

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 9647
March 1, 1984]

COMMUNITY REINVESTMENT ACT

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

The following statement was issued by the Board of Governors of the Federal Reserve System:

The Federal Reserve Board has announced a series of steps, based on recommendations from its Consumer Advisory Council¹ to strengthen enforcement of the Community Reinvestment Act.

In sending its report to the Council's chairman, the Board said:

The Federal Reserve has completed its review of the Consumer Advisory Council's study on the Federal Reserve's implementation of the Community Reinvestment Act and has taken actions to carry out most of the Council's 50 or so recommendations. A good many of the Council's recommendations suggested improvements that could be instituted by the Federal Reserve staff without official Board consideration, and others suggested continuing existing Federal Reserve programs. In both cases the Board's staff has taken appropriate action to ensure the implementation of Council suggestions. The Board of Governors has noted these staff responses.

Several Council suggestions, however, required Board review and were considered at the Board's January 25, 1984 meeting.

Principal actions by the Board (other than those previously announced concerning procedures for processing bank and bank holding company applications) are reported below.²

The Council suggested development by the Federal Reserve System of improved means for detecting lender practices that illegally discourage loan applications.

The Board:

- In the interest of developing a unified system, invited other financial supervisory agencies to join in a review of systems used in gathering information on the race, national origin, sex, marital status and age of applicants for credit.
- Left open for future consideration proposed adoption of an automated or computerized system for analyzing data derived from applications.
- Decided against the routine use of "testers"³ in examining for illegal credit discrimination by State member banks. However, when there is a strong suspicion of possible discrimination at an institution, the Reserve Bank will report the facts and consult with Board staff to determine if using testers is appropriate.

1. The Consumer Advisory Council, established by Congress at the request of the Federal Reserve Board, is composed of 30 members, representing a broad range of consumer and creditor interests. It meets several times yearly with the Board to counsel the Board on its responsibilities under the Consumer Credit Protection Act.

The Board announced on January 31 a number of amendments to its procedures for bringing applications involving banks and bank holding companies to public notice and for handling protests. These amendments incorporated most of the Council's recommendations in these fields that were included in the Council's review of the Board's implementation of CRA. The previously announced Board and staff responses to the Council's recommendations with respect to these application procedures are included in the overall responses made public by the Board, but are not repeated in this release.

2. The Board also considered, but decided not to pursue, Council recommendations regarding revision of the CRA rating system and the CRA Statement. These recommendations are set forth in its Report.

3. Testers might approach a lending institution by telephone, or in person, for the apparent purpose of applying for credit, but in fact to determine whether the institution discriminates against some applicants, such as women or minorities.

(OVER)

The Council suggested that changes should be made to define clearly the responsibilities of Community Affairs Officers (CAOs) at the Reserve Banks so as to ensure more consistent CRA implementation nationwide; that the Board should make greater efforts to see to it that CAOs are carrying out their duties, and that the Board should devise a system for measuring the effectiveness of CAO activities.

- The Board accepted the first two of these recommendations, but decided that the third is not compatible, at this time, with the nature of the CAO's role. However, future development of such a system was not ruled out.
- The Board is developing, in consultation with the Reserve Banks, a Systemwide statement of Community Affairs Officer activities and responsibilities, and beginning in 1985 will require annual operations reviews of this activity.

The Board staff responded affirmatively to a number of Council recommendations in the field of bank examination procedures. These include giving special guidance to examiners in how to conduct examinations of both small rural institutions and large wholesale banks, sharing of information among examining agencies, broadening the range of organizations that examiners interview (with increased emphasis on contacts with community-based and minority groups), encouraging lenders to maintain written loan policies, and development of materials that examiners can use to discuss, with bank management, bank participation in programs affecting small and minority businesses and local community development.

The staff also noted that the System's affirmative action program meets recommendations of the Council regarding a special recruitment effort for hiring Federal Reserve consumer compliance examiners; other System programs meet recommendations concerning recruitment, career training and development in the System. The Reserve Banks will continue to emphasize consumer compliance examination as an integral part of their regulatory activity. The staff also responded affirmatively to a number of other recommendations by the Council regarding consumer compliance examiners and examination.

