.**—The prohibitions of subsections (a) and (b) of section 4 of this regulation shall not apply to any credit which is for the purpose of financing the construction of a residence or residences or a major addition or major improvement to a residence, if the maturity of such credit is not more than 18 months; provided, that this exemption shall not be construed to permit any renewal, revision, consolidation, or refinancing of such credit except on terms which conform with the provisions of this regulation and the Supplement thereto. If (1) the initial purpose of an extension of credit having a maturity exceeding 18 months is

¹⁴ For footnote, see preceding page.

¹⁵ As used here, "property" means residential property, multi-unit residential property, nonresidential property, a residence on farm property, or a major addition or major improvement to a residence, multi-unit residence, or nonresidential structure, as the case may be.

the financing of the construction of a residence or residences or a major addition or major improvement to a residence and (2) the credit instrument provides, or an agreement with respect to the credit requires, that within 32 days after completion of such construction or upon a specified date when the Registrant estimates in good faith the construction will be completed, which in either case shall be not more than 18 months after the extension of the credit, the terms of the credit shall conform thereafter with the applicable maximum loan value and the applicable maturity and amortization provisions set forth in Schedule I of the Supplement to this regulation, then in such event the prohibitions of subsections (a) and (b) of section 4 of this regulation shall not apply to such credit until after the lapse of the time so described or specified, but if at any time after the date of the extension of such credit, a Registrant sells or transfers title to the property with respect to which the credit is extended, such sale or transfer of title must conform to the provisions of this regulation and Schedule I of the Supplement thereto.¹⁶

(c) **Other Short-Term Construction Credits.**—The prohibitions of subsections (a) and (b) of section 4 of this regulation shall not apply to any credit which is for the purpose of financing the construction of a multi-unit residence or nonresidential structure or a major addition or major improvement to a multi-unit residence or nonresidential structure and which is extended to any person other than the owner of the property and has a maturity of not more than 24 months; provided, that this exemption shall not be construed to permit any renewal, revision, consolidation, or refinancing of such credit except on terms which conform with the provisions of this regulation and the Supplement thereto. Extensions of credit for the purpose of financing the construction of a multi-unit residence or nonresidential structure or a major addition or major improvement to a multi-unit residence or nonresidential structure may not be made to the owner of the property in a total amount exceeding the maximum loan value of the property; but any such credit extended to the owner of the property shall be exempt from the amortization provision in Schedule III of the Supplement to this regulation if (1) such credit has a maturity of not more than 24 months, or (2) the initial purpose of credit having a maturity exceeding 24 months is the financing of the construction of a nonresidential structure or nonresidential struc-

¹⁶It should be noted that this exemption does not apply to any credit which is for the purpose of financing the construction of a multi-unit residence or nonresidential structure or a major addition or major improvement to a multi-unit residence or nonresidential structure. However, see section 5(c).

tures or a major addition or major improvement to a nonresidential structure, and the credit instrument provides, or an agreement with respect to the credit requires, that within 32 days after completion of such construction or upon a specified date when the Registrant estimates in good faith the construction will be completed, which in either case shall be not more than 24 months after the extension of the credit, the terms of the credit shall conform thereafter with the applicable maturity and amortization provisions set forth in Schedule III of the Supplement to this regulation; but if at any time after the date of the extension of such credit, a Registrant sells or transfers title to the property with respect to which the credit is extended, such sale or transfer of title must conform to the provisions of this regulation and Schedule III of the Supplement thereto.

(d) **Medical Expenses, Etc.**—The prohibitions of subsections (a) and (b) of section 4 of this regulation shall not apply to any extension of real estate construction credit as to which the Registrant accepts in good faith a signed Statement of the Borrower certifying that the proceeds thereof are to be used for *bona fide* medical, hospital, dental, or funeral expenses, or to pay debts incurred for such expenses, and that the proceeds of the extension are to be paid over in amounts specified in such Statement to persons whose names, addresses and occupations are stated therein.

