



FEDERAL RESERVE BANK
OF DALLAS

ERNEST T. BAUGHMAN
PRESIDENT

DALLAS, TEXAS 75222

Circular No. 77-71
June 27, 1977

NEW EQUAL CREDIT OPPORTUNITY ACT PAMPHLETS

TO ALL MEMBER BANKS IN THE
ELEVENTH FEDERAL RESERVE DISTRICT:

Two new Federal Reserve consumer pamphlets explaining provisions of the Equal Credit Opportunity Act are now available for public distribution.

The pamphlets are entitled: "The Equal Credit Opportunity Act and...Women" and "The Equal Credit Opportunity Act and...Age." One copy of each pamphlet is enclosed.

I suggest you consider distributing copies of each pamphlet to your depositors and customers through such means as lobby display and inclusion in monthly statements. The pamphlets are intended to inform the public of the new law and to eliminate much of the misunderstanding concerning the law that now exists.

After examining the pamphlets, please contact the Bank and Public Information Department of this Bank, 214-651-6267, and indicate how many pamphlets are needed by your bank. Copies of the pamphlets will, of course, be furnished free of charge.

Sincerely yours,

Ernest T. Baughman

President

Enclosures

If you are denied credit, first find out why. Remember that you might try to renegotiate credit terms — such as the length of the loan or the size of your downpayment — if some aspect of creditworthiness connected with your age puts you at a disadvantage. Try to solve the problem with the creditor, and show you know about your right to equal credit opportunity.

If the problem can't be solved and you believe that you have been discriminated against, you may sue for actual damages plus a penalty fee if the violation was intentional. The court will also award you reasonable attorney's fees if there's been a violation.

To Find Out More

If you think you have been the victim of discrimination in connection with credit, you may want to ask the appropriate Federal enforcement agency for advice and help. These agencies and the types of creditors regulated by each are listed on the back of this pamphlet.

If you need help in locating sources of credit in your community, you may want to contact a local consumer education group or association of retired persons.

Federal Enforcement Agencies

National Banks

Comptroller of the Currency
Consumer Affairs Division
Washington, D.C. 20219

State Member Banks

Federal Reserve Bank serving the district in which the State member bank is located.

Nonmember Insured Banks

Federal Deposit Insurance Corporation Regional Director for the region in which the nonmember insured bank is located.

Savings Institutions Insured by the FSLIC and Members of the FHLB System (except for Savings Banks Insured by FDIC)

The Federal Home Loan Bank Board Supervisory Agent in the district in which the institution is located.

Federal Credit Unions

Regional office of the National Credit Union Administration serving the area in which the Federal credit union is located.

Creditors Subject to Civil Aeronautics Board

Director, Bureau of Enforcement
Civil Aeronautics Board
1825 Connecticut Avenue, N.W.
Washington, D.C. 20428

Creditors Subject to Interstate Commerce Commission

Office of Proceedings
Interstate Commerce Commission
Washington, D.C. 20523

Creditors Subject to Packers and Stockyards Act

Nearest Packers and Stockyards Administration area supervisor

Small Business Investment Companies

U.S. Small Business Administration
1441 L Street, N.W.
Washington, D.C. 20416

Brokers and Dealers

Securities and Exchange Commission
Washington, D.C. 20549

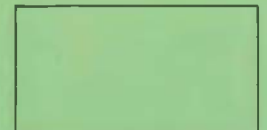
Federal Land Banks, Federal Land Bank Associations, Federal Intermediate Credit Banks and Production Credit Associations

Farm Credit Administration
490 L'Enfant Plaza, S.W.
Washington, D.C. 20578

Retail, Department Stores, Consumer Finance Companies, All other Creditors, and All Nonbank Credit Card Issuers

(Lenders operating on a local or regional basis should use the address of the F.T.C. Regional Office in which they operate)
Federal Trade Commission
Equal Credit Opportunity
Washington, D.C. 20580

The Equal Credit Opportunity Act



... and **AGE**

The Equal Credit Opportunity Act

...and Age

You retire this year at age 63, planning to fulfill a lifetime dream of sailing on the seas. But, despite a good credit history and a comfortable income, you find that the money you can borrow would barely buy a rowboat. What do you do?

On your 65th birthday you receive a notice to reapply for your credit card at a local department store. Your financial situation is unchanged from last year. What do you do?

You may have a complaint under the Equal Credit Opportunity Act. This Act prohibits discrimination against an applicant for credit on the basis of age, sex, marital status, race, color, religion, national origin, and other factors.

This pamphlet describes the provisions of the Act (and the regulation issued by the Federal Reserve to carry it out) that prevent your age from being used against you when you need credit.

Rating You As A Credit Risk — The General Rules

Creditors use various criteria in determining the types of loans they will make and the creditworthiness of the people to whom they will lend. They want to be assured that you are both able and willing to repay debt. They will therefore ask questions about your income, your expenses, your debts, and your reliability. Do you have savings and investments? Do you own your own home? How long have you lived at your current address? What is your credit history?