Further, staff responses indicated agreement with Council recommendations concerning the activities, responsibilities, training and relationship of CAOs to examiners in the area of community development, and for giving priority to the community affairs functions of the CAOs. It was noted that the responsibilities of CAOs include the development, as recommended by the Council, of community profiles and other credit-related data analyses to assist examiners in evaluating the performance of banks under CRA.

A copy of the Board's report, which was submitted to the Consumer Advisory Council on February 3, will be furnished upon request directed to the Circulars Division of this Bank (Tel. No. 212-791-5216). Questions regarding the report may be directed to our Office of Community Affairs (Tel. No. 212-791-5912).

ANTHONY M. SOLOMON,
President.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

PAUL A. VOLCKER
CHAIRMAN

February 3, 1984

Mr. Willard P. Ogburn
Chairman
Consumer Advisory Council
Eleven Beacon Street
Boston, Massachusetts 02108

Dear Will:

I am happy to report to the Council about Federal Reserve actions that are being taken to enhance our community affairs and civil rights program. Many of these actions (a summary of which is enclosed) are in response to the Consumer Advisory Council study on the Federal Reserve System's implementation of the Community Reinvestment Act.

When I asked the Council to undertake this review in the spring of 1982, I was confident that a comprehensive evaluation would be made. And, indeed, the Council's study provided us with valuable first-hand observations about the operation of our program and identified areas where improvement was believed possible. In covering all aspects of CRA implementation, the Council's report shows a great deal of thought and effort, as well as an appreciation for the difficult challenges we face in carrying out community reinvestment objectives. For these insights I am especially grateful.

I understand that the Council at its March meeting will receive an oral briefing on the steps we have taken, which will provide an opportunity for full discussion.

Again, I want to convey my personal appreciation for a job well done.

Sincerely,

A handwritten signature in cursive script, reading "Paul A. Volcker", is written below the word "Sincerely,".

Enclosure

[Ref. Cir. No. 9647]

February 3, 1984

RESPONSE TO CONSUMER ADVISORY COUNCIL RECOMMENDATIONS ON
THE FEDERAL RESERVE'S IMPLEMENTATION OF THE COMMUNITY REINVESTMENT ACT

The Federal Reserve has completed its review of the Consumer Advisory Council's (CAC) study on the Federal Reserve's implementation of the Community Reinvestment Act (CRA) and has taken actions to carry out most of the Council's 50 or so recommendations. A good many of the Council's recommendations suggested improvements that could be instituted by the Federal Reserve staff without official Board consideration, and others suggested continuing existing Federal Reserve programs. In both cases the Board's staff has taken appropriate action to ensure the implementation of Council suggestions (Attachment A). The Board of Governors has noted these staff responses.

Several Council suggestions, however, required formal Board review and were considered at the Board's January 25, 1984, meeting. These included issues relating to three recommendations made by the Consumer Advisory Council in the area of procedures for CRA examinations, and to three recommendations for enhancing the functions carried out by Community Affairs Officers (CAOs) at each of the Reserve Banks. The Board also considered a number of recommendations made in the area of applications procedures in conjunction with a staff review that was taking place during the CAC study. Many of the staff recommendations coincided with those of the Council.

Each Council recommendation is listed, with the Board's action summarized in bulleted paragraphs.

Bank Examination Procedures

1. The System should develop improved methods and data for detecting practices designed to discourage loan applications from minorities and other persons in protected classes, giving specific consideration to methods such as, but not limited to, automated data collection systems, written loan applications, and use of testers.

- The Board has invited other financial supervisory agencies to join in a review of the systems used by each of the agencies to gather information on the race/national origin, sex, marital status and age of applicants for credit. These data are used by the agencies to monitor compliance with the Fair Housing Act and the Equal Credit Opportunity Act. The agencies have evolved similar but differing systems and the Board determined that the time may be appropriate to seek to devise a unified data collection system which would reduce burden to creditors while supplying useful information to the agencies' examiners. The Board approved sending a letter to the other financial supervisory agencies requesting their participation in a review of the various systems (Attachment B).

