

S-322
Reg. W-48

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

September 10, 1941

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An inquiry has been received regarding the applicability of section 6(a) of Regulation W to an extension of credit made by a builder covering the cost of building a home and secured by a first lien on the real estate upon which the home is to be constructed.

The general principle applicable to these cases is that the mortgage and the contract or contracts for the extension of credit and the construction may be regarded as parts of a single transaction and that the facts existing on the date of completion may be used in determining the application of the regulation. Consequently, the Board is of the opinion that the extension of credit may be regarded as secured by a first lien on improved real estate within the meaning of section 6(a). The general principle is similar to that discussed in the second paragraph of W-43.

MORRILL