

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 8788]
April 1, 1980

CREDIT RESTRAINT PROGRAM

Additional Questions and Answers—Third Series

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

Printed on the following pages is a third 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 and second series of questions and answers were sent to you with our Circulars Nos. 8781 and 8784.

Any questions concerning the Credit Restraint Program may be directed to the persons listed in Circular No. 8781. In addition, questions relating to the completion of forms required under the consumer credit restraint program and the money market mutual funds program should be directed to our Statistics Department (Tel. Nos. 212-791-7721 through 7725).

ANTHONY M. SOLOMON,
President.

FEDERAL RESERVE BANK
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Subpart A of Regulation CC -- Special deposits on consumer credit

A-40. Q: Are leases to consumers covered credit for purposes of Subpart A of the regulation?

A: No.

A-41. Q: Are loans by an employer to its own employees to be treated as covered credit?

A: The loan would be subject to the normal rules and would be covered credit unless exempted under the regulation. However, if the loan is extended in connection with bona fide business expenses, such as a travel advance for moving expenses, it would be considered to be for a business purpose.

A-42. Q: A consumer gets permanent mortgage financing from creditor A to pay off a construction loan from creditor B. Is this covered credit?

A: No.

A-43. Q: How should the average amount of credit outstanding be calculated for purposes of the monthly reports to be filed by creditors?

A: If data are maintained on a daily basis, the daily average outstanding covered credit during the month should be reported. If data during a reporting period are available only on particular days or other periods (e.g., Fridays or weekly), the monthly average of those data should be reported. If data are available for only one day or one period during the month, that amount should be reported.

A-44. Q: If creditor A acquires between 51 and 100 percent ownership of creditor B after March 14, 1980, should the base of creditor A be adjusted?

A: Yes. When more than 50 percent of creditor B is purchased, creditor B becomes a subsidiary of creditor A

and the base of creditor A should be adjusted in the same manner as if it had acquired 100 percent of creditor B's assets through a merger or consolidation, as described in an earlier question (A-11). If creditor B was a subsidiary of creditor C, creditor C must make adjustments in its base. Creditor A should report on behalf of creditor B.

A-45. Q: Customer refinances a balloon mortgage with the same lender. Is the refinancing covered credit?

A: No. Refinancings of such transactions by the same lender are regarded as purchase money transactions. However, to the extent that new money is advanced, that would be covered credit unless otherwise exempted under the regulation.

A-46. Q: Is margin credit covered credit under Subpart A?

A: No. Covered credit does not include margin credit that is subject to margin requirements under Federal securities law.

A-47. Q: For purposes of maintaining the special deposit, what are collected funds?

A: "Collected Funds" means cash or any other form of payment (e.g., a wire transfer of funds) that is final and irrevocable on the date that the funds are required to be held at the Reserve Bank.