

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 7890]
June 2, 1976

EQUAL CREDIT OPPORTUNITY

Proposed Amendments to Regulation B Regarding the Furnishing of Credit Information

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

Following is the text of a statement issued May 25 by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System today proposed for comment a clarification of a part of its Regulation B, implementing the Equal Credit Opportunity Act.

The Board invited comment through June 30.

As now written, the Regulation can be interpreted as requiring that credit reporting agencies maintain two separate files for married couples sharing a credit account, and to report credit information twice, once in the name of the husband and once in the name of the wife.

The proposed amendment would eliminate this possible interpretation by amending a section of the Regulation (202.6) to say that creditors should report credit information relating to the shared account of a married couple "in a manner reflecting the participation of both spouses."

Under the existing Regulation and the proposed amendment, a woman who is creditworthy in her own right will be able to establish her own separate file accessible through the use of only her name by opening accounts in her name.

The Board also proposed other conforming changes.

Printed below is the text of the proposed amendments to Regulation B. Comments thereon should be submitted by June 30, and may be sent to our Bank Regulations Department.

PAUL A. VOLCKER,
President.

[Reg. B]

EQUAL CREDIT OPPORTUNITY

[Docket No. R-0038]

Proposed Amendments

The Board is considering several amendments to § 202.6 of Regulation B, Equal Credit Opportunity. This section, which relates to the furnishing of credit information by creditors to consumer reporting agencies, was designed to remove an obstacle that many women encountered in attempting to obtain credit, namely, the lack of a credit history. Traditionally, creditors reported information relating to the accounts of married couples in the husband's name only. Thus, only the husband accumulated a credit history.

Section 202.6 of Regulation B was intended to remedy this situation by enabling married women to develop a credit history. To accomplish this result, § 202.6(a) requires a creditor to determine whether a particular account is one which both spouses will use or for which both will be contractually liable. The creditor must then designate the account accordingly. Section 202.6(a)(2)(i) now provides that when the creditor reports information concerning the account to a consumer reporting agency, it must report the information

"in a manner which will enable the agencies to provide access to information about the account in the name of each spouse."

The Board is concerned that the separate files that would be established for married women under the existing regulation may be incomplete. When credit information about a shared account is reported under the wife's name, it will be placed in her separate file, but the wife's separate file will not contain "undesignated" information about the couple's prior credit experience.¹ The Board believes that the proposed amendment will prevent this occurrence.

Representatives of consumer reporting agencies have informed the Board that in order to provide access to information about a shared account in the name of each spouse, credit information about the account must

¹ Undesignated information is information not specifically attributable to the husband or wife. All existing information currently is undesignated.

be reported twice and two files created, one in the husband's name and one in the wife's name. This duplication of credit information will be costly and may result in an increase in the cost of credit to the consumer. In addition, the requirement to provide access to a file by using either spouse's name may be unrealistic in light of existing technology.

Under either the existing language or the proposed amendment to § 202.6(a), a married woman who is creditworthy will be able to establish her own separate file by opening her own individual accounts.

Section 202.6(b) contains a Notice which creditors are required to mail or deliver to their customers between November 1, 1976 and February 1, 1977. This Notice, which is entitled "Credit History for Married Persons," discusses the traditional practice of reporting credit information in the husband's name only. It explains that if a customer wishes to create a credit history for both spouses, he or she may sign the detachable request form and return it to the creditor.

The Board proposes to amend the Notice to explain more clearly how information about a shared account will be reported if the customer returns the detachable form to the creditor.

In addition, the Notice currently does not explain how a creditor will report information about an account if the customer does not return the detachable form. The Board proposes to amend the Notice to explain that if the customer does not return the form, information regarding the account will be reported the same way it is now reported.

For these reasons, the Board proposes to amend § 202.6 as follows [*proposed changes to the regulation are in italic*]:

SECTION 202.6—FURNISHING OF CREDIT INFORMATION

(a) **Accounts established on or after November 1, 1976.**

* * *

(2) When furnishing information to consumer reporting agencies or others concerning an account designated under this section, a creditor shall report the designation and furnish any information concerning the account:

(i) to consumer reporting agencies, in a manner which will enable the agencies to provide *that information in a way which reflects the participation of each spouse*; and

(ii) to recipients other than such agencies, *in a way which reflects the participation of each spouse.*

* * *

(b) **Accounts established prior to November 1, 1976.**

NOTICE

CREDIT HISTORY FOR MARRIED PERSONS

The Federal Equal Credit Opportunity Act forbids all creditors from discriminating against any applicant on the basis of sex or marital status in any aspect of a credit transaction. Regulations adopted under the Act give married persons the right to have credit information concerning those credit accounts that they hold or use jointly with a spouse reported to consumer reporting agencies and creditors *in a manner reflecting the participation of both the wife and husband*. Accounts of married persons opened before November 1976—even those opened in the names of both spouses—are often reported in only the husband's name. This is generally true regardless of who has been paying the bills or whose income was used to obtain the account. As a result, many married women do not have a credit history in their own names, although their husbands do. If a woman ever needs to obtain credit on her own, for example, when divorced or widowed, a credit history is usually necessary.

If your account(s) with us is a joint account which you share with your spouse or an account(s) in the name of one spouse which the other spouse is authorized to use, you have the right to have credit information concerning your account(s) with us reported *so as to reflect the participation of both spouses*. If you choose to have credit information concerning your account(s) with us reported *in a manner reflecting the participation of both spouses*, please fill in the statement below and return it to us.

Please note that the Federal regulation provides that your signature below will not make either you or your spouse legally liable for any different or greater debts. It will only request that credit information be reported *in a manner reflecting the participation of both spouses in the use and payment of the account(s)*.

NOTE: If you do not return the form below with your instructions or otherwise advise us of your wishes, the credit history information concerning your account(s) will be reported the way it is now reported.

* * *

To aid in the consideration of this matter by the Board, interested persons are invited to submit relevant data or comments. Any such material 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 30, 1976. All material submitted should include the docket number R-0038.

This notice of proposed rulemaking is published pursuant to the Board's authority under § 703(a) of the Equal Credit Opportunity Act (15 U.S.C. 1691b).