The Equal Credit Opportunity Act does not prohibit a creditor from using such criteria. It does not give anyone an automatic right to credit or require that loans be made to people who are not good credit risks.

Under the law, a creditor may also ask how old you are. However, the use of this information **is** restricted. The law says that **your age may not be the basis for an arbitrary decision to deny or decrease credit if you otherwise qualify**. You may not be turned down for credit just because you are over a certain age.

A creditor also may not:

- refuse to consider your retirement income in rating your credit application.
- require you to reapply, change the terms of your account, or close your account just because you reach a certain age or retire.
- deny you credit or close an account because credit life insurance or other credit-related insurance is not available to persons your age.

Some creditors rely on a system of credit-scoring to rate you as a credit risk. Based on the creditor's experience, a certain number of points is given to each characteristic which has proved to be an accurate predictor of creditworthiness. The Equal Credit Opportunity Act permits a creditor who uses such a system to score your age. But:

- if you are 62 or older you must be given at least as many points for age as any person under 62.

Special Considerations

Age has economic consequences. If you are young and just entering the labor force, your earnings are likely to grow over the years. On the other hand, your expenses

are probably rising too, and you may not have built up much of a credit record to rely on. As you near retirement age, you are likely to face a loss in income over the next few years. On the other hand, your expenses are probably decreasing too, and you may have a solid credit history to support your application.

All of this information could have an important effect on your creditworthiness, but not all of it will show up on a credit form.

The law therefore permits a creditor to consider information related to age that has a clear bearing on a person's ability and willingness to repay debt. Consider the following example:

- Jones applies for a mortgage loan for 30 years with a 5% downpayment. Jones is 63 years old and his income will be reduced when he retires in two years. The loan is denied.

Jones might meet the bank's standards if the downpayment were larger, if the loan had a shorter term with higher monthly payments, or if savings and investments — or other assets easily converted to cash — could be offered as security for the loan.

If you think there may be a connection between your age and the factors used to determine creditworthiness, you should go to your credit interview armed with alternatives and ready to supply whatever information will help your chances for credit.

If Credit Is Denied

A creditor may not stall you on an application. The law requires that you be notified within 30 days of any action taken on your application. If credit is denied, this notice must be in writing, and it must either give specific reasons for the denial or tell you of your right to request such an explanation. You have the same rights if a credit account is closed.

The rule applies to information that creditors furnish to credit bureaus or other creditors about any account used by both husband and wife or on which both are liable. Such information must be reported in the names of each spouse.

The law also provides new guidelines for considering credit histories. It says that if credit history is used in rating your application, a creditor **must**:

- consider the available credit history on any account you hold or use jointly with your husband.
- consider any information that you can offer to show that a **favorable** credit history on any account in your husband's name reflects your own credit history accurately.

Some women have been denied credit simply because an ex-spouse was a poor credit risk. The law also says that a creditor **must**:

- consider any information that you can offer to show that an **unfavorable** credit history on any account you shared with your spouse does not reflect your own credit history accurately.

Another Federal law, the Fair Credit Reporting Act, gives you the right to get a copy of your credit history from a credit reporting agency and to correct any inaccurate information in it.

Notice and Penalties

A creditor may not stall you on an application. You must be notified within 30 days of any action taken on your application. If credit is denied, the notice must be in writing and it must either give specific reasons for the denial or tell you that you can request such an explanation. You have the same right if a credit account is closed.

If you are denied credit, first find out why. Try to solve the problem with the creditor, and show you know about your right to equal credit opportunity. If the problem can't be solved and you think that you've been discriminated against, you can sue for actual damages plus a penalty if the violation was intentional. The court will also award you reasonable attorney's fees if there's been a violation.

The Most Important Rules

- You can't be refused credit just because you're a woman.
- You can't be refused credit just because you're single, married, separated, divorced, or widowed.
- You can't be refused credit because a creditor decides you're of child-bearing age and, as a consequence, won't count your income.
- You can't be refused credit because a creditor won't count income you receive regularly from alimony or child support.
- You can have credit in your own name if you're creditworthy.
- When you apply for your own credit and rely on your own income, information about your spouse or his co-signature can be required only under certain circumstances.
- You can keep your own accounts and your own credit history if your marital status changes.
- You can build up your own credit record because new accounts must be carried in the names of husband and wife if both use the account or are liable on it.
- If you are denied credit, you can find out why.

To Find Out More

If you think you have been the victim of discrimination in connection with credit, you may want to contact the appropriate Federal enforcement agency for advice and help. These agencies and the types of creditors regulated by each are listed on the back of this pamphlet.

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Director, Bureau of Enforcement
Civil Aeronautics Board
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Washington, D.C. 20428

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Office of Proceedings
Interstate Commerce Commission
Washington, D.C. 20523

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Nearest Packers and Stockyards Administration area supervisor.

Small Business Investment Companies

U.S. Small Business Administration
1441 L Street, N.W.
Washington, D.C. 20416

Brokers and Dealers

Securities and Exchange Commission
Washington, D.C. 20549

Federal Land Banks, Federal Land Bank Associations, Federal Intermediate Credit Banks and Production Credit Associations

Farm Credit Administration
490 L'Enfant Plaza, S.W.
Washington, D.C. 20578

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Federal Trade Commission
Equal Credit Opportunity
Washington, D.C. 20580

The Equal Credit Opportunity Act and . . .