(e) **Casualties.**—The prohibitions of subsections (a) and (b) of section 4 of this regulation shall not apply to any extension of real estate construction credit as to which the Registrant accepts in good faith a signed Statement of the Borrower certifying that the proceeds thereof are to be used solely for the replacement, reconstruction or repair of a residence, multi-unit residence or nonresidential structure destroyed or substantially damaged by flood, fire or other similar casualty.

(f) **Contracts to Sell.**—None of the provisions of this regulation shall apply to a contract to sell real property (1) which does not provide for the payment of any part of the purchase price, or of any amount to be subsequently applied to such price, except a deposit of earnest money, before the transfer of title to such property, (2) which is to be performed by a transfer of title to such property within six months after the date on which the contract was entered into, and (3) which provides for the subsequent transfer of title to such property on terms which conform to the provisions of this regulation and the Supplement thereto in effect on the date the contract was entered into.

(g) **Contemplated Construction.**—Any builder or other person who had made substantial commitments or undertakings before August 3, 1950, with a view to the building of new construction which is a residence or a major addition or major improvement to a residence and who asserts that his inability to obtain credit to finance such new construction on the basis contemplated by him and by the Registrant prior to August 3, 1950, would cause him substantial hardship, may apply to the Federal Reserve Bank of the district in which the new construction is contemplated for an exemption from this regulation for such new construction, showing all the facts and submitting all necessary supporting documents with respect to his commitments or undertakings and why compliance with the regulation would cause him substantial hardship. If such Federal Reserve Bank after consideration of the application and supporting documents determines that substantial commitments were made prior to August 3, 1950, and that substantial hardship would result from the application of this regulation in such case, it may issue to such builder or other person a certificate approving such application and thereupon any extension of credit to such builder or other person by the Registrant named in such certificate with respect to the new construction that may be specified in such certificate shall be exempt from the prohibitions of subsections (a) and (b) of section 4 of this regulation. Applications under this subsection must be sent to the Federal Reserve Bank prior to March 15, 1951.

(h) **Labor and Material.**—No person shall be required to register pursuant to section 3 of this regulation because of the fact that he performs labor or furnishes material for new construction on an open account, unless he shall be otherwise engaged in the business of extending real estate credit.

(i) **Credits Secured by Life Insurance Policies.**—None of the provisions of this regulation shall apply to an extension of real estate construction credit which is fully secured by the loan value or cash surrender value of a life insurance policy; and, notwithstanding any other provisions of this regulation, a Registrant in determining the amount of credit which he may extend under the provisions of section 4 of the regulation need not take into account any credit which is secured in the manner specified in this subsection.

(j) **Farm Property.**—The prohibitions of subsections (a) and (b) of section 4 of this regulation shall not apply to any extension of real estate construction credit with respect to farm property unless the

extension of credit is for the purpose of financing the construction of a residence on farm property or a major addition or major improvement to a residence on farm property.¹⁷

(k) Exemption for Certain New Construction.—The prohibitions of subsections (a) and (b) of section 4 of this regulation shall not apply to any real estate construction credit extended prior to May 1, 1951, with respect to new construction (1) begun prior to October 12, 1950, if such new construction is a residence or a major addition or major improvement to a residence, (2) begun prior to January 12, 1951, if such new construction is a multi-unit residence or a major addition or major improvement to a multi-unit residence,¹⁸ or (3) begun prior to February 15, 1951, if such new construction is a nonresidential structure or a major addition or major improvement to a nonresidential structure.

(l) Materials, Articles and Services Used in New Construction.—None of the provisions of this regulation shall apply to an extension of credit which is for the purpose of purchasing, or is in connection with a sale of, materials, articles and services for new construction if the credit is extended on terms which provide for a minimum down payment of 10 per cent, or a maximum loan value of 90 per cent, and for repayment within 30 months by (1) substantially equal monthly or weekly payments covering principal and interest or (2) substantially equal monthly or weekly payments of principal.¹⁹

SECTION 6. MISCELLANEOUS PROVISIONS

(a) Evasions.—No extension of real estate construction credit complies with the requirements of this regulation if at the time it is made there is any agreement, arrangement, or understanding, of which the Registrant knows or has reason to know, by which credit is or is to be extended in violation of this regulation, even though such extension of credit is or is to be made indirectly, or which would otherwise evade or circumvent, or conceal any evasion or circumvention of, any provision of this regulation or the Supplement thereto. No Registrant

¹⁷ It is to be noted that the term "farm property" as defined in section 2(o) does not include multi-unit residential property or nonresidential property; accordingly, the location of multi-unit residential property or nonresidential property does not affect the question whether extensions of credit with respect to such property are subject to the regulation.