- The Board decided not to reject the adoption of an automated or computerized system to analyze applications data but left the matter open to future consideration.
- The Board determined that it is not necessary at this time to implement a general program of using "testers" as a routine part of the System's examinations for credit discrimination. The Board believes, however, that using testers in certain circumstances as part of the credit discrimination examination is appropriate when an examination indicates a strong suspicion of possible illegal discrimination. The Reserve Banks will report the facts of the situation to the Board's staff for consultation as to whether those facts warrant using testers to obtain information about the absence or presence of illegal discrimination.

2. The present rating system, which has only two passing grades, should be revised to permit examiners to distinguish adequately among: (a) banks with a barely passable CRA record, (b) those doing a good job, and (c) those doing an excellent job.

- The present Interagency CRA Rating System is used by examiners to assess a bank's performance in helping to meet the credit needs of its community. The Board was informed that the rating system is adequately performing the task for which it was designed -- to summarize the findings of the examination and to indicate to the supervisory agency whether supervisory attention is needed. Based in part upon that information, the Board decided that no change should be made in the rating system.

3. The CRA Statement should be revamped to make it a more useful instrument of public disclosure. The Board should attempt to improve the Statement, even though the task of achieving concurrence with other federal regulatory agencies on proposed changes might be time-consuming. The Board should also consider other kinds of information that could be disclosed to the public in order to improve public understanding of the CRA examination and supervisory activities of the agencies.^{1/}

- After being advised that a recent attempt to raise a similar CRA issue in a staff task force of the Federal Financial Institutions Examination Council was unsuccessful, the Board concluded that raising an issue again at this time would be unproductive.

^{1/} The Board publishes the examination procedures used to assess a bank's performance under CRA. It is also involved with the other agencies in publishing A Citizens Guide to CRA, which explains agency procedures for applications and other matters relating to CRA. This publication is currently being updated.

Community Affairs

1. The Board should more clearly define the priority Reserve Banks should give to CAO [Community Affairs Officer] activities to facilitate and ensure more consistent CRA implementation nationwide.

- The Board accepted the recommendation and has reaffirmed its support for the role of the CAOs at the Reserve Banks. The Board reviewed a list of duties and responsibilities to be carried out by the CAOs and asked that it be submitted to the Presidents of the Reserve Banks for their comments. Upon receipt and analysis of the comments, a final list of responsibilities will be forwarded to the Reserve Banks by the Board.

2. The Board should make greater efforts to see that the duties it has set for CAOs are being carried out.

- The Board determined that the CAO function will be subject to the Board's Operation Review procedure beginning in 1985.

3. A system for measuring the CAO's impact on banks and citizens should be developed to ensure the correction of deficiencies and the use of effective techniques.

- The Board determined that such a system is not compatible with the nature of the CAOs' role at the present time, but did not rule out the development of such a system at a later date.

Applications Procedures

Amendments to the procedures for processing applications incorporate the following recommendations made by the CAC:

1. Adopt a revised newspaper notice of applications, published in "plain English" and including a statement that one of the factors the Board considers in acting on applications is the performance of banks concerned in the application in helping to meet local credit needs.

- A model "plain English" newspaper notice of an application will be used and the Community Affairs Officer of the Reserve Banks will be designated as a source of further information. Newspaper notices will include a statement that in acting on applications one of the factors the Board considers is the performance under CRA of banks involved in the application.

2. Explore ways in which Reserve Bank weekly bulletins noting applications newly received can be made more informative.

- An expanded uniform format has been developed and will be used for the weekly bulletin published by the Reserve Banks detailing applications received during the preceding week. This notice will include reference to laws and regulations governing the processing of applications, identifying Reserve Bank personnel (Community Affairs Officer) who can provide further information, and list available publications concerning CRA.

