



NATIONAL CREDIT UNION ADMINISTRATION  
Washington, D.C. 20456

July 11, 1986

Office of General Counsel

Ms. Jill Arnott  
Wyoming Credit Union League, Inc.  
and Affiliates  
864 S. Spruce Street  
Casper, WY 82601

Dear Ms. Arnott:

This responds to your letter of April 11, 1986, concerning the proper procedure to be employed by a Federal credit union (FCU) when granting second mortgages. Specifically, you inquire about the date from which interest on a loan begins where the funds are withheld during the three day rescission period required by the Truth in Lending Act and Section 226.23 of Regulation Z.

Neither the Federal Credit Union Act nor the NCUA Rules and Regulations provide an answer to your question. However, Section 5040.5.1.4. of the Accounting Manual For Federal Credit Unions briefly discusses the question of interest accrual under the situation described above. As stated in the Accounting Manual, "The influencing factors are of a legal nature and may vary in different jurisdictions; the credit union is advised to seek advice from its attorney in determining when the draft becomes a loan and when interest begins to accure."

Lastly, although Regulation Z does not address the issue you raised, it does require that a lender properly disclose the date interest charges commence. See Sections 226.17 and 226.18 of Regulation Z.

I hope we have been of assistance. If you have further questions, please let me know.

Sincerely,

STEVEN R. BISKER  
Assistant General Counsel

YG:sg