

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 77-62

May 26, 1977

REGULATION B--EQUAL CREDIT OPPORTUNITY

**Proposed Interpretation Dealing with Federal or State
Special Purpose Credit Programs**

**TO ALL BANKS, OTHER CREDITORS,
AND OTHERS CONCERNED IN THE
ELEVENTH FEDERAL RESERVE DISTRICT:**

The Board of Governors of the Federal Reserve System has proposed for comment an interpretation of the provision of its Regulation B--Equal Credit Opportunity--dealing with Federal or State special purpose credit programs.

The Equal Credit Opportunity Act and Regulation B provide that it is not illegal to deny credit to an applicant solely because the applicant does not qualify for credit expressly authorized by Federal or State law for the benefit of an economically disadvantaged class of persons. An example of such a special purpose credit program would be a program designed to benefit economically disadvantaged American Indians. It is not illegal to exclude non-Indian applicants for credit under such a program.

The Board proposed the interpretation in response to requests for guidance concerning the coverage of this provision.

The proposed interpretation would state that a credit program is considered to be "expressly authorized by Federal or State law" if it is authorized by the terms of a Federal or State statute or by a regulation lawfully promulgated by the Federal or State agency responsible for implementing the program.

The proposed interpretation does not deal with special purpose credit programs under other than Federal or State auspices.

At the same time, the Board announced that it believes determinations as to whether a Federal or State special purpose credit program benefits an economically disadvantaged class of persons are best made by the agency charged with the administration of the loan program, and that the Board would not make such determinations.

Printed on the following page is the text of the proposed interpretation as submitted for publication in the FEDERAL REGISTER.

Comments on the proposed interpretation should be directed to the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, to be received not later than June 17, 1977. All material submitted should include the docket No. R-0100.

Sincerely yours,

Robert H. Boykin

First Vice President

FEDERAL RESERVE SYSTEM

[12 CFR Part 202]

[Reg. B; Docket No. R-0100]

EQUAL CREDIT OPPORTUNITY

Credit Program; Interpretation

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Proposed interpretation.

SUMMARY: In response to requests for guidance concerning the intended coverage of the provisions of Regulation B relating to special purpose credit programs offered by Federal and State agencies, the Board proposes to interpret the term "expressly authorized by law." Lenders have sought this clarification to determine whether the government loan programs in which they participate qualify for the partial exemption provided in Regulation B. The Board is seeking public comment to aid in the determination of whether the proposed interpretation properly implements the Equal Credit Opportunity Act.

DATE: Comments must be received on or before June 17, 1977.

ADDRESSES: Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20009.

FOR FURTHER INFORMATION CONTACT:

Anne Geary, Acting Chief, Equal Credit Opportunity Section, Division of Consumer Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. (202-452-3946).

SUPPLEMENTARY INFORMATION:

(1) To aid in the consideration of this proposed interpretation by the Board, interested persons are invited to submit relevant data, views, comments, or arguments. Any such information should be submitted in writing to the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551 to be received not later than June 17, 1977. All material submitted should include the docket number R-0100. Such information will be made available for inspection and copying upon request except as provided in § 261.6(a) of the Board's Rules Regarding Availability of Information (12 CFR 261.6(a)).

(2) Authority: 15 U.S.C. 1691(b).

In order to provide guidance concerning the intended coverage of § 202.8(a)¹ of Regulation B, the Board interprets a

¹Standards for programs. Subject to the provisions of subsection (b), the Act and this Part are not violated if a creditor refuses to extend credit to an applicant solely because the applicant does not qualify under the special requirements that define eligibility for the following types of special purpose credit programs: (1) any credit assistance programs expressly authorized by Federal or State law for the benefit of an economically disadvantaged class of persons.

term used in that section as follows: A credit program is considered to be "expressly authorized by Federal or State law" if it is authorized by the terms of a Federal or State statute or by a regulation lawfully promulgated by the agency responsible for implementing the program.

In addition, the Board announces that it will not make determinations as to whether particular programs benefit an "economically disadvantaged class of persons." The Board believes that such a determination is more properly made by the agency charged with the administration of the loan program.

By order of the Board of Governors, effective May 9, 1977.

THEODORE E. ALLISON,
Secretary of the Board.

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