3. Publish a comprehensive document consolidating publications relating to CRA and additional information on factors the Board considers in evaluating applications under CRA.

- The Board will work with the Federal Financial Institutions Examination Council to update the Council's publication A Citizen's Guide to CRA and will publish a summary reflecting current Board positions on CRA factors.

4. Formalize procedures for notifying protestants of the Board's decision on a protested application and take steps to explain the decision.

- The Board will amend its Policy Statement to formalize notification of protestants of decisions on protested applications.

5. Make special efforts to provide protestants with an explanation of an analysis of data relating to a protest.

- Federal Reserve personnel will be prepared to furnish protestants with an explanation of how data have been analyzed in a variety of protests and provide a sampling of relevant Orders and other material.

As part of the study, the Council's CRA Review Committee discussed, but did not reach consensus on, whether the Federal Reserve's standards for holding public hearings or meetings are adequate. Partially as an outgrowth of this discussion, the Board has adopted a revised policy statement for applications processing -- enhancing the use of private meetings and streamlining the procedures for public meetings in protested applications.

In addition, although some members of the Council's CRA Review Committee had verbally expressed support for the use of a "postmarked" standard by the Board to determine the official date of receipt of comments on an application, the Board believes upon consideration that a "received" basis is the better standard to use. However, the Board has also made it clear that extensions of the comment period from the Secretary's Office are available when there is just cause. Requests for extensions may be made in writing or by telephone to the Secretary's Office prior to the expiration of the comment period.

CONSUMER ADVISORY COUNCIL RECOMMENDATIONS AND DCCA STAFF RESPONSES

Development of Compliance Personnel

1. Federal Reserve Banks should recruit specifically for the position of consumer compliance examiners, and should place greater emphasis on recruiting from colleges and universities within the Federal Reserve Districts in which they are located and from minority institutions in any location, with special attention to recruiting women and minorities.

- The System has implemented an affirmative action program covering Board and Reserve Bank personnel, including examiners. This policy requires consideration of the appropriate regions and schools from which to recruit personnel to assure that minority candidates are given the opportunity to realistically compete for available positions.

2. The verbal and analytical skills needed by a good consumer compliance examiner should be identified, and personnel with these skills should be recruited.

- As noted by the report, in 1982 the System developed and implemented a set of educational guidelines for the full performance compliance examiner. That policy emphasizes these qualities.

3. The practice of recruiting more experienced persons, in addition to entry level trainees, should be continued, and the flexibility of offering competitive salaries to attract more experienced personnel maintained.

- The relevant experience of applicants for compliance examiners positions is one factor in deciding which among several candidates to hire. Reserve Bank managers have frequently expressed interest in attracting experienced personnel but have often had trouble locating such people who are available to accept the position. The interest in attracting experienced people remains high and there have been several notable successes in the last two years.

4. Consumer compliance examination departments must continue to develop a distinct compliance examiner career path.

- The specialized career path of the compliance examiner has been an important feature of the program since its inception. There are no plans to change that policy.

5. Reserve Banks should continue the effort to build the image of the compliance examination as an integral part of bank regulatory activity.

- Having a separate compliance examination program has helped Reserve Banks to highlight the importance of the work of these examiners, particularly through the System's educational/advisory service which has been praised by many bankers as a highly professional and useful service.

6. Premium pay programs, which reward examiners for accumulated travel nights, should be continued and extended to include more examiners. Rotation schedules that give examiners respite from travel with stretches of time in the Reserve Bank should be continued.

- Premium pay programs have been initiated by Reserve Banks in response to identified needs in the Bank Examination departments. During operations reviews of the Bank Examination function at the Reserve Banks, the review teams (including members of DCCA's Compliance Section) examine the possible need for such programs based upon their analysis of the particular situation. Staff will continue to recommend those programs which address specific needs.

