



FEDERAL RESERVE BANK  
OF DALLAS

ROBERT D. McTEER, JR.  
PRESIDENT  
AND CHIEF EXECUTIVE OFFICER

DALLAS, TEXAS 75222

June 11, 1993

Notice 93-63

**TO:** The Chief Executive Officer of each  
member bank and others concerned in  
the Eleventh Federal Reserve District

**SUBJECT**

**Joint Agency Letter Regarding  
Discrimination in Lending**

**DETAILS**

To address the concern that some minority consumers and small business owners are experiencing discrimination by lenders, federal bank and thrift supervisors are reiterating their commitment to effective enforcement of fair lending laws and are urging banks and thrift institutions to increase their fair lending activities.

In a letter to all banks and thrifts, the heads of the four agencies said that discrimination strikes at a basic tenet of a free market system: equal opportunity for all to gain access to bank services. The letter stated that the regulators expect all financial institutions to do their part to design programs to ensure access to credit on a non-discriminatory basis.

The letter urged special attention to 11 specific fair lending activities, including enhanced employee training, internal second review programs for loan applications that might otherwise be denied, participation on multi-lender mortgage review boards, and affirmative marketing and call programs.

**ATTACHMENTS**

A copy of the agencies' letter and a copy of the suggested fair lending activities are attached.

**MORE INFORMATION**

For more information, please contact Dean Pankonien at (214) 922-6154. For additional copies of this Bank's notice, please contact the Public Affairs Department at (214) 922-5254.

Sincerely yours,

*Robert D. McTeer, Jr.*

May 27, 1993

TO THE CHIEF EXECUTIVE OFFICER:

The federal financial institutions supervisory agencies are deeply concerned that some minority consumers and small business owners may be experiencing discriminatory treatment in their efforts to obtain credit from financial institutions. Discrimination in lending, on any prohibited basis, strikes at the fabric of both our political commitment to equal opportunity and our economic commitment to free and competitive markets.

Our agencies are committed to making sure that financial institutions understand their fair lending obligations and respond appropriately. We will continue to strengthen and refine our fair lending enforcement activities. Examiners will routinely use HMDA data, as well as other information, to identify cases which require closer examination. Examiners will then conduct detailed reviews and comparisons of loan and application files to examine for compliance with fair lending laws and regulations. The agencies will continue to develop and refine computer-based programs to facilitate and improve this process. This is part of an ongoing effort to develop tools that will further help examiners and institutions analyze HMDA data, review examination procedures and determine how they can be strengthened to detect and deter discrimination in lending.

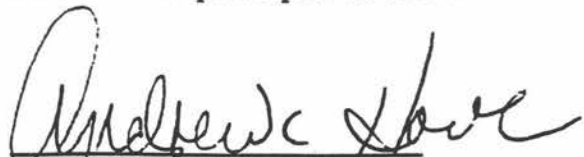
In cases where examination results or other information suggest probable fair lending violations, we will cooperate with the U.S. Department of Justice and the Department of Housing and Urban Development.

We further believe that a sustained national effort to expand and intensify educational programs for both lenders and consumers is necessary, with an emphasis on greater sensitivity to fair lending issues. We urge financial institutions to use their maximum creativity to design appropriate programs. We especially urge consideration of the ideas listed on the appended sheet.

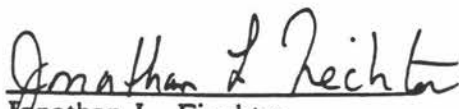
It is clear to the agencies that more needs to be done to assure equal access to credit by everyone in our country. We expect all financial institutions to participate in this effort.



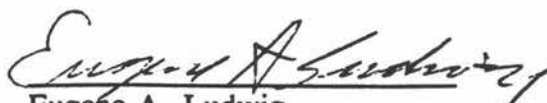
Alan Greenspan, Chairman  
Board of Governors of the  
Federal Reserve System



Andrew C. Hove, Jr.  
Acting Chairman  
Federal Deposit Insurance Corporation



Jonathan L. Fiechter  
Acting Director  
Office of Thrift Supervision



Eugene A. Ludwig  
Comptroller of the Currency  
Office of the Comptroller  
of the Currency

## SUGGESTED FAIR LENDING ACTIVITIES

- Use of an internal second review system for consumer, mortgage and small business loan applications that would otherwise be denied.
- Enhanced employee training that engenders greater sensitivity by financial institution management, and employees, to racial and cultural differences in our society.
- Training of loan application processors to assure that any assistance provided to applicants in how to best qualify for credit is provided consistently to all loan applicants.
- Efforts to ensure that all persons inquiring about credit are provided equivalent information and encouragement.
- Use of flexible underwriting and appraisal standards that preserve safety and soundness criteria while responding to special factors in low- and moderate-income and minority communities.
- Efforts to encourage equal employment opportunity at all levels throughout the institution, including lending, credit review, platform and other key positions related to credit applications and decisions.
- Affirmative marketing and call programs designed to assure minority consumers, realtors, and business owners that credit is available on an equitable basis; marketing may involve sustained advertising programs covering publications and electronic media that are targeted to minority audiences.
- Ongoing outreach programs that provide the institution with useful information about the minority community, its resources, credit needs and business opportunities.
- Participation on multi-lender Mortgage Review Boards which provide second reviews of applications rejected by participating lenders.
- Participation in public or private subsidy or guarantee programs that would provide financing on an affordable basis in targeted neighborhoods and communities.
- Use of commissions or other monetary or nonmonetary incentives for loan officers to seek and make safe and sound consumer and small business loans in minority communities.