

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

TELEGRAM

August 27, 1941

Young - Boston
Sproul - New York
Williams - Philadelphia
Fleming - Cleveland
Leach - Richmond
McLarin - Atlanta

Young - Chicago
Davis - St. Louis
Peyton - Minneapolis
Leedy - Kansas City
Gilbert - Dallas
Day - San Francisco

An inquiry which may be stated as follows has been received under Regulation W:

"In connection with a contract for the modernization of a building, a written commitment is made on September 2, 1941 for a loan which will be subject to Regulation W and is to be made when the work is completed. The construction and installations involved in the modernization are expedited as much as circumstances will permit, and are completed on October 10, when the loan is made on the certificate of completion. In calculating the 18-months maximum maturity permitted for the credit, should September 2 or October 10 be taken as the base? Would it make any difference if the credit was instalment sale credit instead of instalment loan credit?"

The Board is of the opinion that in the specified case the date to be used as the base for calculating the 18-months maximum maturity is October 10. This would hold true whether the credit is instalment sale credit or instalment loan credit.

(Signed) Chester Morrill

MORRILL