

S-367, 369
Reg. W

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INTERPRETATION OF LAW OR REGULATION

October 9, 1941

W-91. Question has been received as to whether materials and services for building a new garage are included in Group E if the garage is on improved real estate upon which other buildings are located but is itself a separate new structure. For purposes of Regulation W, materials and services in such circumstances are not considered to be "in connection with existing structures" but are considered to be for new structures, and hence not included in Group E.

October 10, 1941

W-92. A 24-month note for \$650 secured by a second mortgage on a house is not subject to Regulation W if it is given by the purchaser to the seller as part of the purchase price of the house; and the note may be discounted by a bank under section 3(a)(2)(B). This would be true even if plumbing fixtures and other listed articles had been incorporated in the house, because for the purposes of Regulation W the sale would be regarded as the sale of a house and not as the sale of plumbing fixtures.

Similarly, the fact that a \$1500 instalment loan is secured by a second mortgage on a house that was purchased within 45 days and which at the time of purchase contained plumbing fixtures or other listed articles previously installed, would not cause the loan to be subject to section 5(a) as a loan secured by a "listed article which has been purchased within 45 days". The recent purchase is considered to be the purchase of a house rather than the purchase of a listed article, and the case would not be altered by the fact that the seller of the house might have purchased and installed the listed article only shortly before he sold the house and within 45 days prior to the loan. On the other hand, section 5(a) would apply if the mortgagor had owned the house for some time and had purchased and installed the listed articles within 45 days prior to the loan, since in such a case the mortgagor's recent purchase would be a purchase of a listed article rather than the purchase of a house.