¹⁸ For applicaion to three- and four-unit residences, see section 6(j).

¹⁹ It should be noted that in certain circumstances more restrictive terms would be required by Regulation W.

extending credit subject to this regulation shall divide such credit into two or more parts, or enter into any agreement or understanding with any other person as a result of which two or more credits are extended, when the purpose or effect of such action is to circumvent or avoid the amortization or maturity provisions of this regulation or the Supplement thereto.

(b) **Outstanding Contracts and Obligations.**—The prohibitions of subsections (a) and (b) of section 4 of this regulation shall not apply to or affect (i) any credit with respect to residential property or a major addition or major improvement to a residence if extended prior to October 12, 1950, or pursuant to any firm commitment to extend credit made prior to such date, (ii) any credit with respect to multi-unit residential property or a major addition or major improvement to a multi-unit residence if extended prior to January 12, 1951, or pursuant to any firm commitment to extend credit made prior to such date, or (iii) any credit with respect to nonresidential property or a major addition or major improvement to a nonresidential structure if extended prior to February 15, 1951, or pursuant to any firm commitment to extend credit made prior to such date, if such firm commitment complies with Clause (1) of the next succeeding sentence. For this purpose, a firm commitment means either (1) a written agreement under which the Registrant is required without option or discretion on his part to extend credit upon demand by the borrower or upon compliance by the borrower with one or more conditions referred to in such agreement; or (2) any other agreement to extend credit with respect to residential property, a residence, or a major addition or major improvement to a residence which has been entered into in good faith by the parties and in reliance upon which the prospective borrower or builder has taken specific action prior to October 12, 1950, if the Registrant prior to January 1, 1951, shall have sent to the Federal Reserve Bank of the district in which he does business a letter or other statement reciting the facts with respect to such agreement and the specific action taken by the prospective borrower or builder prior to October 12, 1950; or (3) any other agreement to extend credit with respect to multi-unit residential property or a major addition or major improvement to a multi-unit residence which has been entered into in good faith by the parties and in reliance upon which the prospective borrower or builder has taken specific action prior to January 12, 1951, if the Registrant prior to March 15, 1951, shall have sent to the Federal Reserve Bank of the district in which he does business a letter or other statement reciting the facts with respect to such agreement and the

specific action taken by the prospective borrower or builder prior to January 12, 1951.²⁰

(c) **Real Property Outside the United States.**—None of the prohibitions of this regulation shall apply to any extension of real estate construction credit with respect to real property in Alaska, the Panama Canal Zone, or any territory or possession outside the continental United States.

(d) **Preservation of Records; Inspections; Administrative Reports.**—For the purpose of determining whether or not there has been compliance with the provisions of this regulation, every person extending real estate credit with respect to residences, residential property, multi-unit residential property or nonresidential property shall preserve for the period hereinafter specified such accounts, correspondence, memoranda, papers, books, and other records, or photostats or other copies thereof, as are relevant to establishing whether such person is engaged in the business of extending such real estate credit; whether each credit extended is or is not real estate construction credit with respect to a farm residence, residential property, multi-unit residential property, nonresidential property, or a major addition or major improvement to a residence, multi-unit residence, or nonresidential structure; and whether each extension of real estate construction credit conformed with the provisions of this regulation and the Supplement thereto. Every such person shall preserve such records for three years after the extension of such credit, or until the repayment of the credit, whichever period is shorter, provided, however, that if such person sells or transfers an obligation evidencing a credit (or releases collateral held as security for such credit) and delivers his records relevant to such credit to the purchaser or transferee, such person need not thereafter maintain such records with respect to the credit but shall keep a record of the identity of the purchaser or transferee and the date of such sale or transfer (or such release). Every such person shall permit the Board or a Federal Reserve Bank, by its duly authorized representative, to inspect such records and business operations as the Board or a Federal Reserve Bank may deem necessary or appropriate; and when ordered to do so, shall furnish, under oath or otherwise, such reports, information, or records relevant to extensions of credit as the Board or a Federal Reserve Bank may deem necessary or appropriate for the enforcement and administration of this regulation.²¹

