

FEDERAL RESERVE BANK
OF NEW YORK

Circular No. 7704
September 8, 1975

REGULATION B

Revised Proposal for Implementing
the Equal Credit Opportunity Act

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

Printed below is the text of a statement issued September 5 by the Board of Governors of the Federal Reserve System regarding a revised proposal for a new Regulation B--to implement the provisions of the Equal Credit Opportunity Act. The initial proposal was sent to you with our Circular No. 7617, dated April 25, 1975.

The Board of Governors of the Federal Reserve System today issued for comment revised proposed regulations to implement the Equal Credit Opportunity Act, which forbids discrimination by creditors on the basis of sex or marital status.

Comment on the proposed regulation will be received through September 26. The Board anticipates that it may make further revisions in the regulation in the light of the additional comment that is anticipated and in light of subsequent experience in administering the regulation.

The ECOA goes into effect October 28. It makes the Federal Reserve responsible for writing implementing regulations. Compliance will be the responsibility of the Federal Trade Commission, the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Comptroller of the Currency, and nine other Federal agencies. The Act covers all who regularly extend credit to individuals, including banks, finance companies, department stores, credit card issuers and government agencies such as the Small Business Administration.

The Board first published proposed implementing rules--to be called Regulation B--under the new Act on April 23, 1975, and held hearings on May 28 and 29. The revised proposals issued today reflect Board review of comment received thus far.

(Over)

Principal changes from the proposals published previously include:

Retention of records -- (Section 202.9) -- Creditors are required to keep records of a credit application for 12 months after final action on the application (in place of the previous two years). This parallels the limitation in the Act given to credit applicants who claim a violation of the Act.

Keeping accounts in the name of both spouses -- (Section 202.6) -- For accounts established after November 1, 1976, a creditor who furnishes information about an account to a consumer reporting agency or others shall furnish the information in the names of both spouses when both are to use the account. For prior accounts, account holders may request that the account be kept in the names of those contractually responsible for it.

Under the previous proposal the creditor would have been required to maintain records of all accounts, whenever established, in the name of both husband and wife.

Use of courtesy titles -- (Section 202.4) -- The revised proposal does not, as previously, forbid the use by creditors of courtesy titles in addressing applicants (such as Mr., Mrs., Ms., Miss), but provides that the creditor must tell the applicant that the use of courtesy titles is optional.

Information as to childbearing intentions and continued ability to pay -- (Section 202.5) -- The new draft continues to forbid that creditors demand information about childbearing capability or birth control practices, but permits the creditor to request information concerning the probable continuity of an applicant's ability to repay.

Notice of right to equal credit opportunity -- (Section 202.4) -- The new draft regulation adds the requirement that such a notice be included on any written application form used.

The draft regulation also, among a number of other changes:

(Section 202.5) -- Requires notification of an applicant of action upon the application, rather than requiring a statement of reasons for denial.

(Section 202.3) -- Revises the definition of discrimination to mean the treatment of one applicant less favorably than others.

The text of the revised proposal will be sent to you shortly. Comments thereon should be submitted by September 26, and may be sent to our Bank Regulations Department.

PAUL A. VOLCKER,
President.