

**FEDERAL RESERVE BANK  
OF NEW YORK**

[ Circular No. 9516  
June 27, 1983 ]

**EQUAL CREDIT OPPORTUNITY  
Review of Regulation B**

*To All Depository Institutions, 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:

The Federal Reserve Board has announced that it intends to review its Regulation B, Equal Credit Opportunity. The Board asked for comment to assist it in the review by August 30, 1983.

The Board's review of Regulation B is part of its Regulatory Improvement Project. Under this project, the Board is reviewing and revising all its regulations to update them, simplify their language and eliminate obsolete or unneeded language or provisions.

Although the Board expects to review Regulation B thoroughly, it is contemplated that the principal purpose of revisions, if any, will be to update the regulation. The Equal Credit Opportunity Act has not been amended. Therefore, the Board does not expect extensive changes similar to the revisions of Regulations Z (Truth in Lending) and C (Home Mortgage Disclosure), which were totally revised to implement substantial statutory amendments.

In the revision process, the Board also wishes to lighten the burden of compliance, while preserving the consumer protections mandated by the Act.

The Board is soliciting comment on the issues identified in the attached notice as well as on any other issues of concern to commenters.

Printed on the following pages is the text of the Board's notice in this matter. Comments thereon should be submitted by August 30, 1983 and may be sent to our Regulations Division.

ANTHONY M. SOLOMON,  
*President.*



FEDERAL RESERVE SYSTEM

12 CFR Part 202

[Regulation B; Docket No. R-0473]

EQUAL CREDIT OPPORTUNITY

Notice of Intent to Review Regulation;  
Request for Comment

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Notice of intent.

SUMMARY: The Board is undertaking a review of Regulation B, Equal Credit Opportunity, pursuant to the Board's policy of reviewing all of its regulations every five years. The Board plans to review Regulation B to consider whether the regulation can be simplified or clarified to carry out more effectively the purposes of the Equal Credit Opportunity Act without diminishing the consumer protections contained in the Act and Regulation B. In order to gather information needed for this review and to ensure the participation of interested parties at the beginning of the review, the Board is soliciting comment on the issues identified below as well as on any other issues of concern to commenters. The Board contemplates publishing any specific proposed revisions to the regulation later in the year.

DATE: Comments must be received by August 30, 1983.

ADDRESS: Comments may be mailed to William W. Wiles, Secretary, Board of Governors of the Federal Reserve System, Washington, D. C. 20551, or delivered to Room B-2223, 20th and Constitution Avenue, N.W., Washington, D. C. between 8:45 a.m. and 5:15 p.m. Comments may be inspected at Room B-1122 between 8:45 a.m. and 5:15 p.m. All material submitted should refer to Docket No. R-0473.

FOR FURTHER INFORMATION CONTACT: Lucy Griffin or John Wood, Senior Attorneys, Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, Washington, D. C. 20551 (202-452-2412).

SUPPLEMENTARY INFORMATION: In its policy statement regarding expanded rule-making procedures, adopted in January 1979 (44 FR 3957), the Board of Governors of the Federal Reserve System committed to review its existing regulations at least once every five years. Under that policy, the Board is now undertaking a review of Regulation B (12 CFR Part 202), its regulation implementing the Equal Credit Opportunity Act (15 U.S.C. 1691 et seq.).

Although the Board expects to review the regulation thoroughly, it is contemplated that the principal purpose of revisions, if any, will be to update the regulation. The Equal Credit Opportunity Act has not been amended. Therefore, the Board does not expect extensive changes similar to the revisions of Regulations Z (Truth in Lending) and C (Home Mortgage Disclosure), which were totally revised to implement substantial statutory amendments.



The Board is seeking public comment generally on ways in which burdens imposed by the regulation can be eased without removing the protections against discrimination, and on whether the regulation's guidance to creditors on how to comply with the act can be simplified. In addition, the Board also seeks comment on whether the regulation should be modified to identify and prohibit discriminatory practices more effectively.

Board staff has already begun an in-depth review of the regulation, its operation, and relevant material. Comment is requested on any issues which commenters believe are worthy of review. In the initial phases of this review, staff has identified the following technical issues on which public comment would be helpful:

- (1) Sample notice form. Regulation B contains a sample form for use in providing reasons for adverse action and states that the sample form, if properly completed, satisfies the adverse action notification requirement (Section 202.9(b)(2)). Information available to the Board indicates that there has been confusion and resulting misuse of the sample form for providing reasons for adverse action. Should changes be made to the sample notice? Should the regulation contain more than one sample notice? What reasons for adverse action should be added or deleted?
- (2) Credit history information. Prior to the Equal Credit Opportunity Act, many women had no credit history as creditors routinely reported the history of joint accounts in the husband's name only. As a result, when women sought credit in their own name, they were often turned down because there was no history reported in their name. Regulation B currently requires creditors to consider information offered by the applicant pertaining to credit history shared with a spouse, but does not specify whether or not creditors may require that the information offered by the applicant be in a certain form or from a source acceptable to or chosen by the creditor (Section 202.6(b)(6)). Does the regulation sufficiently protect the applicant who must verify or establish a credit history, or should the regulation be revised to more specifically identify under what circumstances and to what extent information offered by the applicant should be considered by the creditor?
- (3) Adverse action notices. The regulation defines completed applications (Section 202.2(f)) and requires creditors to make a reasonable effort to notify an applicant if an application is incomplete and allow the applicant a reasonable opportunity to complete the application. The regulation requires creditors to notify applicants within 30 days of taking adverse action on an incomplete application (Section 202.9(a)(1)(ii)). The regulation excuses the creditor from providing this notice if the application is deemed withdrawn but restricts this exception to one situation -- when the parties contemplate that the applicant will inquire about the application's status and the applicant



fails to do so (Section 202.9(d)). Should the regulation include other circumstances in which an application can be treated as withdrawn for purposes of determining whether an adverse action notice must be sent to the applicant?

- (4) Open-end credit reapplications. To protect the rights of account holders upon divorce or the death of a spouse, Regulation B generally prohibits creditors from taking adverse action on an open-end account because of a change in marital status. Creditors are permitted to require a reapplication on an open-end account on the basis of a change of marital status where the credit granted was based on the spouse's income and the applicant's income alone was unable to support the current amount of credit extended (Section 202.7(c)(2)). Are account holders able to maintain their accounts after a change in marital status? Does the creditor's reconsideration usually result in denial? Should the regulation provide procedures for creditors to follow when requiring a reapplication on an open-end credit account under section 202.7(c)(2)?

- (5) Authorized user of open-end credit. For open-end credit, the regulation distinguishes between account holders who are contractually liable and those who are merely authorized users. (See, for example, Sections 202.7 and 202.10.) The regulation defines contractually liable (Section 202.2(i)), but does not define authorized user. Contractually liable account holders are protected against reapplication requirements, change in terms, or termination of the account on the basis of age, retirement, or a change in marital status whereas authorized users are not (Section 202.7(c)). Should the regulation maintain the distinction between account holders who are contractually liable and those who are authorized users? Should the regulation define authorized user, or should the definition of contractually liable be revised? Are these concepts properly applied in Section 202.7(c)?

The Board will review the issues and information offered by commenters responding to this request, and conduct its own research on legal, economic, operational and other issues and data as they relate to Regulation B. Based on this analysis, the Board contemplates that it will identify and publish for public comment any proposed changes to Regulation B later in the year.

Board of Governors of the Federal Reserve System, June 14, 1983.

(signed) James McAfee

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James McAfee  
Associate Secretary of the Board