- Recent reviews have also found many of the Reserve Banks experimenting with and implementing programs for rotating examiners into the Reserve Bank for extended periods. Staff expects this trend to continue consistent, of course, with the needs of the Reserve Banks to complete their examinations. Further, the Board's staff is presently reviewing the possibility of developing a program to enable more of the examination steps to be done in the Reserve Bank. If this proves to be possible it should result in less travel for examiners.

7. Reserve Banks' Community Affairs Officers (CAOs) should participate in the training of examiners. In Reserve Banks in which the CAO is located in a different department from the examination staff, special efforts are needed to make certain that such participation exists.

- Staff agrees that the CAOs should participate in the training of examiners as they do in eight Reserve Banks where the CAO is in charge of the compliance function. Staff has taken steps to encourage this activity at the other four Reserve Banks.

8. Trainees should study regulations in the context of their application to examination workpapers and by observing their use in bank examinations.

- The 1982 policy on examiner education addresses this recommendation as it offers a full menu of educational activities new examiners can anticipate as part of their training. This includes formal training programs as well as hands-on work training in the banks using the workpapers and other prescribed examination tools. Of necessity, however, all of the steps in the training program cannot be accomplished at once, but must be done in a logical order that both challenges and assists the examiners.

9. They [new examiners] should receive more guidance during in-house training than they are presently given. As an initial experience, reading regulations alone in a room is not enough.

- Staff agrees and would reemphasize that the System policy offers a full course of training over time. Some reading of the regulations, however, is unavoidable. However, the in-house training programs of many of the Reserve Banks have become more systematized in recent years and the Board has developed video-taped lectures that can be used in the Reserve Banks by examiners to explain some of the material in the regulations.

10. They [new examiners] should be included in all aspects of the examination process including wrap-up discussions, meetings with the Community Affairs Officer on community contacts, and in community outreach activities.

- Staff's reviews of the Reserve Banks indicate that steps in these directions have been made and that Reserve Bank's management is aware of the need for well rounded experience. Consequently, more Reserve Banks are attempting to give examiners various experiences consistent, of course, with the examiner's own abilities and the need to complete the examination. In smaller banks such involvement is often unavoidable since, typically, there are few examiners in the bank and all aspects of the examination must be accomplished.

11. For variety in assignments and the chance for learning opportunities, trainees should accompany senior examiners on work assignments whenever possible.

- Staff believes it is every Reserve Bank's policy to require new examiners to undergo a period of tutelage with close supervision by more experienced examiners. This system forms the basis not only for giving well rounded experience, but also for control of the examination and determining when an examiner is ready for more responsibility. In recent years these systems, in several Reserve Banks, have become much more formalized.

12. When examiners on rotational assignment are in the [Reserve] Bank, they should serve as teacher-consultants to new trainees.

- Staff believes this is becoming a much more prevalent practice at the Reserve Banks. For example, some Reserve Banks are giving younger examiners more responsibility for preparing portions of the reports. Of course, these efforts must take into account the overriding objective of completing examination analyses and reports on time and in a high quality fashion.

13. When possible [Board] training should be scheduled for a time when trainees have had some exposure to actual bank examinations but before they are so familiar with compliance regulations and examinations that the instruction is simply a review.

- The System compliance examiner education policy attempts to meet this goal by targetting its curriculum toward the examiner with about 3-6 months' experience. By holding two basic examiners' schools in 1983 (with 2 planned in 1984), staff believes its goal and the Council's recommendation was largely met.

14. Trainees who have had little or no field experience should receive supplemental support.

- Staff believes there is growing awareness of this need among Reserve Bank managers and concrete actions have been taken to offer this support.

15. The selection of trainers should be based in part on their demonstrated teaching skills.

- Instructors are chosen based on their experience level as well as their ability to teach. Any staff member from DCCA or the Reserve Banks who does not have demonstrated teaching experience is sent to the FFIEC's Instructor Training School prior to instructing at Board schools.