WOMEN

You and your husband apply for a loan. The application is denied because of "insufficient income." You think this means that your salary was not counted. What do you do?

You are single and want to buy a home. The bank turns you down for a mortgage loan, even though you feel sure that you meet its standards. What do you do?

Your charge account is closed when you get married. You are told to reapply in your husband's name. What do you do?

You may have a complaint under the Equal Credit Opportunity Act, a Federal law which prohibits discrimination against an applicant for credit on the basis of sex, marital status, race, color, religion, national origin, age and other factors. This pamphlet describes the provisions of the Act (and the regulation issued by the Federal Reserve to carry it out) that apply to sex and marital status and that affect you as a woman who wants credit.*

The Equal Credit Opportunity Act does not give anyone an automatic right to credit. It does require that a creditor apply the same standard of "creditworthiness" equally to all applicants.

What Is Creditworthiness?

Creditors choose various criteria to rate you as a credit risk. They may ask about your finances: how much you earn, what kinds of savings and investments you have, what your other sources of income are. They may look for signs of reliability: your occupation, how long you've been employed, how long you've lived at the same address, whether you own or rent your home. They may also examine your credit record: how much you owe, how often you've borrowed, and how you've managed past debts.

The creditor wants to be assured of two things: your ability to repay debt and your willingness to do so. The Equal Credit Opportunity Act does not change this standard of creditworthiness.

*Both men and women are protected by the ban against discrimination because of sex or marital status.

What Is Equal Credit Opportunity?

The law says that a creditor may not discriminate against you — treat you less favorably than another applicant for credit — because of your sex or marital status.

Just because you are a woman, or single, or married, a creditor may not turn you down for a loan.

The rules that follow are designed to stop specific abuses that have limited women's ability to get credit.

Applying for Credit — Questions About Your Sex or Marital Status

A creditor may not discourage you from applying for credit just because you are a woman, or single, or married. When you fill out a credit application, you should know that there are only certain questions a creditor may ask about your sex or marital status.

- You **may not** be asked your sex on a credit application — with one exception. If you apply for a loan to buy or build a home, a creditor is **required** to ask your sex to provide the Federal Government with information to monitor compliance with the Act. You do not have to answer the question.
- You **do not** have to choose a courtesy title (Miss, Ms., Mrs.) on a credit form.
- A creditor **may not** request your marital status on an application for an individual, unsecured account (a bank credit card or an overdraft checking account, for example), where no community property is involved.*
- A creditor **may** request your marital status in all other cases. But, you can only be asked whether you are married, unmarried, or separated (unmarried includes single, divorced or widowed).

*Community property States are: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, and Washington.

Rating You As A Credit Risk

To make sure that your application is treated fairly, there are certain other things that a creditor may not do in deciding whether you are creditworthy.

Specifically, a creditor **may not**:

- refuse to consider your income because you are a married woman, even if your income is from part-time employment.
- ask about your birth control practices or your plans to have children. A creditor may not assume that you will have children or that your income will be interrupted to do so.
- refuse to consider reliable alimony, child support, or separate maintenance payments. However, you don't have to disclose such income unless you want to in order to improve your chances of getting credit.
- consider whether you have a telephone listing in your own name, because this would discriminate against married women.
- consider your sex as a factor in deciding whether you are a good credit risk.
- use your marital status to discriminate against you.

However, there are some closely related questions that are permitted. In order to estimate your expenses, a creditor may ask how many children you have, their ages, and the cost of caring for them, as well as about your obligations to pay alimony, child support, or maintenance. A creditor may ask how regularly you receive your alimony payments, or whether they are made under court order, in order to determine whether these payments are a dependable source of income. You may be asked whether there is a telephone in your home.

And finally, a creditor may consider your marital status because, under the laws of your State, there may be differences in the property rights of married and unmarried people. Such differences may affect the creditor's ability to collect if you default.

Extending Credit — Your Own Account

The law says that a woman has a right to her own credit if she is creditworthy. If you are getting married, remember that you can keep your own credit accounts and credit record.

Specifically, a creditor **may not**:

- refuse to grant you an individual account just because of your sex or marital status.
- refuse to open or maintain an account in your first name and maiden name, or your first name and your husband's surname, or a combined surname.
- ask for information about your husband or ex-husband, unless:
 - you're relying on his income
 - he'll use the account or be liable for it
 - you're relying on income from alimony or on community property to support your application.
- require a co-signer or the signature of your spouse just because you are a woman or married (with certain exceptions when property rights are involved).

If your **marital status changes**, a creditor **may not** require you to reapply for credit, change the terms of your account, or close your account, unless there is some indication that you are no longer willing or able to repay your debt. A creditor **may** ask you to reapply if your ex-husband's income was counted to support your credit.

Establishing a Credit History

Married women often have had trouble establishing credit records because all debts were listed in their husbands' names. A new rule will help women build up their own credit records.