

FEDERAL RESERVE BANK
OF NEW YORK

AT CIR No 8528
March 1, 1979

**Consumer Affairs and Civil Rights Compliance Program
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 by the Board of Governors of the Federal Reserve System announcing the establishment, on a permanent basis, of an examination and education program to achieve compliance by member banks with consumer protection and civil rights laws and regulations:

The Federal Reserve Board today [February 8] announced an expanded and strengthened program to improve compliance by member banks with consumer protection laws and regulations for which Congress has assigned responsibilities to the Board.

In March 1977 the Board adopted an experimental, nationwide program of this kind. The program the Board has now adopted, on a permanent basis, builds on what has been learned in the two years' operation of the previous compliance program, provides for additional staff resources, particularly in specialized consumer law bank examination and gives added weight to civil rights compliance by banks.

In issuing its Consumer Affairs and Civil Rights Compliance Program the Board said:

The Board believes that any type of discrimination prohibited by the civil rights laws is detrimental to the nation and to society. The Board is convinced that such discriminatory practices by banks are not only illegal but are not in the best interests of the banks, the communities they serve, or the individuals residing in those communities. The Board will investigate thoroughly each complaint of discrimination it receives regarding a State member bank as well as any indication of noncompliance revealed during an examination of a State member bank. In any instance of unlawful discrimination, the bank will be accountable for appropriate remedies and penalties as provided for in the applicable laws and will be required to take prompt action to correct the violation.

As a key part of its compliance program, the Board authorized continuation of the Educational-Advisory Service Federal Reserve Banks have been operating during the past two years. This involves visits by Federal Reserve examiners, at the request of a member bank, to educate the bank's personnel in consumer credit protection laws and regulations, and the responsibilities of banks under civil rights laws. From April 1977 through 1978 personnel from Federal Reserve Banks conducted 1,224 Educational-Advisory Service visits to member banks. "This service presents the System with a unique opportunity and means by which to enhance its effectiveness in the area of consumer credit and civil rights," the Board said. The Reserve Banks reported that the service was well received, regarded as a valuable means of instruction and as an effective tool to help banks help themselves to comply with their consumer credit protection and civil rights responsibilities.

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Other main elements of the Federal Reserve compliance program are:

- Specialized Consumer Affairs and Civil Rights Compliance Examinations, by specially trained examiners.
- Dissemination of a Compliance Handbook intended particularly for the education of banks and for the use of examiners, but to be generally available. This will delineate the consumer laws and regulations to be complied with, describe examination and investigative procedures, and give instructions to examiners on how to proceed in initiating corrective action.
- Adjustment of the frequency of special consumer affairs and civil rights examinations, so that State member banks with the highest ratings are examined less frequently.
- Continued development of an expert staff of Federal Reserve bank examiners, specializing in consumer affairs and civil rights law, trained mainly in schools conducted by the Board.
- Strengthened and specialized arrangements for handling complaints, with emphasis on investigative follow-up to complaints of a serious nature such as those alleging unlawful discrimination in the extension of credit.
- Operation of the compliance program through senior officials at Reserve Banks. A compliance section of the Board's Division of Consumer Affairs will provide information and assistance to the compliance officers of the Reserve Banks, with the objective of providing high quality and uniform assistance to consumers throughout the nation.

Copies of a description of the compliance program may be obtained from our Consumer Affairs Division (Tel. No. 212-791-5919).

PAUL A. VOLCKER,
President.