16. These instructors should receive notice of topic assignments early enough to prepare adequately.

- The teaching assignment system used in the basic school, and soon to be introduced in the advanced school, help insure that instructors are able to improve their performance on assigned portions of the curriculum by repeating their assignment from one school to the next. New instructors are generally offered the opportunity to observe one session before being given a full teaching load. Board staff endeavors to distribute new materials as early as possible to give instructors sufficient time to prepare.

17. The mock bank examination should be restructured to be more coherent and more smoothly paced; it should also not be confusing and contain a more realistic number of violations.

- The mock examination is reevaluated after each school to ensure that it reflects conditions likely to be encountered during examinations and to otherwise make it more useful. Changes have been made that address the Council's concerns.

18. The amount of material covered in the school should be reduced or the length of training increased.

- Another level of Board training was begun in 1983 for compliance examiners with 18 to 24 months of experience. The Board training course for beginning examiners will be adjusted once more due to the deregulation of deposit interest rates and the simplification of Regulation Q. The additional time gained from moving some instruction to the advanced school and from restructuring the Regulation Q lesson plan will allow more time for increased training in the CRA and civil rights area.

19. The Resident Examiner program should be continued.

- Current plans are to continue the program as it has proven to be well received and useful.

Bank Examination Procedures

1. The Board should modify its materials to give greater guidance to examiners doing CRA exams of small rural institutions and, at the other extreme, of wholesale banks.

- Staff has begun to enhance our material on special situations involving rural areas and wholesale operations and will continue to try to improve our programs of instruction at Board consumer compliance schools.

2. The Board should encourage examining agencies to share information (e.g., lists of useful community contacts and data concerning community needs), particularly for rural areas.

- The Board has initiated this type of encouragement to the FFIEC in the past. A considerable amount of such interagency cooperation is taking place in some regions of the country. Staff will, however, address it once more for FFIEC consideration and action.

3. The Board should ensure that examiners interview a broader range of organizations, with increased emphasis on contacts with community-based groups and minority organizations.

- Staff will re-emphasize to examiners that they should strive to increase existing contacts with community-based organizations and civil rights groups.

4. Reserve Banks should develop more systematic procedures for maintaining information that is obtained in interviews.

- Staff will work with the Reserve Banks to examine the need for a systemwide procedure and, if one is needed, it will be developed. A monthly report to the Board on outside contacts that has already been instituted should provide a ready vehicle for doing so.

5. Lenders should be required to maintain written loan policies for all types of credit they offer.

- Examiners frequently encourage State member banks to adopt and maintain written loan policies as an effective tool for internal bank control. To assist in encouraging institutions in this matter staff will consider developing a compliance aid for examiners to provide to bank management in appropriate circumstances.

6. Since the CRA examination requires more subjective ratings than other examinations special attention should be given to on-the-job training. Examiners not only need to be competent, but also should have sufficient self-confidence to make the judgments required for meaningful ratings.

- Staff concurs. Staff will work with Reserve Bank staff to provide more training assistance to examiners regarding CRA ratings.

Such training is already supplied in the basic compliance examiners school. In addition the advanced compliance school has been instituted since the CAC review was begun and CRA subjects, including the rating system, are taught at some length. One very successfully implemented new aspect of the school is a CRA case study designed by personnel from one of the Reserve Banks that draws upon an actual case history.

7. The Federal Reserve should publicize its willingness to deal with individual [CRA] complaints.

- Staff is coordinating the preparation of an updated version of A Citizen's Guide to CRA which will contain an explicit statement that the System is willing to deal with individual complaints related to CRA.

8. The Board should develop more descriptive materials and specialized training for examiners on federal, state and local credit-related programs especially those assisting small and minority businesses and on local community development programs in which banks may participate.

- Staff has begun to enhance its training activities for examiners on various credit-related programs and is undertaking further efforts in this area by creating special advanced seminars, (some of which will be directed toward credit-related programs) for senior examiners. The Board has established a periodic newsletter, "Communi-que", for community affairs personnel within the System devoted in great part to explanations of existing programs and how banks can involve themselves in these programs. Staff has provided a number of specialized publications to the Community Affairs Officers at the Reserve Banks during the past eighteen months which have assisted the CAOs in providing timely information to member banks about some credit-related programs. Staff will seek to continue to provide timely and pertinent material to the CAOs and will encourage all the CAOs to develop material from their own districts in addition to providing training sessions for examiners at the Reserve Banks.

