

**FEDERAL RESERVE BANK  
OF NEW YORK**

[ Circular No. 3635 ]  
[ December 27, 1950 ]

**REGULATION W  
CONSUMER CREDIT**

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**Limitations on Exempt Disaster Credits**

*To all Persons Concerned with Regulation W  
in the Second Federal Reserve District:*

The following is the text of a letter received from the Board of Governors of the Federal Reserve System:

Section 7(j) of Regulation W applies with respect to certain disaster areas where there is a specified finding by the Federal Reserve Bank of the district. The section exempts only "credit extended to finance the repair or replacement of property damaged or lost as a result of" the disaster.

In addition to the applicable limits as to the time within which the credit must be extended, the exemption is limited solely to the area designated by the Federal Reserve Bank, even though such area may not encompass the entire Federal Reserve district.

The exemption is also limited to remedying the actual injury sustained. As used in the provision, "repair" is confined to the restoring of the property involved to approximately the condition it was in before the disaster, and "replacement" is confined to the replacing of lost property by similar property having a value substantially equal to or less than that of the property involved before the disaster. In most instances, the exemption extends only to repairs. It covers a replacement only in those cases in which the property was lost in the sense of having no salvage value to the owner, or the cost of a replacement as described above would be less than the cost of repairs as so described.

Sections 7(j) and 8(a) require Registrants to have records which establish the extent of the damage or loss and the conformity of the credit with the terms of the exemption.

These principles apply to the exemption announced in our Circular No. 3621 dated November 29, 1950, with respect to any extension of credit to finance the repair or replacement of real and personal property damaged or lost as a result of the storm on November 25, 1950, in the Second Federal Reserve District, provided the extension of credit is made prior to May 31, 1951.

Additional copies of this circular and of Circular No. 3621 will be furnished upon request.

ALLAN SPROUL,  
*President.*