²⁰ For application to three- and four-unit residences, see section 6(j).

²¹ The reporting and record-keeping requirements of this regulation have been approved by the Bureau of the Budget in accordance with the Federal Reports Act of 1942.

(e) **Default and Foreclosure; Serviceman's Preinduction Debt.**—Nothing in this regulation shall be construed to prevent any Registrant from taking such action as he shall deem necessary in good faith (1) with respect to any extension of credit to any member or former member of the armed forces of the United States which was made to him prior to his induction into such service and assignment to active duty, or (2) for the Registrant's own protection in connection with any credit which is in default and is the subject of a *bona fide* collection effort by the Registrant. The prohibitions of subsections (a) and (b) of section 4 of this regulation shall not apply to an extension of credit by a Registrant in connection with a sale of property acquired by him through foreclosure proceedings if such credit does not exceed the unpaid principal amount of the foreclosed credit, the costs of acquisition through foreclosure, and the costs incurred in the rehabilitation and repair of the property prior to the sale.

(f) **Veterans Programs under State Law.**—Nothing in this regulation shall be construed as prohibiting a State (as distinguished from any other person affected by this regulation) from according rights and preferences to eligible veterans by extending, guaranteeing or insuring, in whole or in part, real estate construction credit pursuant to State legislation similar in purpose or effect to Title III of the Servicemen's Readjustment Act of 1944, as amended, provided that the terms of the credit are no more liberal than are currently permitted in the case of comparable loans insured or guaranteed under that Act.

(g) **State Housing Programs.**—Nothing in this regulation shall prohibit extensions of credit to public corporations created pursuant to a public housing program of a State or municipality where such credit is extended, insured, or guaranteed by the State or municipality or the State or municipality has made commitments to furnish funds to assure repayment.

(h) **Extension of Credit for Mixed Purposes.**—In the case of an extension of credit which is partly subject to one provision of this regulation and partly subject to another provision, whether by reason of the types of property involved, or otherwise, the amount and terms of such credit shall be such as would result if the credit were divided into two or more parts and each part were treated as if it stood alone. In the case of an extension of credit which is partly subject to this regulation and partly not subject to (or exempt from) the regulation, the amount and terms of the extension of credit will comply with this regulation if they satisfy the requirements of this regulation applicable to the subject portion.

(i) **Calculation of Maximum Maturity.**—In calculating the maximum maturity of credits which are subject to maximum maturity provisions in the Supplement to this regulation, a Registrant may use, at his option, as “the date such credit is extended,” any date not more than 32 days subsequent to the actual date such credit is extended.

(j) **Three- and Four-Unit Residences.**—Notwithstanding any other provisions of this regulation, the provisions of sections 4(a)(6), 5(k), and 6(b) of this regulation which are applicable to multi-unit residences shall be applicable to residences containing three or four family units.

(k) **Right of Registrant to Impose Stricter Requirements.**—Any Registrant, if he desires, may refuse to extend credit, extend less credit than the amount permitted by this regulation, or require that repayment be made within a shorter period or in larger instalments than prescribed in the Supplement to this regulation.

(l) **Reliance upon Statement of the Borrower.**—The facts set forth in any signed Statement of the Borrower which a Registrant accepts and relies upon in good faith shall be deemed to be correct for the purposes of the Registrant.

(m) **False Statements.**—The making or submission by any person of any false, fictitious or fraudulent statement or representation pursuant to, or which is intended to conform to, or show compliance with, any requirement or provision of this regulation, shall be a violation of this regulation.

