

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 8114]
May 12, 1977]

PROPOSED INTERPRETATION OF REGULATION B
Federal and State Special Purpose Credit Programs

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

Following is the text of a statement issued May 10 by the Board of Governors of the Federal Reserve System:

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

The Board will receive comment through June 17, 1977.

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 below is the text of the Board of Governors' proposed interpretation and announcement. Comments on the proposal should be submitted by June 17 and may be sent to our Consumer Affairs Division.

PAUL A. VOLCKER,
President.

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

EQUAL CREDIT OPPORTUNITY

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.

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 infor-

mation 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 USC 1691(b).

In order to provide guidance concerning the intended coverage of § 202.8(a)¹ of Regulation B, the Board interprets a term used in that section as follows: A credit program is considered to be "expressly authorized

¹ **Standards 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; or

* * *

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.