

FEDERAL RESERVE BANK  
OF NEW YORK

[ Circular No. 8083 ]  
April 1, 1977

Consumer Compliance and Education Program  
of the Board of Governors of the Federal Reserve System

*To All Member Banks, and Others Concerned,  
in the Second Federal Reserve District:*

Following is the text of a statement issued March 30 by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System today announced establishment of a System-wide program designed to improve compliance by member banks with consumer credit protection laws and regulations.

The program, entitled "Consumer Compliance and Education Program of the Board of Governors of the Federal Reserve System," has two main parts:

—A program designed to educate all member banks, both State and national, in the requirements of consumer credit protection laws.

—A companion program to conduct special examinations of State member banks to assess compliance with consumer laws by examiners especially trained for that purpose.

The following procedures will be followed at State member banks:

Examiners who find what they regard as evidence of discrimination in credit transactions will report all findings to the appropriate Reserve Bank. The Reserve Bank, in consultation with the Board's Division of Consumer Affairs, will determine whether additional investigation is needed, and what, if any, corrective measures are appropriate.

In the event of overcharges, the bank will generally be required to reimburse customers for the amount of the overcharge. Customers will be given an explanation of the overcharge for which restitution is required.

In other cases of violations, State member banks will be instructed to make prompt correction of their policies, practices, procedures or forms so as to avoid similar future violations.

In all cases of violations, the examiner's findings will be made known to the bank's board of directors.

The special examinations will assess compliance with the following laws and regulations for which the Board has enforcement responsibilities with respect to State member banks:

Fair Credit Reporting Act

Fair Housing Act

Real Estate Settlement Procedures Act

Regulation B (Equal Credit Opportunity Act)

Regulation C (Home Mortgage Disclosure Act)

Regulation Z (Truth in Lending, Fair Credit Billing and Consumer Leasing Acts)

Regulation AA (Unfair and Deceptive Acts or Practices by banks, and handling of consumer complaints)

Regulation H (National Flood Insurance)

Regulation Q (Interest on Deposits)

Any new consumer laws or regulations affecting State member banks for which the Board is given enforcement authority will be incorporated into the special consumer affairs compliance examinations.

The special examinations are to be uniform among all Federal Reserve Banks.

*The Education Program*

The Board has directed each Federal Reserve Bank to establish an educational and advisory service for all member banks (including national banks). To carry out this program, each Reserve Bank will be prepared to send a specialist to any member bank that requests such a service.

The purpose of the visits is to assist member bankers to develop appropriate policies, procedures and

forms in the consumer credit protection area, and to answer questions bank personnel may have regarding the consumer credit protection laws and regulations, and compliance with them.

These specialists, in most cases, will receive special training through attendance at Consumer Affairs Schools at the Federal Reserve Board.

#### *The Special Examination Program*

Aspects not already cited of this program include:

1. The program will begin with a test period running through the end of 1978, after which the results will be evaluated and any indicated changes will be made.
2. Each Federal Reserve Bank will conduct a special examination of every State member bank in its District once within the next 12 months (through the end of March 1978). Additional examinations will be made in the remaining 9 months of the test period if the results of the first special examination indicate that a follow-up examination is needed.
3. Wherever possible, compliance examiners will be selected from the System's commercial bank examination force. They will be given special training, including attendance at Consumer Affairs Schools conducted at the Board to educate examiners in consumer credit protection law requirements. Special compliance examiners not drawn from the commercial examiner force will have training also in commercial examination.
4. Generally, compliance examinations will be conducted concurrently with commercial examinations, but the Reserve Banks may make exceptions in certain circumstances.
5. Manuals explaining the laws and regulations cited above have been developed and will be used by the compliance examiners.
6. Compliance examiners will be provided with special checklists they are to use to help make their examinations efficient and comprehensive.
7. The compliance examiners will make use of special instructions in connection with sampling of loan files, reporting of violations and correction of violations, reimbursement of overcharges and rating banks for compliance with the consumer credit protection laws and regulations listed above. These instructions include directions for actions to be taken in the various types of violations noted above (violations involving overcharges, discrimination and other types of violations).
8. A special examination report to incorporate compliance examiners' findings has been developed, including pages for each consumer law and regulation covered by the compliance examination program. A copy of this report is to be transmitted to the board of directors of the State member bank examined, with a copy to the Federal Reserve Board's Division of Consumer Affairs. A report summary form has also been developed to be sent to the Board's Division of Consumer Affairs.

The educational and advisory service described above will be made available by this Bank to national banks, as well as to State member banks, in this District. Requests for this service, and any questions concerning the Consumer Compliance and Education Program, should be directed to Edward F. Kipfstuhl, Manager, Consumer Affairs and Bank Regulations Department (Tel. No. 212-791-5910).

PAUL A. VOLCKER,  
*President.*