Community Affairs

1. The CAC recommends that Reserve Bank CAOs participate in examiner training, in preparing materials for examiners on community development programs, and in acting as a source for community outside contacts. These recommendations highlight that in cases in which the CAO is not located in the Consumer Affairs section, the Board be sure this relationship between the examiners and the CAO be maintained.

- The Board has stressed this relationship in its CAO visitation program and will do so in its Operations Review of the function.

2. The CAC recommends that the Board provide specialized training for examiners in the area of community development.

- The Board's Community Affairs Coordinator instructs examiners in the Advanced Consumer School on this subject. In conferences scheduled to be held for Senior Examiners, community development programs will be part of the training program. The Community Affairs Coordinator also instructs examiners at the Reserve Banks upon request.

3. The CAC recommends that the Board communicate the priority it gives to the community affairs function to banks and the general public.

- The new format for the Mini H₂ and the newspaper notice will now include the Community Affairs Officer as the principal contact on CRA matters. Each Reserve Bank has been provided camera-ready copy for the publication of a pamphlet for public distribution on the Community Affairs Officer. The Board's letter to the Presidents and the list of CAO duties will be distributed to national community publications, and the Board's CAO and Community Affairs Coordinator will publicize the priority at the variety of meetings they attend and talks they give throughout the country. Also the new edition of the FFIEC's Citizens Guide to CRA will emphasize the role of the CAO.

4. The CAC also recommends that "the Board encourage Reserve Banks to develop community profiles and other credit-related data analysis to assist examiners in evaluating bank performance" under CRA.

- The list of responsibilities for CAOs points out that the development of community profiles is one way CAOs can become aware of community needs. The Board has developed and distributed to CAOs and Consumer Affairs managers a guide for the development of community profiles. This guide emphasizes that an essential element of any profile is information obtained from the community itself.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

PAUL A. VOLCKER
CHAIRMAN

January 27, 1984

Mr. William Isaac
Chairman
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

Dear Bill:

The Federal Reserve's Consumer Advisory Council conducted a study of our Community Reinvestment Act activities and presented its report on August 19, 1983. A copy of the study was sent to your agency by Governor Nancy Teeters on August 23, 1983.

One of the Council's recommendations was that the Board, as an enhancement to its credit discrimination examination procedures, consider requiring the use of written loan applications to collect data on the personal characteristics (such as race, sex, marital status, and age) of loan applicants. We understand that the Federal Home Loan Bank Board, the Federal Deposit Insurance Corporation and the Comptroller of the Currency have special programs requiring covered institutions to collect these data, whereas our examination program and that of the National Credit Union Administration rely on the availability of data supplied voluntarily by loan applicants as called for by Regulation B, Equal Credit Opportunity. We also understand that some of the agencies' systems are presently being reviewed by the Office of Management and Budget as part of its function of reviewing government programs to try to reduce paperwork and reporting burden on the public.

The Board is presently reviewing Regulation B with the purpose of simplifying its provisions where possible. One concern that has been voiced in the comments received on the proposed revisions is that the existence of the agencies' differing data collection systems causes confusion, especially for holding companies with institutions supervised by two or three supervisory agencies.

Mr. William Isaac

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The Board believes the time is right for the supervisory agencies to review the various data collection systems with the purpose of considering a single system suitable for all creditors. The Board is interested in exploring the idea of developing a uniform loan application data collection system that would supply information for examiners' use. We believe that any burden caused by changing the systems is likely to be minimal while the benefits of a unified system are likely to be welcomed by most creditors.

I invite you to join us in this review. Members of our staff will contact members of your staff to explore the feasibility of this project.

Sincerely,

(signed) Paul A. Volcker