(n) **Statutory Penalties.**—The Act provides that “Any person who willfully violates any provision of section * * * 602 (relating to real estate construction credit) or any regulation or order issued thereunder, upon conviction thereof, shall be fined not more than \$5,000 or imprisoned not more than one year, or both.”

(o) **Enforceability of Contracts.**—Nothing in this regulation shall affect the enforceability of any contract.

SUPPLEMENT TO REGULATION X

As amended effective February 15, 1951

SCHEDULE I. ONE- TO FOUR-UNIT RESIDENTIAL PROPERTY AND FARM RESIDENCES

Maximum Loan Value.—For the purposes of Regulation X, maximum loan values for all residential property, farm residences, and major additions and major improvements to residences shall be determined as follows: (1) Determine the “value” of the residential property, farm residence, or major addition or major improvement to a residence, as the case may be, in accordance with section 2(i) of the regulation; (2) divide this “value” by the number of family units in order to determine the “value per family unit”; (3) determine the “maximum loan value per family unit” from the table below; (4) multiply the “maximum loan value per family unit” by the number of family units in order to determine the maximum loan value of the residential property, farm residence, or major addition or major improvement, as the case may be. Where a major addition or major improvement will change the number of family units, the “value per family unit” shall be computed on the basis of the number of family units which the residence will contain after the addition or improvement has been completed. In the case of credit extended with respect to residential property or farm residences involving more than one structure, the maximum loan value may be applied separately with respect to each such structure or with respect to the entire property or all such residences, at the election of the Registrant.

<u>If the “value per family unit” is</u>	<u>The “maximum loan value per family unit” is</u>
Not more than \$5,000	90% of “value per family unit”
More than \$5,000 but not more than \$9,000	\$4,500 plus 65% of excess of “value per family unit” over \$5,000
More than \$9,000 but not more than \$15,000	\$7,100 plus 60% of excess of “value per family unit” over \$9,000
More than \$15,000 but not more than \$20,000	\$10,700 plus 20% of excess of “value per family unit” over \$15,000
More than \$20,000 but not more than \$24,250	\$11,700 plus 10% of excess of “value per family unit” over \$20,000
Over \$24,250	50% of “value per family unit”

Maturity.—For the purposes of Regulation X, the following maturity requirements are prescribed for credit with respect to residential property, farm residences, and major additions and major improvements to residences: No such credit subject to the regulation shall have a maturity of more than 20 years from the date such credit is extended except that a credit extended with respect to property having a value (determined as provided in section 2(i) of the regulation) of \$7,000 or less may have a maturity of not more than 25 years if it is to be fully repaid at or before the date of maturity through amortization on the basis prescribed in clause (2) of the following paragraph relating to amortization:

Amortization.—For the purposes of Regulation X, the following amortization requirements are prescribed for credit with respect to residential property, farm residences, and major additions and major improvements to residences: With respect to every such credit subject to the regulation, amortization payments shall be required which either (1) will annually reduce the original principal amount of such credit by not less than 5 per cent until the outstanding balance of such credit has been reduced to an amount equal to or less than 50 per cent of the value of the property with respect to which such credit was extended or (2) will fully liquidate the original principal amount of such credit not later than the date of the maturity of the credit through substantially equal monthly, quarterly, semi-annual, or annual payments covering principal and interest or through substantially equal monthly, quarterly, semiannual, or annual payments of principal. The value referred to in the preceding sentence shall be determined as of the date the credit was extended in the manner provided in section 2(i) of the regulation. If the amount of the credit when extended is not more than 50 per cent of such value, such credit shall not be subject to the amortization provisions of this paragraph.

