

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 8784]
March 27, 1980

CREDIT RESTRAINT PROGRAM

Additional Questions and Answers

To All Member Banks, and Others Concerned,
in the Second Federal Reserve District:

Printed on the following pages is a second series of questions and answers, representing the views of the legal staffs of the Federal Reserve Bank of New York and of the Board of Governors of the Federal Reserve System, regarding the special credit and consumer credit restraint programs. The first series of questions and answers was sent to you yesterday (Circular No. 8781).

Any questions concerning the Credit Restraint Program may be directed to the persons listed in that circular.

THOMAS M. TIMLEN,
First Vice President.

FEDERAL RESERVE BANK

OF ST. LOUIS

Subpart A of Part 229 -- Special deposits on consumer credit

A-26. Q: Can a special deposit be pledged?

A: With the approval of the Reserve Bank, a depository institution may pledge a special deposit for Federal, State and local governmental purposes.

A-27. Q: In answering some previous questions, it has been indicated that a creditor may use a representative sample in computing its base. Where it is impractical to use sampling techniques, may a creditor make a good faith estimate?

A: Yes, provided the creditor documents the procedures used in making the estimates. In the future, however, a creditor must maintain records in a manner that adequately indicates the nature and purpose of the loan.

A-28. Q: If a creditor discovers a significant error after it has filed the base report or monthly report, should it file a revised report?

A: Yes. A creditor may be required to review its procedures for determining its outstanding covered credit if it appears that a significant error has been made in its report. For example, if an estimate made for a base report were discovered later to be significantly incorrect--in light of the amount of covered credit in new loans made or improved estimating procedures--the creditor should discuss filing a revised report with its Reserve Bank.

A-29. Q: If a creditor's covered credit falls below \$2 million on an average basis for the reporting period, will it have to maintain a special deposit?

A: No. Although the creditor will still have to file monthly reports, it will have to maintain a special deposit only if it subsequently exceeds \$2 million on average in a reporting period.

A-30. Q: How does a bank holding company calculate its base if each of its subsidiaries has less than \$2 million in covered credit? For example, what is the base

for a holding company that has 10 subsidiaries each with \$1 million of credit outstanding on March 14?

A: The base for a holding company is derived from combining the covered credit of all of its subsidiaries. The base for the holding company in the example above is \$10 million.

A-31. Q: If a banking subsidiary of a bank holding company maintains a special deposit on behalf of the entire holding company, including nonbank subsidiaries, does Section 23A of the Federal Reserve Act relating to loans to affiliates apply?

A: Such a deposit is not regarded as giving rise to the type of transaction that was intended to be covered by Section 23A, and Section 23A would not apply.

A-32. Q: Is Puerto Rico considered outside the United States for all purposes under the consumer credit restraint program (subpart A)?

A: Yes.

A-33. Q: A covered creditor has maintained records on the proportion of its multi-purpose loans made after March 14 that is covered credit. When payments are received, is it necessary to maintain records on a loan by loan basis in computing the reduction in the amount of covered credit?

A: No. During the month, a covered creditor may allocate payments on multi-purpose loans to reduction in covered credit in proportion to the share of covered credit in total multi-purpose loans reflected in the preceding months' report. Alternatively, a covered creditor may maintain records on a loan by loan basis and allocate the payment on the basis of the ratio of covered credit to the total amount of the loan.

A-34. Q: As a number of institutions do not secure small home improvement loans with a mortgage on the home, are such loans to be treated as covered credit?

A: Yes. Unsecured home improvement loans and home improvement loans secured by collateral other than the home (or a savings deposit) are treated as covered credit.

A: Data as of the last business day are entirely acceptable, especially if this reduces the reporting burden on respondents.

S-7. Q: Should the statistical information on loan commitments outstanding include lines or just commitments? Total amounts or just the unused portions?

A: The figures reported for loan commitments should be unused confirmed lines plus unused commitments, to both nonfinancial and nonbank financial business customers.

S-8. Q: Will the reporting forms be revised to add, to the statistical information requested of banking organizations, a memo item for loans to foreigners?

A: It has been decided not to revise the forms for the additional item. Instead, when a respondent has a special situation regarding loans to foreigners (e.g., a large increase in total loans that mostly reflects loans to foreigners), this fact should be called to Reserve Banks' attention by noting it in the space provided for explanations (Section D).