SCHEDULE II. MULTI-UNIT RESIDENTIAL PROPERTY

Maximum Loan Value.—For the purposes of Regulation X, maximum loan values for all multi-unit residential property and major additions and major improvements to multi-unit residences shall be determined as follows: (1) determine the “value” of the multi-unit residential property, or major addition or major improvement to a multi-unit residence, as the case may be, in accordance with section 2(i) of the regulation; (2) divide this “value” by the number of family units in order to determine the “value per family unit”; (3)

determine the "maximum loan value per family unit" from the table below; (4) multiply the "maximum loan value per family unit" by the number of family units in order to determine the maximum loan value of the multi-unit residential property, or the major addition or major improvement, as the case may be. Where a major addition or major improvement will change the number of family units, the "value per family unit" shall be computed on the basis of the number of family units which the multi-unit residence will contain after the addition or improvement has been completed. In the case of credit extended with respect to multi-unit residential property involving more than one such multi-unit residence, the maximum loan value shall be applied separately with respect to each such multi-unit residence or with respect to the entire property, at the election of the Registrant.

If the "value per family unit" is	The "maximum loan value per family unit" is
Not more than \$7,000	83% of "value per family unit"
More than \$7,000 but not more than \$15,000	\$5,810 plus 53% of excess of "value per family unit" over \$7,000
More than \$15,000 but not more than \$23,500	\$10,050 plus 20% of excess of "value per family unit" over \$15,000
Over \$23,500	50% of "value per family unit"

SCHEDULE III. NONRESIDENTIAL PROPERTY

Maximum Loan Value.—For the purposes of Regulation X, the maximum loan value of any nonresidential property or major addition or major improvement to a nonresidential structure shall be 50 per cent of the "value" of the property, or the major addition or major improvement, determined in accordance with section 2(i) of this regulation. In the case of credit extended with respect to nonresidential property involving more than one nonresidential structure, the maximum loan value may be applied separately with respect to each such structure, or with respect to the entire property, at the election of the Registrant.

Maturity.—For the purposes of Regulation X, the following maturity requirement is prescribed for credit with respect to nonresidential property and major additions and major improvements to nonresiden-

tial structures: No such credit subject to the regulation shall have a maturity of more than 25 years from the date such credit is extended.

Amortization.—For the purposes of Regulation X, the following amortization requirement is prescribed for credit with respect to non-residential property and major additions and major improvements to nonresidential structures: With respect to every such credit subject to the regulation, amortization payments shall be required which will fully liquidate the original principal amount of such credit not later than the date of the maturity of the credit through substantially equal monthly, quarterly, semiannual, or annual payments covering principal and interest or through substantially equal monthly, quarterly, semiannual, or annual payments of principal.

REAL ESTATE CREDIT REGULATION
REGISTRATION STATEMENT UNDER REGULATION X
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

For instructions refer to reverse of this form

Legal name of Registrant (print or type)

State also trade name if different from legal name

Street address

City

Zone No.

County

State

I. Indicate by check mark whether Registrant is in business as (1) individual _____, (2) partnership _____, (3) corporation _____, or (4) other form (specify) _____

II. Principal business of Registrant. (Check only one.)

- | | |
|------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> (1) Commercial bank or trust company | <input type="checkbox"/> (10) Real estate broker or agent |
| <input type="checkbox"/> (2) Trust department of commercial bank | <input type="checkbox"/> (11) Builder or developer |
| <input type="checkbox"/> (3) Savings bank | <input type="checkbox"/> (12) Dealer or contractor in heating, plumbing, air conditioning equipment, etc., or renovation and repairs |
| <input type="checkbox"/> (4) Savings and loan association | <input type="checkbox"/> (13) School, university, charitable foundation, church, or similar educational, charitable, or nonprofit organization |
| <input type="checkbox"/> (5) Insurance company | <input type="checkbox"/> (14) Investor |
| <input type="checkbox"/> (6) Sales finance company | <input type="checkbox"/> (15) Individual trustee or executor |
| <input type="checkbox"/> (7) State-licensed small loan company | <input type="checkbox"/> (16) Other (specify) _____ |
| <input type="checkbox"/> (8) Mortgage company | |
| <input type="checkbox"/> (9) Mortgage broker or agent | |

Machine Tabulating Codes

III. Outstanding amount of loans secured by real estate, held by Registrant for own account as of May 31, 1951. (Please estimate any figures which are not readily available and mark them "est.")

A. On residences, residential properties, or multi-unit residential properties:	Amount outstanding
(1) Insured by the Federal Housing Administration	\$..... 11
(2) Guaranteed or insured by the Veterans Administration (including the VA guaranteed second mortgage part of "combination" loans)	\$..... 12
(3) Not insured or guaranteed	\$..... 13
(4) Total, residential properties	\$..... 14
B. On all other properties:	
(1) Farm	\$..... 25
(2) Other	\$..... 26
(3) Total, all other properties	\$..... 27
C. Total, loans secured by real estate	
(Sum of A(4) and B(3) above)	\$..... 38

IV. Outstanding amount of loans secured by real estate which were being serviced by Registrant for others as of May 31, 1951

\$..... 49

I certify under the penalties of Regulation X of the Board of Governors of the Federal Reserve System that to the best of my knowledge and belief the foregoing facts are correct (except as to any items marked "est." which are estimated in good faith).

Date

Signature of Registrant or of officer authorized to sign for Registrant

Title

REAL ESTATE CREDIT REGULATION
REGISTRATION STATEMENT UNDER REGULATION X
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INSTRUCTIONS

All those subject to Regulation X, the Real Estate Credit Regulation of the Board of Governors of the Federal Reserve System, are to register in accordance with Section 3 (b) of the regulation.

How and where to register—Those subject to Regulation X should register by filling out this form and returning it to the nearest Federal Reserve Bank or Federal Reserve branch.

When to register—Those subject to Regulation X as of May 31, 1951, should return this form properly filled out not later than June 30, 1951. Those who become subject to the regulation after May 31, 1951, should return this form within 30 days after they become subject.

Who is to register—A Registrant is defined in the regulation as a person who either (1) extends or has extended real estate credit more than three different times during the current calendar year or during the preceding calendar year, or (2) extends or has extended real estate credit in an amount or amounts aggregating more than \$50,000 during the current calendar year or the preceding calendar year. In other words, you should register if you extended real estate credit four times or more in either 1950 or so far in 1951, or if you extended more than \$50,000 of such credit in either of these years. Extension of real estate credit includes not only credit secured by real estate, but also credit for the purpose of purchasing, financing, or carrying real estate. The number and amount of credit extensions includes transactions as a fiduciary or as agent, as well as for your own account.

Examples of those who should register are given below. If after studying these instructions and examples you are still uncertain whether or not to register, you may consult the nearest Federal Reserve Bank or branch.

(a) Organizations and individuals lending on mortgages, deeds of trust, land contracts, or the like, whether first or junior liens, or purchasing or discounting such instruments.

(b) Builders or other sellers of real estate selling subject to, or with assumption of, previously existing mortgages on which they were the obligors.

(c) Mortgage or real estate brokers, or others who arrange for extensions of credit in connection with real estate as agents for the lender.

(d) Loan and finance companies, commercial banks and trust companies, credit unions, and similar organizations or individuals lending to others for the purchasing, carrying, or financing of real estate, *regardless of the nature of the security.*

Subsidiaries, affiliates, and branches—Subsidiaries and affiliates which are subject to the regulation should register whether or not the parent organization registers. Organizations or other persons maintaining branch offices should register for the head office and all branch offices, show combined figures in Items III and IV for all offices, and attach a list of branch offices unless Registrant is a bank.

Fiduciaries—Fiduciaries, including trustees, trust companies, and trust departments of commercial banks, should file separately from any organizations or other persons with which they are affiliated. Fiduciaries should report in Item III as "loans held for own account" loans which they hold or service in any fiduciary capacity, regardless of the degree of discretion or control involved, including loans which they hold or service as agents for others.

FILL OUT THE STATEMENT ON THE REVERSE OF THIS FORM AND RETURN TO THE NEAREST FEDERAL RESERVE BANK OR BRANCH. YOU MUST RETURN THIS FORM BY JUNE 30, 1951, OR WITHIN 30 DAYS AFTER YOU BECOME SUBJECT TO THE REGULATION, WHICHEVER IS LATER.